BUDGET JUSTIFICATIONS

The United States
Department of the Interior

and Performance Information
Fiscal Year 2009

MINERALS MANAGEMENT SERVICE

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MINERALS MANAGEMENT SERVICE
2009 PERFORMANCE BUDGET JUSTIFICATIONS

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1982-2007

2009 MMS PERFORMANCE BUDGET JUSTIFICATIONS
Director's Preface

The Minerals Management Service (MMS) manages America's offshore energy, mineral and natural resources on the Federal Outer Continental Shelf (OCS). With world energy demand projected to increase nearly 24% by 2030, our Nation's need to increase domestic production of energy resources is emphasized in this budget. Under the management of MMS, the OCS currently provides 27 percent of the Nation's domestic oil production and almost 15 percent of its domestic natural gas production. On the revenue side, MMS collects and distributes on average $10 billion in annual revenues for the Nation, States, and American Indians. MMS plays a vital role in our Nation's effort to be energy secure and economically strong. This budget allows MMS to meet the challenge of developing traditional and nontraditional forms of energy in an environmentally sound manner. It further provides funding so that MMS can more accurately collect and distribute in a timely manner the rents, bonuses, and royalties owed to the people of the United States.

The 2009 MMS budget proposal is $307.1 million in current appropriations, offsetting rental receipts, and cost recovery fees, an increase of $10.3 million above the 2008 enacted budget. This increase funds critical environmental studies and activities in Alaska and the Gulf of Mexico in support of the 2007 – 2012 OCS Leasing Program and funds environmental assessment work necessary to facilitate the development of our offshore alternative energy resources, including wind, wave, and ocean current energy. The request for direct appropriations is $160.4 million. Offsetting rental receipts and cost recoveries are estimated to be $146.7 million in 2009.

These are exciting and critical times for MMS and the Nation, as we take on new challenges and directions in offshore resource management and leasing, alternative energy development, and enhancement of revenue collection and auditing procedures and systems. MMS has major financial responsibilities in the implementation of the 2007-2012 OCS Oil and Gas Leasing Program, continuing program development under the Energy Policy Act of 2005 (including the Coastal Impact Assistance grants program), and continued implementation of the Gulf of

Mexico Energy Security Act of 2006. The MMS request will fund fixed cost increases in the amount of $6.8 million to maintain core program capabilities. It also provides additional resources for the minerals revenue management program to improve audit and compliance review processes and to implement system enhancements for the Minerals Revenue Management Support System (MRMSS). These increases will complement our ongoing efforts to ensure the accurate and timely collection and distribution of royalties required by Congress and to implement recommendations of the Government Accountability Office and the Department of the Interior's Inspector General.

This budget redirects existing resources to make us more efficient, and provides for important new leasing and energy management activities that are essential to America's energy supply, including enhancing our domestic production of oil and gas and the permitting of offshore wind, wave and current projects. Overall, the budget provides for $14.3 million in program increases. Offsetting reductions in base funding total $10.7 million, reflecting the completion of certain systems work, the completion of development funding for the OCS Connect system, and other anticipated savings through better use of technology.

All of our programs are targeted to ensure that the public receives the maximum benefit from America's OCS resources and Federal mineral revenues. The national goals of greater energy security and lessened dependence on foreign oil are key factors in shaping this budget proposal. As we move forward in the new century, improving the Nation's management of OCS lands and ensuring appropriate and accurate collection and disbursement of mineral and energy revenues will remain our top priorities.

FY 2009 PERFORMANCE BUDGET ESTIMATE

Minerals Management Service

General Statement

Table 1: Summary of MMS Budget Request

Budget Authority ($000)	2007 Actual	2008 Enacted	2009 President's Request	2009 Change from 2008
ROMM Appropriation	152,612	154,750	154,270	-480
Oil Spill Research Appropriation	6,903	6,303	6,123	-180
Offsetting Rental Receipts	116,802	123,730	133,730	+10,000
Cost Recovery Fees 1/	11,928	12,000	13,000	+1,000
Total Discretionary Budget Authority	**288,245**	**296,783**	**307,123**	**+10,340**
Payments to States 2/	1,913,104	2,191,132	2,706,661	+515,529
Geothermal, Payments to Counties 3/	4,360	9,300	0	-9,300
Coastal Impact Assistance Program	250,000	250,000	250,000	0
Total Mandatory Budget Authority	**2,167,464**	**2,450,432**	**2,956,661**	**+506,229**
Total Budget Authority	**2,455,709**	**2,747,215**	**3,263,784**	**+516,569**
Total Direct FTE 4/	1,480	1,485	1,495	+10
Total Reimbursable FTE	120	120	120	0
Total FTEs 5/	**1,600**	**1,605**	**1,615**	**+10**

1/ In prior budgets, cost recovery amounts were included with offsetting rental receipts within the total offsetting collections amounts, but were not displayed separately. The amount shown is estimated for FY 2009.
2/ Includes Mineral Leasing and Associated Payments; National Forest Fund, Payments to States; Leases of Lands Acquired for Flood Control, Navigation and Allied Purposes; Qualified OCS revenues to Gulf producing states (GOMESA); and National Petroleum Reserve - Alaska. See Mineral Receipts tab for detail.
3/ Geothermal: The 2009 President's Budget proposes to return to the traditional 50/50 Federal-State revenue sharing arrangement by eliminating the provisions in the Energy Policy Act of 2005 that provide these revenues to counties.
4/ Full Time Equivalent (FTE) is a standardized unit representing the average cost of one full-time employee.
5/ FTE totals shown for FY 2008 and FY 2009 include 22 FTE in the Coastal Impact Assistance Program. Note FTE are different from actual employee count shown in Appendix E.

The Minerals Management Service (MMS), a Federal agency within the U.S. Department of the Interior (DOI), manages the Nation's oil, natural gas, and other energy and mineral resources on the Federal Outer Continental Shelf (OCS) as well as the mineral revenues from the OCS and from onshore Federal and Indian lands. The MMS is one of America's leading mineral asset managers. Almost every American benefits from the work of MMS. From the gasoline that powers our cars, the natural gas that heats our homes, and the benefits obtained through the disbursement of collected mineral revenues, the Nation and its citizens benefit from the efforts of MMS.

Within MMS, the Offshore Energy and Minerals Management program (OEMM) regulates OCS activities, including administering OCS leases and monitoring the safety of offshore facilities and protecting our coastal and marine environments. Through the work of OEMM, MMS manages the oil and gas and other energy and mineral resources on the 1.76 billion acres of the Nation's OCS, with a potential of 101.2 billion barrels of oil and 480.1 trillion cubic feet of gas. Under a new mandate of the Energy Policy Act of 2005 (EPAct), MMS also is developing an alternative energy program that will now make renewable energy such as wind, wave, and ocean current energy resources on the OCS available for lease and possible development.

The Minerals Revenue Management program (MRM) collects, accounts for, and disburses revenues from mineral leases on the OCS and onshore Federal and American Indian lands. MRM processes over 500,000 mineral revenue transactions per month from more than 28,000 producing leases, and collects mineral revenues that have averaged $10 billion annually over the last five years.

FY 2009 PERFORMANCE BUDGET REQUEST

MMS Mission Statement

MMS's mission is to manage the energy and mineral resources on the Outer Continental Shelf and Federal and Indian mineral revenues to enhance public and trust benefits, promote responsible use, and realize fair value.

The MMS receives funding for operations from four sources: the Royalty and Offshore Minerals Management (ROMM) appropriation, the Oil Spill Research (OSR) appropriation, cost recovery fees, and offsetting rental collections. In addition, MMS operates the Royalty-in-Kind (RIK) Program, including the Strategic Petroleum Reserve initiative[6], and the Coastal Impact Assistance Program with use of funds from within those programs.

For FY 2009, MMS is requesting an operating account level of $307.1 million, which includes $133.7 million in offsetting collections obtained from rental charges; $13 million in cost recovery fees; $154.3 million from ROMM appropriations, and $6.1 million from OSR appropriations. The total appropriations amount (ROMM and OSR) is $160.4 million.

NEW DIRECTIONS AND GREATER RESPONSIBILITIES

The MMS's role in America's energy picture continues to grow at a critical time for the Nation. There is tremendous need and interest in developing options to increase domestic energy

[6] The MMS provides royalty oil (from royalty payments taken in kind through the RIK program) to the Department of Energy (DOE) through a cooperative effort between Interior and DOE. DOE exchanges the oil provided by MMS for higher grade crude, which is then transported and stored in the Strategic Petroleum Reserve, which is operated by DOE.

production. MMS is key not only for offshore oil and gas, but also for the burgeoning renewable energy industry. Recent legislation has enhanced and expanded the Bureau's responsibilities on a number of fronts—both in terms of expanding access to OCS acreage for oil and gas development and implementing a new program that will provide for alternative energy development on the OCS.

The MMS plays an integral part in the implementation of the President's National Energy Policy (NEP). The NEP is a comprehensive strategy designed to secure America's energy future by reducing dependence on foreign sources, increasing domestic fossil fuel production, improving energy conservation efforts, and developing alternative and renewable energy sources. For example, in response to a Presidential Order to help ensure the stability and security of America's existing energy supply, MMS implemented a program that transferred in-kind royalties from offshore oil production to the Department of Energy for the Nation's Strategic Petroleum Reserve (SPR).

Energy forecasts through 2030 show that the rate of growth in total U.S. energy consumption is expected to increase more rapidly than the growth in domestic energy supply. Energy resources on the OCS currently supply about 27 percent of the Nation's oil production and 15 percent of the Nation's natural gas production, and these lands will become an increasingly important source of domestic energy supplies—for conventional and unconventional oil and natural gas, and for alternative or renewable energy. Because these energy sources also help fuel the Nation's economy, there is considerable interest in the location and magnitude of the U.S. resource base from which future domestic discoveries and production can occur. The OCS is estimated to contain about 49 percent of the remaining undiscovered resources of domestic oil and natural gas (in barrels of oil equivalent[7] (BOE)).

MMS efforts to increase energy exploration and production from the OCS currently focus on:

- Facilitating industry exploration and development in deepwaters of the Gulf of Mexico, including movement into ultra-deep waters.
- encouraging Alaska OCS exploration and development
- expediting development of a new offshore alternative energy program

[7] For this measure, MMS adds oil volumes to gas volumes, which have been converted to "Barrels of Oil Equivalent" (BOE) utilizing standard industry factors. MMS divides gas MMBtu volumes by a factor of 5.8 (the industry standard factor for converting MMBtu to BOE) to yield a gas BOE. MMS also converts Natural Gas Liquid (NGL) volumes to Mcf by dividing the liquid volumes by 15 (the industry standard factor) and then dividing this result by 5.8 to yield BOE.

Energy for America

Our nation's security, economy, and quality of life are dependent on adequate and affordable supplies of energy. Since the 1950's, energy demand in America has grown faster than our ability to produce supplies domestically, resulting in ever increasing need for energy imports (see inset graphic from DOE's Energy Information Administration (EIA) below). Energy use is essential to sustaining our economic progress and our quality of life, but high prices and increasing dependence on foreign energy supplies raise important national energy policy issues about energy supply options and their effects on the environment. There is no one single solution. Achieving the goal of ample secure, clean, and affordable energy will require diligent, concerted efforts on many fronts on both the supply and demand sides of the energy equation.

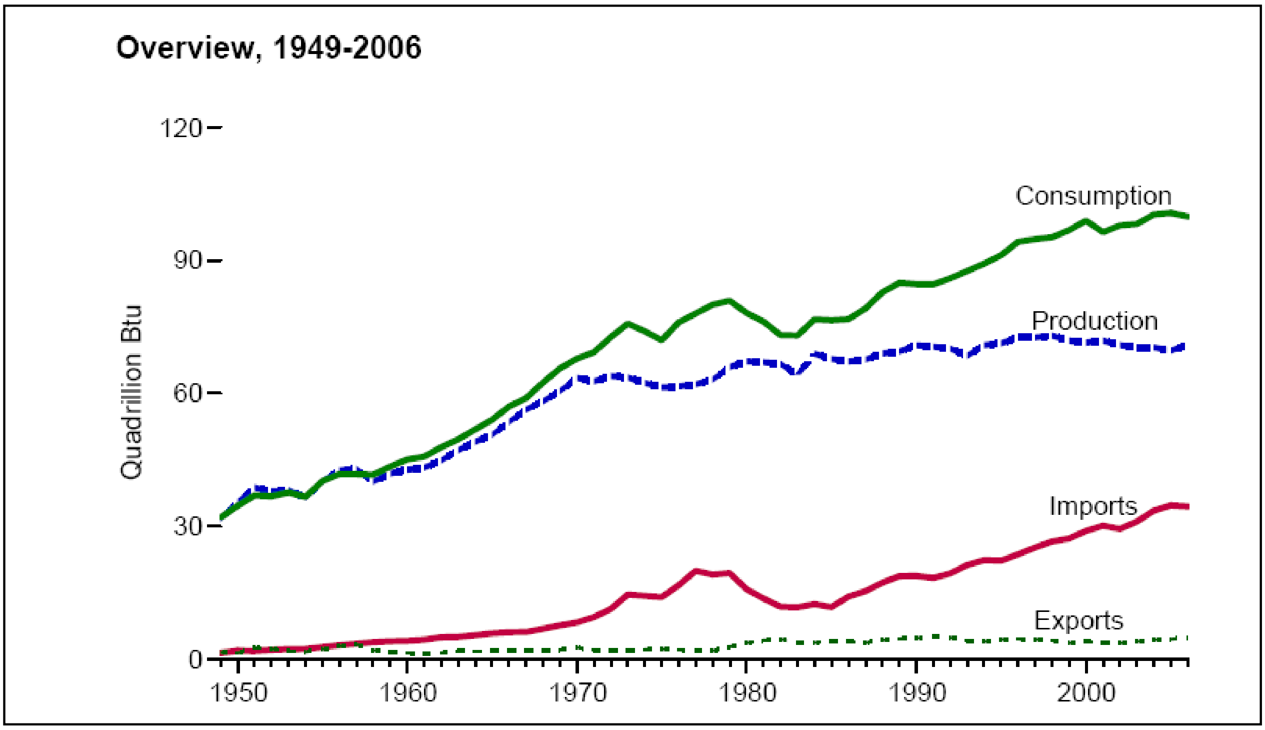


Figure 1. Energy Overview, 1949 - 2006

According to most forecasts, fossil fuels (oil and natural gas and coal) will continue to be the principal means to satisfy future energy demand for many years. While it is clearly important to pursue energy from alternative and renewable resources and increase conservation and efficiency, any realistic solution to increasing our energy security must also focus on increased domestic production of coal, oil, and natural gas.

Our challenge is to bridge the existing energy gap and find the resources to help meet future demand. The MMS has a number of programs in place and initiatives under development to increase access to resources located on the OCS to help support increased domestic energy production—from continued production of OCS oil and gas resources, investigating unconventional resources like gas from methane hydrates, as well as providing energy from non-traditional sources such as renewable energy or assisting the Maritime Administration

(MARAD) and U.S. Coast Guard (USCG) with authorizing sites for importing liquefied natural gas (LNG)[8]. New locations for deepwater ports to receive shipments of imported LNG are proposed along the Pacific coast, the East coast, and Gulf coasts. Most of the sites are on the OCS and some projects may involve underground storage of the gas on the OCS.

Despite expected increases in OCS oil and natural gas production over the next ten years, the Nation likely will not be able to mitigate the growing long-term expected shortfall between projected domestic supply of and demand for oil and natural gas without continued and timely access to high potential areas on Federal lands, including the OCS. A decision to not produce OCS resources can also have consequences. Most likely, it will mean more imported oil and LNG. Compared to imported sources, domestic OCS production is an economically and environmentally preferred source of energy. Producing more of the Nation's energy domestically will increase U.S. energy security and help close the growing gap between the amount of energy used and produced.

The MMS has a number of programs in place and initiatives under development to help shorten these lead times and provide access to resources located on Federally-managed lands to support future domestic energy production. The MMS is now responding to new provisions of the Energy Policy Act of 2005 and the Gulf of Mexico Energy Security Act of 2006, which also are designed to encourage domestic energy investment in new offshore leasing and development.

OCS Role in Contributing to America's Energy Supply

Much of the growth in the Nation's energy demand will have to be met by production from the OCS, especially from new frontier areas in the Gulf of Mexico and offshore Alaska, if further increases of imported supplies of oil and gas are to be avoided.

To date, OCS lands have yielded about 172 trillion cubic feet of natural gas and 17 billion barrels of oil for U.S. consumption. Today, MMS administers about 7,500 leases and oversees production from nearly 4,000 facilities on the OCS. Approximately 1,600 producing OCS leases offshore California, Alaska, and in the Gulf of Mexico currently contribute 1.4 million barrels of oil and 8 billion cubic feet of natural gas *per day* for U.S. consumption, accounting for about for 27 percent of the Nation's oil production and 15 percent of domestic natural gas domestic production. The data shows a trend of increasing oil production from the OCS, which in 2006 produced about 500 million barrels per year, and by 2015 is projected to produce approximately 838 million barrels per year. The Energy Information Administration also projects OCS natural gas production to increase from 2.9 trillion cubic feet per year in 2006 to 4 trillion cubic feet by 2015.

The share of energy produced from the OCS will likely continue to grow over time because the offshore areas of the United States are estimated to contain significant quantities of resources in yet-to-be-discovered fields. The MMS (2006) estimates that the OCS contains about 86 billion barrels of oil and 420 trillion cubic feet of natural gas in yet-to-be discovered fields, which represents about 60 percent of the Nation's remaining undiscovered technically recoverable oil resources and 40 percent of its undiscovered natural gas resources. About 574 million acres—

[8] LNG is natural gas cooled into liquid form for transport in specially-designed tanker ships.

85% of the OCS off the lower-48 states—are restricted from leasing due to ongoing Congressional moratoria and Presidential withdrawals. MMS estimates that these restricted areas—in the Pacific, the Atlantic, and parts of the central and eastern Gulf of Mexico—contain about 30 percent of the oil and 27 percent of the natural gas resources offshore in the lower-48 states.

CURRENT OCS PRODUCTION (2006)

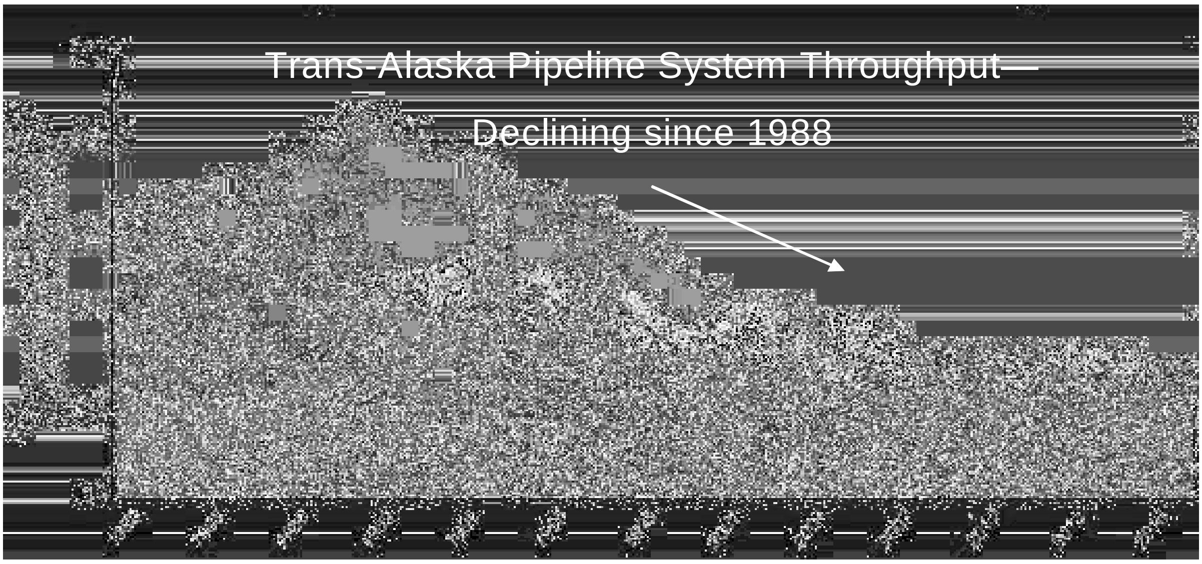
OIL: 507 million barrels
= 1.4 million barrels per day;
27% of total U.S. production

Natural GAS: 3 trillion cubic feet
= 8.1 billion cubic feet per day;
15% of total U.S. production

Recent removal of some restrictions is enabling MMS to offer access to new and expanded areas of the OCS for future leasing and development. The Nation and the energy debate would benefit from a better understanding of the resource potential, including the gas or oil "proneness" of areas, and the ability of the OCS to contribute significantly toward meeting future domestic demand. There is significant uncertainty in the resource estimates due to a lack of adequate data, especially in those OCS areas which have been unavailable for exploration and development for many years.

The strongest trend on the OCS today is the continuing development of the Gulf of Mexico deepwater (i.e., more than 1,000 feet deep). There are 124 deepwater projects now in production. Seven of the 20 largest U.S. oil fields, as well as the largest domestic oil discovery in the last 30 years, Thunder Horse, are located in Federal deepwater areas. There have been 12 industry-announced discoveries over the past three years in water depths greater than 7,000 feet, and these ultra-deep discoveries have the promise of opening up entirely new geologic frontiers which could provide a significant increase in oil and gas supplies for decades to come. The MMS estimates that within 5 years, the OCS will account for 40 percent of domestic oil and nearly 20 percent of domestic gas owing primarily to deepwater discoveries.

There is also high oil and gas potential offshore Alaska, but operations face many technical challenges and high costs in this unproven frontier. There has been renewed interest in oil and gas leasing and exploration in OCS areas offshore Alaska, particularly, in the Beaufort Sea. Production from the Northstar project and any future production from additional OCS development projects in the Beaufort Sea—Liberty could be the next development—will help to prolong the life of the Trans-Alaska Oil Pipeline (oil throughput has been declining over the past 20 years) and could support construction of a new natural gas pipeline from the North Slope.



For illustration only. Source: modified from AOGA, data from State of Alaska

Figure 2. Trans-Alaska Pipeline System Throughput

OCS lands managed by the MMS are also a critical component of the Nation's energy infrastructure. The MMS issues and manages rights of way that authorize thousands of miles of oil and natural gas pipelines across Federal lands and the OCS. The offshore Federal oil and gas infrastructure includes over 33,000 miles of pipeline that provide the means to service and transport our Nation's domestically produced oil and gas from offshore wells to onshore refineries.

The future of offshore development in ultra-deepwater, ultra-deep gas resources on the Gulf of Mexico shelf, and remote arctic areas depends upon how quickly advances can be made in research and technological developments in order to access these resources. Many challenges remain to be addressed. Additionally, there are long lead times needed for exploration and development of OCS oil and gas resources, especially in frontier areas where risks and costs are especially high. Preparing to offer oil and gas leases entails years of planning and consultation under sections 18 and 19 of the OCSLA. Once a lease sale is held, it could take five to ten years for drilling to commence. Production could take another five years or more after a discovery.

Providing Economic Value

Between 1982 and 2007, MMS distributed $176.6 billion in revenues from onshore and offshore lands (for the 2006 distribution amounts, see the MRM Overview). MMS's distribution of mineral revenues to the U.S. Treasury is one of the Federal government's greatest sources of non-tax income. In addition to this direct Treasury deposit, annual distributions to the Land and Water Conservation Fund, the Historic Preservation Fund and the Reclamation Fund help ensure that America's natural resources, pristine landscapes, and rich history are enjoyed by current and future generations.

MMS also distributions significant revenues to states, an important source of revenue that many state governments depend on to fund large capital projects, such as schools, roads, and public buildings. As a steward of the royalty assets from Indian trust properties, MMS serves as an advocate for the interests of American Indian mineral owners and ensures the fulfillment of its Indian trust responsibility. Most importantly, the revenues collected from mineral leases on Indian lands work directly to benefit members of the American Indian community, and play a key role in performing the Secretary's Indian trust responsibilities.

Coastal states receive a portion of the revenue collected from offshore oil and gas activity within a 3 to 9 mile-wide band beyond state waters, as specified in section 8(g) of the OCS Lands Act (OCSLA). Additionally, in 2005, Congress directed in the EPAct, that $250 million of OCS revenues in each of the fiscal years 2007 through 2010 be made available to six Gulf Coast oil and gas producing states to support a coastal impact assistance program. In the future, additional revenue will also be shared (37.5 percent) with Gulf coast states and coastal political subdivisions under provisions of the Gulf of Mexico Energy Security Act of 2006, first from newly-authorized areas for leasing in the central and eastern Gulf of Mexico, and later (beginning in FY 2017) for all new leasing in the Gulf of Mexico.

Offshore Oil and Gas Assessments – Opening Up New Opportunities

Locating and developing energy resources from the OCS is a very costly and long-term undertaking—discovering, delineating, developing and bringing most energy supplies to market requires very long lead times. Energy projects typically require huge investments and operate for decades.

Since 1954 (though October 2007), the DOI has held 147 competitive OCS oil and gas lease sales offshore the Gulf Coast, the Atlantic and Pacific Coasts, and offshore Alaska.

Department of the Interior programs and initiatives will impact access to energy resources and production occurring 10 to 30 years or more from today. The MMS is exploring opportunities to work closely with other DOI bureaus, in particular the Bureau of Land Management, to maximize our joint efforts to address America's energy needs. MMS's 2009 budget request is designed to mesh into a larger conceptual framework for responsible energy development.

As required by law, MMS provides an orderly and predictable schedule of competitive oil and gas lease sales which make Federal resources available to industry for leasing and potential development. Production from leases issued as a result of these sales will contribute substantially to future domestic oil and gas production and will provide bonuses, rentals and royalties to the United States Treasury and adjacent coastal states. For example, in FY 2007, MMS collected $11.4 billion on behalf of the Federal government in royalties, rents, and bonuses. About 60 percent of the total collected, or $7 billion, is attributable to OCS oil and gas leasing and development.

Access to Federal offshore lands for oil and gas exploration and development begins with the 5-Year OCS Oil and Gas Leasing Program which establishes the schedule of lease sales to make promising offshore areas available to industry for leasing, exploration, and development by competitive bid. To encourage energy development from Federal offshore lands having high resource values, MMS provides an orderly and predictable schedule of oil and gas lease offerings that offer industry access to OCS acreage for leasing by competitive bid, providing for potential future exploration and development of oil and natural gas. Production from leases issued as a result of these sales will contribute substantially to domestic oil and gas production and will provide bonuses, rentals and royalties to the U.S. Treasury and adjacent coastal states. There are long lead times needed for exploration and development of OCS oil and gas resources, especially in frontier areas where risks and costs are especially high. Preparing to offer oil and gas leases entails years of planning and consultation under sections 18 and 19 of the OCSLA. Once a lease sale is held, it could take five to ten years or more for drilling to commence. Production could take another five years or more after a discovery.

On June 29, 2007 the Secretary approved the 5-Year Outer Continental Shelf Oil and Gas Leasing Program, to guide domestic energy leasing on the OCS from 2007 to 2012. The new program provides access to about 181 million acres of the OCS and leasing as a result of these sales could result in production of 10 billion barrels of oil and 45 trillion cubic feet of natural gas over 40 years, generating almost $170 billion, in today's dollars, in net benefits for the Nation. The program will provide thousands of new jobs, billions of dollars in revenue for the Federal and state governments, and additional royalty oil targeted to help fill the Strategic Petroleum Reserve.

Over the next 5 years, MMS will be implementing this new program which includes 21 oil and gas lease sales in eight of the 26 OCS planning areas – 12 sales in the Gulf of Mexico, 8 sales in four areas offshore Alaska and, at the request of the Commonwealth of Virginia, one in the Mid-Atlantic Planning Area, about 50 miles off the coast of southern Virginia. These areas would be subject to environmental reviews, including public comment, and extensive consultation with state and local governments and tribal organizations before any lease sale proceeds.

The new 5-Year Program offers OCS acreage that has been unavailable for many years. This paves the way to opening new sources of oil and gas for the Nation. Restrictions have been lifted on leasing in the North Aleutian Basin offshore Alaska and one sale is scheduled there for 2011. The proposed sale in the Mid-Atlantic is scheduled for late 2011, but would not occur unless, or until, the Congressional moratorium is discontinued and the Presidential withdrawal is modified for this area. The program includes sales in 2008 and 2009 for new areas in the central and eastern Gulf of Mexico required by the Gulf of Mexico Energy Security Act of 2006.

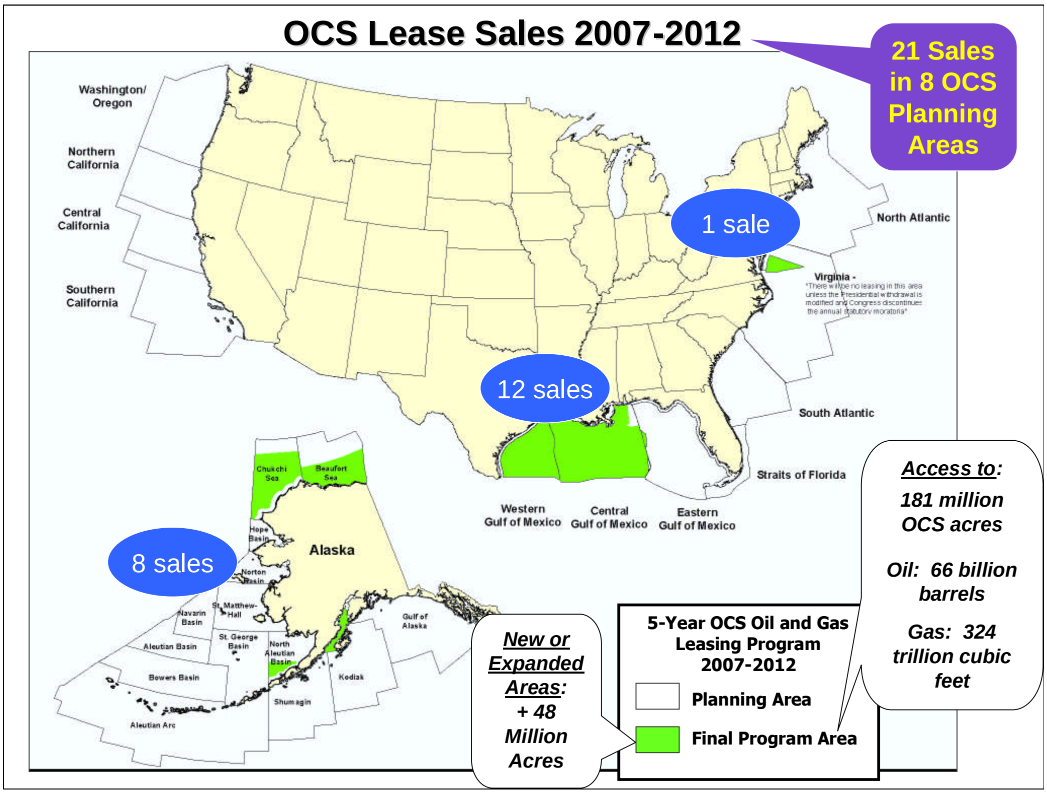


Figure 3. OCS Lease Sales 2007-2012

Two lease sales in the 5-Year Program have already been held which yielded the U.S. Treasury more than $3 billion and places about 5.4 million more OCS acres under lease for energy development (see table below).

The Program includes annual lease sales in the Central and Western Gulf of Mexico. The Gulf of Mexico Energy Security Act, signed by President George W. Bush on December 20, 2006, requires offering for oil and gas lease portions of the “Sale 181 Area” in the Central Gulf (2,028,730 acres) and in the Eastern Gulf (about 546,000 acres) Planning Areas as well as the “181 South Area” (5,762,620 acres). The total acreage of new areas in the Gulf offered under the proposed program is 8,337,443 acres, a ten percent increase in the acreage available for leasing in the Gulf of Mexico. Under the 5-year program, the portion of the Sale 181 area in the Central Gulf was included in the October 2007 lease sale, and the portion in the Eastern Gulf would be offered for the first time in March 2008. The 181 South area is scheduled for lease in 2009 following additional environmental studies and requirements under the National Environmental Policy Act (NEPA).

The program also includes a proposed sale in the Mid-Atlantic Planning Area, beyond 50 miles of the coastline of Virginia, in late 2011 and would be the first time leasing might be considered off the Atlantic coast in 25 years. This area was included in the 5-year program at the request of the Commonwealth of Virginia. All the Atlantic planning areas, including the area adjacent to the Virginia coastline, are presently under Congressional moratoria and Presidential withdrawal. Therefore, this sale would only take place if the Congressional moratorium is discontinued and the Presidential withdrawal is modified for this area. This proposed sale area excludes a 50-mile coastal buffer from leasing consideration as requested by the Commonwealth of Virginia, as well as a wedge-shaped No-Obstruction Zone to avoid conflicts with navigation activities in and out of the Chesapeake Bay. No lease sale would proceed without additional consultation and more site-specific analysis of its environmental effects under the National Environmental Policy Act.

Table 2. Recent OCS Sales

2007-2012 5-Year Program: OCS Lease Sales Held to Date			
		Tracts *	**Bonus Bids ($ Millions)***
Sale 204	Western Gulf of Mexico	274	$287.1
Sale 205	Central Gulf of Mexico	723	$2,904.3
* Final statistic for Sale 205 pending completion of MMS bid reviews.			

To meet the Nation's growing energy demand, the U.S. energy industry will need to expand beyond continued development of conventional hydrocarbon resources and focus increasingly on alternative energy supplies.

New Directions with Renewable and Alternative Energy

For much of the past 50 years, offshore energy development has been largely focused on producing oil and natural gas. Now, America's oceans may hold the key to realizing significant potential new energy sources to support our Nation's growing energy needs. Wind energy is the most technologically mature and the closest to commercial-scale deployment offshore. The Department of Energy's National Renewable Energy Laboratory estimates that the offshore resource between 5 and 50 miles along the Atlantic and Pacific Coasts could support up to 900 gigawatts of wind generation capacity—an amount similar to the current installed U.S. electrical capacity. Presently, there are no commercial wind facilities operating today off the U.S. coasts, but in the past few years, interest in offshore wind energy has increased significantly.

Renewable and alternative energy sources such as wind, biomass, hydropower, solar, and geothermal are important components of the Nation's energy supplies. Alternative and renewable energy supplies not only help diversify our energy portfolio, but they are sources of clean energy for current and future generations.

One of the most exciting developments at MMS is the greatly increased responsibilities and opportunities for working with renewable and alternative energy sources, as reflected in Section 388 of the Energy Policy Act of 2005 (EPAct 2005). This request proposes funding for review and analysis of alternative energy projects, such as wind, wave, and current energy. Coupled with the traditional energy development initiatives, the MMS shows great promise for helping to meet America's energy needs in the coming decades.

Through development of a new regulatory program, the MMS is laying the groundwork for a new energy frontier for our Nation – one that can help to reduce our dependence on foreign oil and strengthen our national energy security by developing clean, renewable alternative energy sources on the OCS. The wind, wave, and current resources on the OCS offer enormous potential for development as a result of emerging alternative energy technologies. Interest in using the offshore waters of the Atlantic and Pacific Coasts and the Gulf of Mexico and the air above these bodies of water for commercial energy generation is increasing. Many coastal states have put in place renewable energy portfolio standards requiring utilities to substantially increase their reliance on renewable energy sources.

Wind power is the fastest growing source of electricity generation in the world. While the current contribution of wind-generated electricity to America's total electricity supply is small—less than 1 percent—this sector will become an increasingly important component of a diverse energy portfolio. According to the American Wind Energy Association, U.S. wind power generating capacity increased by 27 percent in 2006. One of the newest global trends in wind power is the construction of offshore wind farms, consisting of clusters of electricity-generating turbines erected in open-water areas with strong winds. Northern Europe reportedly has 27 offshore wind farms, and the American Wind Energy Association reports that offshore wind farms in Europe have a total of 900 megawatts of electrical generation capacity. To date there are no offshore wind farms in the U.S.

In January 2008, MMS issued its Record of Decision to move forward with alternative energy development on the OCS, an action that will assist in expanding utilization of renewable energy resources in the United States. This represents an important milestone in charting a course designed to increase our energy security through the responsible development of a diverse variety of resources, and it comes at a critical point in time. The MMS is targeted to issue leases in 2008 that will authorize data gathering and research projects. Also in 2008, MMS is planning to make a decision on the proposed 130-turbine wind farm in Nantucket Sound, offshore Cape Cod, Massachusetts.

Improving Return on the Dollar – More Efficiency in Revenue Collection

Although a small bureau, MMS generates tremendous amounts of revenue for States, Indians and the U.S. Treasury, over $11 billion in FY 2007 alone. Since its 1982 inception, MMS has collected approximately $176.6 billion through FY 2007, and has also delivered oil to the Department of Energy for the Strategic Petroleum Reserve valued at an estimated $4.7 billion.

Investments in the people and IT systems responsible for revenue collection typically pay large dividends for the American public by improving the efficiency of collections and maximizing the dollars received for the U.S. Government. The MMS requests funding to ensure the staff and the software accounting and tracking systems are in place to ensure proper collection of rents, royalties, and other payments due to the American public from mineral extraction on Federal lands.

The budget initiatives for the MRM Program will improve MMS audit and compliance review functions. Additional initiatives will improve billing processes to significantly reduce manual intervention requirements and greatly increase processing efficiencies. These investments strengthen MMS's mineral revenue collection and compliance program and will reflect a strong return on the dollar in the form of increased revenues to the U.S. Treasury.

FY 2009 BUDGET HIGHLIGHTS

As MMS moves forward, its mission of managing the Nation's OCS lands and resources and its mineral revenue collection efforts will remain the top priorities. The MMS programs are vitally important and contribute significantly to the Nation's economic well being and energy security. Through all of its programs, the MMS ensures that the public receives the maximum benefit from America's mineral revenues and OCS resources. MMS is faced with new responsibilities from the Energy Policy Act of 2005, an expanding workload from OCS deepwater activities and forthcoming OCS lease sales, implementation of the OCS 2007-2012 Five-Year Plan, the Gulf of Mexico Energy Security Act of 2006, and responding constructively to recent recommendations from internal and external reviewers on improving our revenue management program. Funding for the FY 2009 initiatives will allow MMS to achieve performance targets while meeting these new challenges.

The following table illustrates the proposed budgetary changes from the FY 2008 Enacted Budget to the FY 2009 President's Request. Each of these initiatives is described in full under the respective activity and subactivity.

Minerals Management Service
Table 3: FY 2009 Analysis of Budgetary Changes Table
(dollars in thousands)

Office	Project/Program	Reductions	Increases	FTE	Balance
	FY 2008 ENACTED - Net Appropriations				***161,053***
OEMM	Geoscientific Interpretive Tools		+1,086		
OEMM	OCS 5-Year Leasing Program		+8,500	+12	
OEMM	Alternative Energy - EPAct 2005 Section 388		+1,000	+1	
OEMM	Fixed Cost Increase & Related Changes		+1,893		
OEMM	OCS Connect	(8,630)		-7	
OEMM	Remove Earmark - CMRET	(886)			
OEMM	Across the Board reduction - travel & contracts	(273)			
	Net OEMM Adjustments	***(9,789)***	***+12,479***	***+6***	***+2,690***
MRM	Improve Automated Interest Billing to Companies		+1,700		
MRM	Implement OIG Compliance & Audit Recommendations		+2,000	+4	
MRM	Fixed Cost Increase & Related Changes		+1,217		
MRM	Adjustment Line Monitoring	(420)			
MRM	Across the Board reduction - travel & contracts	(174)			
	Net MRM Adjustments	***(594)***	***+4,917***	***+4***	***+4,323***
GA	Fixed Cost Increase & Related Changes		+3,671		
GA	IDEAS Redirect to FBMS Hosting	(98)			
GA	Across the Board reduction - travel & contracts	(66)			
	Net General Administration Adjustments	***(164)***	***+3,671***		***+3,507***
MMS	Increase ROMM Offsetting Collections	(11,000)			***(11,000)***
OSR	Decrease to Oil Spill Research	(180)			***(180)***
	FY 2009 PRESIDENT'S REQUEST - Net Appropriations	***(21,727)***	***+21,067***	***+10***	***160,393***

In the Offshore Energy and Minerals Management Program, the following initiatives are proposed:

Geoscientific Interpretive Tools (GIT) (+$1,086,000; +0 FTE): This initiative will allow MMS to acquire industry comparable analytical software for performing geoscientific analyses. GIT is used for all geoscience analysis, including lease sale bid adequacy decisions, and Conservation Information Document evaluations.

OCS 5-Year Leasing Program Needs (+$8,500,000; +12 FTE): The largest initiative in MMS's 2009 proposal, this multi-faceted initiative funds crucial activities in Alaska and the Gulf of Mexico to implement the 2007-2012 Oil and Gas Leasing Program, the blueprint for offshore activities. Much of the request is for environmental studies in areas of new leasing activity.

Implementing Alternative Energy - EPAct 2005 Section 388 (+$1,000,000; +1 FTE): This initiative funds environmental studies, assessments, and impact statements, and sets the stage for MMS to work with applicants for offshore alternative energy/alternate use projects (wind, wave, ocean current energy) and other stakeholders.

As a result of MMS's analysis of base resources, the proposal includes the following funding reductions within OEMM:

OCS Connect (-$8,630,000; -7 FTE): OCS Connect is an important electronic interface between MMS and its customer base. The requested funding level will provide for ongoing operations and maintenance of the system once the Development, Modernization, and Enhancement phase is completed. Development funding received in previous years is no longer necessary.

Center for Marine Resources and Environmental Technology (CMRET) (-$886,000; -0 FTE): MMS proposes to eliminate the earmarked funding for the CMRET in order to redirect the funding to higher priorities.

In the Minerals Revenue Management Program, the following initiatives are proposed:

Improve Automated Interest Billing to Companies (+$1,700,000; +0 FTE): This initiative continues MRM's commitment begun in 2007 and 2008 to improve the timeliness and efficiency of the interest assessment to payors by implementing system enhancements to the MRMSS interest module.

Implement Office of Inspector General (OIG) Compliance and Audit Recommendations (+$2,000,000; +4 FTE): This proposal ensures MRM's ability to address recommendations by the OIG in its December 2006 report regarding MRM's Compliance Review activities. The requested funding will allow MMS to increase the audit staff by 4 FTE, to expand company and property compliance coverage, and to develop and implement a risk-based automated compliance tool for use in targeting audit and compliance resources.

As a result of MMS's analysis of base resources, the request includes the following funding reduction within MRM:

Adjustment Line Monitoring System Modifications (-$420,000; -0 FTE): The system modifications to MRM's adjustment line monitoring process were fully funded in 2008 and further expenditures in this area are not needed in FY 2009.

In General Administration, the following is proposed:

IDEAS Redirect to FBMS Hosting (-$98,000; -0 FTE): This reduction reflects implementation of the acquisition module of FBMS and retirement of the MMS instance of IDEAS. MMS has implemented the new module, Prism, and therefore funding will no longer be needed to support IDEAS.

Additionally, the following apply Bureauwide:

Fixed Costs and Related Changes (+$6,781,000; +0 FTE): This increase represents a portion of the anticipated funding needed to keep pace with personnel-related costs and other fixed costs such as rent. Personnel-related increases are spread through all subactivities except for General Support Services, which has no FTE. Included within this request is a large increase for rents (+$2,728,000 in the General Support Services subactivity) needed primarily due to substantial rent increases at GSA-leased facilities in New Orleans.

Departmental Across-the-Board Reductions for Travel (-$400,000; -0 FTE for MMS) and Savings from Performance Contracting (-$113,000; -0 FTE for MMS):

Across-the-Board Travel Reduction

The Department is undertaking a $20 million effort to reduce travel and relocation expenses across the board. The allocation of shares of this travel reduction is based on each bureau's and office's percentage of the Department's total 2007 budget object class 21 expenses. The MMS's share of this reduction is $400,000. The MMS will create a strategy to manage and control travel and relocation costs that promotes improved efficiency in allocating available travel funds to highest priority uses, locations, and functions. The bureau will review policies and business practices for managing travel and relocations to ensure that these policies and business practices emphasize travel priorities, reduce costs through improved management and efficiencies, and increase accountability for managing travel priorities and cost. Options that the bureau will consider in reducing 2009 travel expenses include:

- Reduce number of travelers to meetings, conferences, seminars, etc. to only essential personnel, i.e., primary decision maker, presenter, representative;
- Reduce number of meetings hosted and attended to only mission-critical meetings;
- Reduce number of conferences, seminars, etc. hosted and attended to only mission - critical events;
- Increase use of teleconferences, video-conferencing technologies, on-line meeting capabilities, etc. in lieu of traveling to events;
- Combine meetings, conferences, seminars, and other events to reduce the number of individual travel events; and
- Increase use of on-line booking and travel management services.

The individual program reductions are included in the 2009 program changes category of the introductory table of each activity and subactivity.

Performance-Based Contracting

To help offset higher priority budget increases, the 2009 budget request includes a reduction of -$113,000 to be realized from a portion of savings generated by converting contracts to a performance-based acquisition mechanism. The Department established a goal in 2007 of converting 45 percent of eligible contracts to performance-based contracting mechanisms. The MMS achieved some success in meeting the goal during 2007, but requires additional effort during 2008 to achieve the 45 percent target. The additional savings to be achieved in 2008 are assumed as a base reduction for 2009 budget planning and have been aggregated for a general offset reduction of -$113,000 in the bureau's budget.

The individual program reductions are included in the 2009 program changes category of the introductory table of each activity and subactivity.

Offsetting Collections from Rents and Cost Recoveries (combined, +$11,000,000; +0 FTE): The MMS for the first time is segregating cost recoveries from rental fees, resulting in a new manner of presentation in the Bureau's Budget Justifications. For 2009, MMS requests to retain $133,730,000 of eligible offsetting rental receipts to defray the costs of the Bureau's operations. In addition, MMS requests authority to retain and use monies from cost recoveries, which are charges to customers for services rendered. Cost recoveries are estimated at $13,000,000 for FY 2009. Together, offsetting collections and cost recoveries are expected to total $146,730,000, an increase of $11,000,000 over the combined offsetting collections total of $135,730,000 in FY 2008.

And for the Oil Spill Research (OSR) appropriation:

Decrease to Oil Spill Research (-$180,000; -0 FTE): Organizational efficiencies within the OSR program allow for a requested reduction.

Additional Proposed Changes:

Deep Gas and Deep Water Incentives: Consistent with the 2008 budget, the 2009 budget proposes to repeal Section 344 of the Energy Policy Act of 2005, which extended existing deep gas incentives. The 2009 budget also proposes to repeal Section 345 of the Energy Policy Act, which provided additional mandatory royalty relief for certain deep water oil and gas production. Additional royalty relief for oil and gas exploration is unwarranted in today's price environment. A legislative proposal will be transmitted to the Congress to propose repeal.

Net Receipts Sharing: The President's budget proposes amending Section 35 of the Minerals Leasing Act to implement net receipt sharing whereby two percent is deducted from the States' share of receipts from Federal leasing activities under the Minerals Leasing Act. The two percent defrays a portion of the administrative costs incurred by Federal agencies, and would be deposited into the U.S. Treasury as miscellaneous receipts. In 2008, Congress enacted a two percent net receipt sharing deduction through the Interior appropriations bill, effective for fiscal year 2008. A permanent authorization of this deduction is proposed in 2009.

Donation Authority: In Section 112 of the Department of the Interior's General Provisions, language has been introduced to extend through FY 2009 MMS's authority to accept contributions to support the orderly exploration and development of the Outer Continental Shelf. Please refer to the Department's General Provisions.

Civil and Criminal Penalty Authority: In Section 113 of the Department of the Interior's General Provisions, language has been introduced to ensure MMS has full civil and criminal authority for all leasing and developmental activities which the Bureau oversees and regulates. Please refer to the Department's General Provisions.

PRESIDENT'S MANAGEMENT AGENDA

The MMS continues to improve services to the American public by listening closely to and working cooperatively with local citizens, tribal leaders, states, other Federal agencies and industry. Management reform and the fostering of Federal/private partnerships is, and will continue to be, an integral part of MMS business operations. By working smarter through the development of business plans, MMS is able to efficiently and effectively support accomplishment of its Resource Use strategic plan mission goals. The following provides a brief summary of MMS status in implementing the PMA components.

Performance Improvement

The MMS remains committed to the integration of budget and performance data for improved resource decision making. This is the second MMS budget to include the full cost (direct and indirect costs) for select measures presented in the Goal Performance Table. The Bureau continues to refine this data and to build upon and strengthen the linkage between cost and performance data.

In preparing the 2009 budget request, MMS management analyzed base funding for opportunities to cut expenses or shift resources to higher priority needs. Each Associate Director met with his or her managers, budget, performance, and program staff to determine resources needed to achieve planned performance. In addition, MMS senior staff participated in a retreat which resulted in identification of work products. The highest priority needs were identified, opportunity was provided for all MMS employees to comment on the action items, and this information was submitted to the Executive Committee[9] (EC) for review. Following EC review, managers were required to reassess base funds to determine additional offsets for proposed increases. After further discussion, the highest priority initiatives were selected to go forward in the budget request. This robust budget formulation process ensures that performance, budget, and program staff work closely with management to determine the best allocation of resources.

The MMS strives to maintain current levels of performance by: improving operational efficiencies; capturing efficiency gains by eliminating or delaying the backfilling of positions; focusing resources on accomplishment of core mission work; leveraging resources to fund new

[9] The MMS Executive Committee is comprised of the Director, the Deputy Directors, and Associate Directors, with a total of seven senior executive members.

workload demands; and reallocating funds to accomplish planned performance goals. The MMS will continue to pursue productivity and quality improvements for carrying out the mission while reducing costs.

MMS Costing Performance Measures Background: In 2003, the Bureau implemented activity-based costing (ABC). The MMS Bureau work elements (i.e., activities) are mapped to the Department ABC activities, which are then mapped to the end outcome goals and intermediate strategies in the Strategic Plan. The Bureau's resources align with the Bureau work elements, so costs can be traced from the resource to the DOI activities, strategic plan intermediate strategies, and end outcome goals.

The MMS fully costs end outputs and can provide managers with output and workload data, and costs for their organization. As appropriate, Bureau ABC data is considered with other information when making resource decisions.

With four years of data, the Bureau has begun to use ABC cost information in high level analyses to support resource allocation decisions. Studies were conducted using 2004 data derived from the Bureau ABC system. The data was used to support methodologies for calculating revenues that could be generated through cost recovery and to cover RIK administrative costs. The MMS continues to work to refine the Bureau ABC model to meet MMS management needs for accurate, timely data for operational decisionmaking.

Cost Alignment with Performance: The MMS's mission primarily supports the Department Strategic Plan Resource Use, energy end outcome goal to "manage or influence resource use to enhance public benefit, responsible development, and economic value."

Alignment of Current Performance Structure: The MMS developed a performance structure, which it refers to as the bureau-level key performance indicator (KPI) structure, to illustrate the hierarchical relationships between cost and performance. This KPI structure and its underlying outputs and outcomes have been integrated into the new MMS activity-based costing (ABC) system, which has resulted in a comprehensive architecture that provides management with critical insight into the drivers behind program results. In addition, the ABC system incorporates a full-costing methodology that provides transparency to the overall cost of Bureau core processes as well as its eight GPRA measures, two of which are also DOI Representative Measures, as noted within the FY 2007-2012 DOI Strategic Plan.

The cost information provided in the Bureau performance tables represents the full cost. The data used to determine actual and projected cost is derived primarily from Bureau ABC data.

Improve Report Capabilities: The MMS continues to improve report capabilities to provide decision makers with timely, accurate cost and performance information.

During 2008, the Bureau will continue work to refine the Bureau ABC model in a new environment and improve reporting. The goals, by 2009, are to improve the capability to provide managers with consolidated reports so they can readily see key trends, and to provide greater transparency on how resources are being allocated across the organization.

Use of Program Assessment Rating Tool (PART) Information within MMS: MMS managers are continuing to use PART information to determine resource allocations and to identify possible cost savings. The MMS has utilized the PART process to develop performance measures, which include efficiency measures, for its various programs. A Re-PART of the MRM Program was completed during FY 2007, and the program received a rating of Moderately Effective. This is a significant improvement over the 2003 rating, and reflects MMS's commitment and focus on improvement in all areas of the MRM program. All MMS operational components have been PARTed.

Risk Management: A continuous goal in budget and performance planning is to incorporate consideration of risk factors. MMS focuses on ensuring that we meet requirements of the revised OMB Circular A-123 by proactively: (1) developing and implementing appropriate, cost-effective internal controls for results-oriented management, (2) assessing the adequacy of internal controls in our programs and operations, (3) separately assessing and documenting internal controls, (4) identifying needed improvements, (5) taking corresponding corrective action, and (6) reporting annually on all aspects of internal control through management assurance statements. MMS considers the key risks identified during the process as it analyzes base budget resources and determines the best way to direct the base resources to mitigate risk. MMS is in full compliance with OMB A-123 and DOI instruction regarding programmatic, IT, and financial risk assessments and the testing and reporting of related internal controls.

Strategic Management of Human Capital

The MMS recently published its next five year workforce plan (2008 – 2013). The new plan, like the last one (2002- 2007) will serve as a roadmap for integrating human capital initiatives with program goals and objectives.

The MMS *Workforce Plan* is used in conjunction with the President's Management Agenda, DOI Strategic Plans, MMS Strategic Plans, and the MMS Budget to ensure that MMS is strategically managing its human capital to meet mission goals. The plan is a living document and will change as new MMS challenges arise and successes are achieved.

The key workforce planning challenges emerging for the next few years include: succession management for leadership positions; strategic hiring to fill petroleum engineer and geoscientist vacancies; linking hiring and employee development to the bureau's shift toward alternative energy authorities and work; and preparing for the new 5-Year Program. In addition to basic human resources costs, such as salaries, benefits, awards, and training, MMS has integrated human capital initiative costs into the 2009 program budget requests. Key areas include tools for meeting management challenges related to leadership succession, focus on continued implementation of the DOI Learn learning management system, implementing a comprehensive human capital accountability program, improving our bureau score on the Federal Human Capital Survey, implementing a strategic new employee orientation program, and other key initiatives. The MMS programs have unique workforce planning challenges in addition to the overarching Bureau-wide challenges, and have identified and integrated human capital initiatives into their budget requests.

Competitive Sourcing

The MMS competitive sourcing program has continued to study a significant number of FTE that are available for competitive sourcing. Competitive Sourcing studies are conducted on a five-year cycle. We will continue with new studies of FTE that have not been previously studied. In addition, after five years of performance, the Most Efficient Organizations are studied again to assure continued savings. During FY 2009 and in the years following, we will be conducting recompetitions for activities that were studied in 2004 and later. This will mean that more studies will be conducted than in years past.

The number of FTE studied and the number of studies conducted has progressively grown since FY 2005. In addition, the complexities of studies have increased and consume additional resources. This has been accomplished with a flat budget of $176,000.

Improving Financial Performance

From 2004 through 2007, MMS in cooperation with the Department conducted numerous workshops and training/testing sessions as a part of the conversion of all bureaus within the Department to one financial and business management system. The MMS converted to the Financial and Business Management System (FBMS) for financial transactions and financial assistance awards, beginning in FY 2007. The Contract Management System module came on-line at the beginning of FY 2008.

The FBMS system will create changes in how MMS conducts its business. The combination of best business practices and new computer system functionality will enable MMS to improve services and operate more effectively. Anticipated benefits include:

- Access and sharing real-time, accurate business information;
- Improved financial and business controls resulting in greater accountability;
- Enhanced support of effective and timely business decisions for mission delivery;
- Reduced time and effort to produce financial and management reports;
- Focus on value-added analysis rather than data-gathering;
- Elimination of redundant administrative data entry; and
- Standardization of processes across all DOI bureaus.

FBMS is being implemented in phases. As one of the initial bureaus to go-live with the core financial system (SAP) and contract management system (PRISM), MMS must ready itself for the multiple demands of a new complex systems implementation.

During deployments MMS personnel work with the DOI project management office and the system integrator, IBM, to convert existing MMS data; test the new systems; and modify existing MMS business processes for system conformance. Interfaces have been developed between the FBMS systems (SAP, PRISM, and e-Grants) and legacy systems (FPPS, etc.). This replaces the functionality provided by the prior systems, the Advanced Budget and Accounting Control and Information System (ABACIS) and IDEAS-PD. All deployments require MMS experts to work with project teams to ensure business needs are addressed; Bureau experts also work on teams to further standardize business processes across the DOI. Each deployment requires employees to be trained and tested in new system procedures.

Expanding Electronic Government (E-Gov)

In the Bureau's 2009 budget request, MMS contributes $154,500 to directly support the President's E-Government initiatives. The funds are paid into the Department's Working Capital Fund Account; costs are distributed based upon relative benefits received by each bureau. The Departmental Management budget justification includes amounts for each initiative and describes the benefits received from each E-Government activity.

To align with and complement the Department of the Interior's (DOI) *Government Performance Results Act (GPRA) Strategic Plan for FYs 2007-2012* and the *E-Government Strategy, 2004-2008*, MMS has two Bureau-level plans: an *IT Strategic Plan for FYs 2000-2007* and a *Five-Year e-Government Plan for FYs 2005 - 2009*. In particular, the *e-Government Plan* utilizes a business process driven approach focusing on strategic goals and objectives that add value to MMS' services, programs, information, and data quality. This *Plan,* which supports the *"Building Upon Customer-Centric Initiatives for Results"* goal of the DOI *E-Government Strategy,* is predicated on three key concepts: investments in IT makes the organization more efficient and effective, deploying IT E-Gov applications and systems provides better information to our stakeholders, and utilizing efficient and effective IT will make it easier for our stakeholders to interact with us. All current and future MMS E-Gov efforts will focus on one or more of these core concepts. Also, the MMS *IT Strategic Plan* outlines the shared vision, mission, governing principles and goals that guide the Bureau's IT investment decision-making process. The *IT Strategic Plan* also specified the strategies that were implemented for each goal during this plan's time horizon. Efforts are already underway to review and revise the IT goals, strategies, and objectives for release of the next iteration of the *IT Strategic Plan* covering FYs 2008–2012.

A few key E-Gov initiatives that MMS will be involved in during fiscal 2009 include:

- ***OCS Connect*:** The OCS Connect project is a phased, multi-year, E-Gov transformation initiative being developed and deployed by the MMS' Offshore Energy and Minerals Management (OEMM) program. The framework and blueprint for the OCS Connect project was developed to: reform and more fully automate key business processes; update business processes with automated data exchange capabilities with external users; develop automated workflows for business areas that have data exchange with oil industry users; decrease delivery, data entry, and searching costs for documents, and increase the potential for meaningful analysis; support multiple Federal and State requirements surrounding regulation of the offshore oil and gas industry; and make OEMM services and information more accessible through the Internet to all stakeholders. When fully implemented, the OCS Connect project will change the manner in which OEMM (and MMS) delivers its services to meet mission needs and stakeholder expectations. By moving to direct, online service delivery, the MMS will be more "connected" to our stakeholders than ever before.

The Development, Modernization, and Enhancement (DME) phase of the OCS Connect project was scheduled to be completed by FY 2009. We now anticipate that the DME phase will continue into FY 2009 as some work was postponed to allow MMS the opportunity to review and evaluate its original approach to the project. MMS will complete the DME phase with funding made available by deferred spending in prior years. MMS anticipates the total cost of the project to remain unchanged.

- ***E-Rulemaking*:** The e-Rulemaking project is a Federal multi-agency E-Gov initiative managed by the Environmental Protection Agency which provides citizens an opportunity to post comments on proposed regulations and rules using the Internet and provides easy access to public comments, background agency documents, and federal rules and regulations that are already in place. The Federal Docketing Management System component of this project, which MMS has already transitioned to, provides the functionality to allow for the lifecycle management of the declared records of the docket. The docket is comprised of the electronic agency documents, comments, and final rule compiled during the rulemaking process. This application and associated services is accessible through www.Regulations.gov .

- ***HSPD-12*:** In support of the Federal Homeland Security Presidential Directive-12 (HSPD-12) requirements, MMS continues to work with the Department on this important initiative and is well positioned in completing the upgrade to our physical access control systems. Within the context of the Department's overall implementation schedule, installation of a Personal Identity Verification (PIV) Credential-capable physical access control system, begun at selected MMS facilities in fiscal 2006, continued in fiscal 2007 with the remainder to be determined and installed over the course of the next two fiscal years. In compliance with established HSPD-12 milestones, DOI expects to complete the issuance of PIV Credentials to all employees and contractors in FY 2009.

To fully support all of the Bureau's E-Gov initiatives, MMS has established a robust and active IT Security Program. The Bureau's IT security managers work closely with their program areas to review and improve security plans, policies, procedures, standards, practices, and controls to mitigate risks brought about by changes in the technological landscape.

The Bureau's FY2009 budget request further supports our close alignment with the DOI major IT program functional areas and E-Gov initiatives associated with Records Management, Privacy Act, Freedom of Information Act, web management, Electronic and Information Technology Accessibility (Section 508), and Information Quality (Section 515). Further, these E-Gov initiatives are in compliance with Executive Order 13392 (Improving Agency Disclosure Information), Federal Information Security Management Act, E-Government Act of 2002, the Rehabilitation Act, and the Federal Records Act.

MMS continues to mature its internal information technology investment (portfolio) management processes and is fully integrated with Department-wide investment management processes. MMS develops Capital Asset Plans (OMB Exhibit 300s) for each of its major investments. A description of MMS's major information technology investments can be found at: http://www.doi.gov/foia/2007/by08_it_portfolio.pdf .

Research and Development (R&D)

The Department is using the Administration's Research and Development (R&D) investment criteria to assess the value of its R&D programs. Please refer to the appendix for a discussion of the Department's and Bureau's efforts in the use of Research and Development Criteria.

STRENGTHENING FEDERAL ENVIRONMENTAL, ENERGY, AND TRANSPORTATION MANAGEMENT

The Department of the Interior is committed to meeting the goals set forth in Executive Order 13423 (EO), *Strengthening Federal Environmental, Energy, and Transportation Management*. Secretary Kempthorne issued a memorandum on April 4, 2007, directing the Department to lead by example on implementation of the EO requirements. Specifically, the EO requires additional reductions in greenhouse gas emissions by reducing energy intensity in buildings; reductions in water consumption intensity; acquisition of more environmentally sound products; reduction in the use of chemical and toxic materials; increased implementation of environmental management systems; incorporation of sustainability strategies in new and existing buildings; continued reduction in petroleum consumption in vehicles; and increased use of alternative fuels in motor vehicles.

Environmental Management

Environmental Management Systems (EMS) Executive Order 13423 requires agencies to use EMS as the primary management approach for addressing environmental aspects of internal agency operations and activities, including energy and transportation functions, to meet the goals of the EO. The Deputy Secretary approved the Department's EMS Implementation Plan on March 21, 2007. On March 28, 2007, the Chairman of the Council on Environmental Quality issued mandatory implementation instructions for complying with EO 13423 to Heads of Executive Branch Departments and Agencies. Additionally, the Department committed to fully implement EMS by the end of FY 2009 in the 2007-2012 Strategic Plan. Every Bureau must fully implement their individual EMS by end of CY 08, according to 515 Departmental Manual 4. To be fully implemented, MMS must develop EMSs at all appropriate levels and have them approved, fully trained all offices on EMS policy and scope, create implementation plans in all required facilities, audited all EMS programs in all regions, and develop recovery plans with management sign-off.

MMS actions to date include the following: (1) preparation of a Minerals Management Service EMS policy; (2) senior management review and approval of EMS; (3) development and implementation of bureau-wide training strategy; (4) identification of appropriate organizational/facility significant aspects and impacts and targets and objectives; and (5) initial development of an EMS handbook and implementation strategies for all regional offices. In summary, MMS efforts to improve the effectiveness and efficiency of EMS implementation are well underway and we plan to continue to educate our staff from the top level down.

The GSA leases all the office space for the MMS. Therefore, we do not have any facilities that are appropriate for environmental audits. The GSA requires an EMS be used by the lessor. The Bureau supports the requirements that GSA imposes on the lessor and works with GSA and building management to ensure their requirements are carried out.

The MMS supports environmentally friendly procurement practices. MMS has procurement policies in place establishing MMS's Affirmative Procurement Program (APP). The APP formalizes MMS's goal to increase purchases of recycled-content products and environmentally preferable products and services to the extent feasible, consistent with price, performance, availability, and safety considerations. In addition to requiring consideration of environmental factors in acquisition processes, this policy requires acquisition personnel, including MMS business-line charge card holders, to attend green procurement training, preferably through the Office of Personnel Management's Gov Online Learning Center (GOLearn.gov). The MMS Support Services Office considers Leadership in Environmental and Energy Design (LEEDs) planning when purchasing furniture and carpet.

The MMS utilizes the DOI/UNICOR MOU to dispose of unserviceable IT equipment. The MOU provides the MMS an environmentally safe and regulatory compliant alternative to landfill disposal through the recycling or surplus of unserviceable electronic equipment. All offices have active recycling programs for paper and aluminum and some include plastic and glass. Also, toner cartridge recycling programs and cell phone donation programs are in place.

The MMS fully supports the Department's efforts to promote environmentally friendly practices including those governing recycling and waste prevention. The MMS has made good progress by working to enhance environmental performance through effective real and personal property management. Moreover, the MMS will continue its collaborative efforts by working with our public and private partners to achieve greater results.

Energy Management

The MMS is dedicated to achieving the energy and water reduction and renewable energy consumption goals set forth in the Energy Policy Act of 2005 (EPAct 2005) and Executive Order 13423. MMS has implemented an energy management plan to guide programs toward meeting the mandated goals. The Bureau's office space is owned or leased by the General Services Administration (GSA). MMS facilities personnel work in partnership with GSA and the building management companies to improve energy efficiency. On February 27, 2006, we established MMS's Affirmative Procurement Program, supporting the acquisition of more environmentally sound products. All our offices have recycling programs. MMS will continue its collaborative efforts by working with our public and private partners to achieve greater results.

Transportation (Fleet)

The Minerals Management Service remains committed to achieving the goals of the Energy Policy Act of 1992 and Executive Order 13423 for fleet management. In 2005, MMS developed a comprehensive Fleet Management Plan to improve critical mission support, achieve fleet management goals and support the Department's fleet management strategy. In 2006, the MMS developed a fleet composition baseline and documented justification for each vehicle based on mission requirements. In 2007, use standards for fleet utilization were developed and applied. Analysis of fleet utilization against established standards resulted in the reduction of one GSA leased vehicle. The Bureau currently maintains a small motor vehicle fleet of less than 40 owned and GSA-leased vehicles. The fleet has been downsized and right-sized by acquiring and maintaining the minimum number and size of vehicles that will accomplish the mission, which included disposing of underutilized vehicles. Whenever possible, the MMS has purchased alternative fuel vehicles. The MMS has documented that alternative fuel (AF) is not readily available in our office locations. As it is not feasible to meet required petroleum fuel reduction by increased AF use, the MMS will strive to reduce our vehicle fuel consumption by curtailing non-essential travel and encouraging employees to carpool or use the shuttle or public transportation whenever possible. The Bureau has issued educational materials to all employees regarding "Fuel Conservation Guidelines" for vehicles.

ENVIRONMENTAL SAFEGUARDS

The MMS is participating in a Department-wide management improvement initiative to better safeguard Department of the Interior resources, visitors, employees, and infrastructure in all-hazards emergencies. This initiative covers protection of natural and cultural resources and historic properties under Emergency Support Function #11 of the National Response Plan (NRP); oil discharges and hazardous substances incidents under the National Oil and Hazardous Substances Pollution Contingency Plan (NCP); and incidents that affect DOI lands, natural and cultural resources and historic properties, facilities, employees, or visitors that are not carried out under the NRP or NCP, but require coordination of DOI assets or expertise to safeguard these resources and people. The purpose of these activities is to provide for more effective and efficient environmental safeguards for DOI resources and people. MMS activities to date include: (1) preparation of a gap analysis documenting the differences between existing emergency management functions related to environmental safeguards and those required under the departmental plan; (2) drafting of a MMS Environmental Safeguards Plan for All-Hazards Emergencies, consistent with departmental requirements; and (3) training regional and headquarters personnel in the response methods of the Incident Command System (ICS). The training addresses one gap identified through the gap analysis, the need for National Incident Management System (NIMS) and ICS training among certain MMS staff. In addition, MMS is reviewing existing MMS procedures that are not NIMS/ICS certified. In summary, MMS continues to improve the effectiveness and efficiency of its efforts to safeguard the environment in all-hazards emergencies by supplementing our comprehensive regulatory program with DOI's initiative to protect natural and cultural resources.

Oceanographic information collected by MMS is used by the Bureaus, and other ocean agencies to: 1) predict impacts on marine communities which may result from chronic, low level impacts or large spills associated with OCS energy exploration, development, and production; and 2) to monitor human, marine, and coastal environments to provide time series and data trend information. MMS leads the way in developing state-of-the-art monitoring protocols and techniques as demonstrated by the highly successful Flower Gardens National Marine Sanctuary studies, Chemosynthetic Community Studies, Deep-Sea Coral Communities Studies, Pacific

Coast Intertidal Community Studies, and Arctic Marine Mammal Monitoring Studies. The information collected by these, and other MMS programs, are used not only to support MMS NEPA documents and regulatory actions; but, because they have resulted in some of the most extensive long-term environmental databases, they are used at the national level to support diverse discussions ranging from evaluating the effects of noise on marine mammals to assessing changes to the environment as a result of global climate change. MMS state of the art research on marine ecosystems, ecosystem components, and ocean processes all will all contribute valuable information to the discussions regarding our changing environment.

PERFORMANCE SUMMARY

The MMS's mission is to manage the ocean energy and mineral resources on the Outer Continental Shelf and Federal and Indian mineral revenues to enhance both public and trust benefits, promote responsible use, and realize fair value. Within the Department's strategic framework, MMS supports accomplishment of the Resource Use mission area.

- **Resource Use (energy) –** improve resource management to assure responsible use and sustain a dynamic economy. Intermediate outcomes include:
  - Effectively manage and provide for efficient access and development;
  - Enhance responsible use management practices; and
  - Ensure appropriate value through effective lease and permit management.

Table 4: 2009 Budget Request by Interior Mission Area [1]

Minerals Management Service ($000's)	2007 Enacted	2008 Enacted	2009 President's Request	2009 Request Change from 2008
Resource Use - Energy	281,342	290,480	301,000	+10,520
Total	**281,342**	**290,480**	**301,000**	**+10,520**
Offsetting collections	-128,730	-135,730	-146,730	+11,000
Total Appropriation Request	152,612	154,750	154,270	-480

[1] Of the amount shown in Resource Use - Energy, MMS estimates that $26M, $24M, and $25M for FY 2007, FY 2008, and FY 2009, respectively would be Indian costs, based on prior ABC information.

Resource Use Mission Area (Energy)

The 2009 Resource Use goal area request of $301 million provides the resources needed to conduct leasing, resource evaluation, regulatory, and asset management activities. MMS Offshore activities provide direct support for the President's mandate to increase domestic energy production by managing assets to meet the energy needs of the nation. To ensure safe and clean operations on the OCS, MMS routinely conducts compliance inspections. In FY 2007, MMS conducted approximately 20,000 inspections in our Alaska, Pacific, and Gulf of Mexico Regions. This work has been instrumental in maintaining a high level of compliance among operators. These inspections are a significant part of the agency's efforts to ensure that the offshore oil and gas activities can help meet our nation's energy needs while protecting industry workers and our nation's environment. Revenue management activities ensure proper collection, accounting, reporting, and timely disbursement of royalties. Through use of royalty-in-kind, MMS has increased the amount of revenues collected.

Table 5: 2009 Funding and the DOI Resource Use Mission Goal

($000)	2007 Enacted	2008 Enacted	2009 President's Request	2009 Request Change from 2008
Manage or Influence Resource Use to Enhance Public Benefit, Responsible Development, and Economic Value (energy)[1]	281,342	290,480	301,000	+10,520
Total [2]	**281,342**	**290,480**	**301,000**	**+10,520**

[1] Under the former DOI Strategic Plan, this strategy was titled as "Enhance Public Benefit, Promote Responsible Use, and Ensure Optimal Value (energy)."

[2] Under the DOI Strategic Plan FY 2007-FY2012 MMS reports all activities and costs under the Resource Use (energy) mission area. In previous submissions, MMS reported FY 2007 information for the Resource Use (energy and non-energy) and Serving Communities mission areas.

The following measures highlight MMS planned performance accomplishments in the Resource Use mission area with the resources requested.

Table 6: Planned Performance Accomplishments – Resource Use (Energy)

Measure	2007 Actual	2008 Plan	2009 President's Budget
Number of offshore lease sales held consistent with the Secretary's 2007-2012 Five-Year Program	2	5	3
Percent of Federal and Indian revenues disbursed on a timely basis per statute	96.3% ($2.251B / $2.336B)	98%	98%
Comment	*In FY 2006, MRM focused on reducing accounts receivable and unapplied payments. This resulted in the processing of several older payments, which lowered our timely disbursements result to 95%, compared to 98% in FY 2005. Following the clearance of these older payments, timely disbursements increased in FY 2007. During FY 2008 and 2009, MRM will implement a 2-year FY 2008 budget initiative for interactive payment and billing. System enhancements will provide secure access for industry reporters to play a more interactive role in matching payments to the appropriate receivables. After the initial FY 2010 implementation year, MMS anticipates that more accurate company reporting will increase MMS disbursement timeliness to 99% by FY 2012.*		
Percent of available offshore oil and gas resources offered for leasing compared to what was planned in the Secretary's Five-Year Plan	35.6% (19.5/ 54.7)	97%	99%
Comment	*This measure counts the resources offered through lease sales scheduled under the Secretary's 5-Year OCS Oil and Gas Leasing Program.* *As a result of settlement of litigation brought by the State of Louisiana, MMS postponed Central Gulf of Mexico Sale 201, scheduled for March 2007. The 2007 Chukchi Sea Sale 203 was a special sale and not held.*		
Amount (in barrels) of offshore oil spilled per million barrels produced	2.2 (1,134/ 509)	5	5
Composite accident severity ratio	0.075 (5,208/ 69,241)	<0.10	<0.10
Percent of late disbursements	0.7% * ($0.086B / $11.671B)	1% *	0.9% *
Comment	** Please see comments to "Percent of Federal and Indian revenues disbursed on a timely basis per statute" measure above.* *Estimated FY 2007 late disbursements to States and Indian recipients, when compared to total FY 2007 disbursements, were far below the FY 2007 target. As a result, MMS' targets for FY 2008 and FY 2009 have been adjusted.*		
Percent of Federal and Indian royalties compliance work completed within the 3-year compliance cycle	65% of CY 2004 royalties ($5.832B / $9.008B)	60% of CY 2005 royalties *	62% of CY 2006 royalties *
Comment	** MMS reduced royalty revenue coverage for 2007 and beyond to address the OIG's recommendation that MMS increase property/company coverage.*		
Estimated net return (in dollars) to the government through royalties-in-kind (RIK) (estimated)	$86M (cum) *	$105M (cum) **	$125M (cum)**
Comment	**The FY 2007 target is $86M (cum). The final results will be available April 2008.* *** The FY 2006 cumulative result of $67.1 million exceeded the initial FY 2007 target of $51.8 million. The RIK program consequently revised its targets for FY 2007 and beyond. The current targets are based on prior year trend data, known RIK oil volumes required for SPR fill during FY 2007-2012, and projected RIK gas expansion in the Gulf and Wyoming. Targets are based on cumulative progress made FY 2005 and forward in reaching the long-term goal. The current cumulative targets for FY 2008 and FY 2009 are $105 million, $125 million, respectively. Results are available in April of the succeeding year.*		

The MMS will continue to implement the following key strategies in 2009:

Provide for access to energy and mineral resources: Conduct lease sales scheduled in the new OCS 5-Year Leasing Program (2007 to 2012); continue implementation of the Alternative Energy program.

Ensure appropriate value for America's resources: In FY 2007, MMS disbursed $11.7 billion in mineral revenues to states, the Office of the Special Trustee for American Indians (OST) for distribution to Indian Tribes and individual owners, other Federal agencies, and U.S. Treasury accounts. The distribution and disbursement function ensures that revenues are properly disbursed to the appropriate recipients. In 2007 MMS achieved 96.3 percent timely disbursements. The MMS target for 2008 is 98 percent; the 2009 target is also 98 percent.

Effectively manage and provide for efficient access and development: MMS plans to hold 3 lease sales during FY 2009. During these sales, expansion of the OCS acreage available for leasing consideration, a significant amount of which has not been offered/evaluated for decades, requires an investment in environmental studies, environmental analysis, resource assessment, and leasing consultation. Funding provided in 2009 will support environmental studies and environmental assessments necessary to provide access to these frontier areas. Environmental information is needed for supporting documents required for future lease sales in the North Aleutian Basin, Chukchi Sea, Beaufort Sea and expanded areas in the Central and Eastern Gulf of Mexico.

Enhance responsible use management practices: The MMS will continue to carry out a comprehensive program to ensure that mineral and alternative energy operations on the OCS are conducted in a safe and environmentally sound manner. In 2007 the MMS noted an annual accident severity ratio of 0.075. The 2008 and 2009 targets are 0.10 or less. This key indicator of responsible resource extraction activities monitors operator safety and environmental performance.

Safety and environmental protection are top MMS priorities. During 2007, the MMS achieved an oil spill rate of 2.2 barrels spilled per million produced. The 2008 and 2009 performance targets are to achieve an oil spill rate of no more than 5 barrels spilled per million produced.

Appropriate value through effective lease and permit management: In 2007 the MMS late disbursements were 0.7 percent; the 2008 and 2009 targets are 1 percent and 0.9 percent, respectively.

In 2006, MMS achieved its highest-ever level of contemporaneous compliance coverage by confirming reasonable compliance on 72.5 percent of all calendar year 2003 royalties. While the revenue approach was appropriate during the transition to a 3-year compliance cycle, in early 2006, as part of MRM's strategic planning initiative, MMS began pursuing the development of a risk-based strategy for compliance. This risk-based compliance strategy will assist MMS in addressing the December 6, 2006 Office of the Inspector General report. In 2007, MMS covered $5.8 billion in revenues (this equated to 65 percent compliance coverage of mineral royalties) and increased the percentage of companies being reviewed/audited. Because we anticipate continued increases in risk-based property and company coverage, the MMS has reduced this target to 60 percent revenue coverage for 2008. The 2009 target is 62 percent of calendar year 2006 royalties.

The MMS performance results for the net return (in dollars) to the government through RIK for 2007 will be available in April 2008. The 2008 target is $105 million (cumulative); the 2009 target is $125 million (cumulative).

Performance for Key Increases

The MMS proposal supports the President's objectives for strengthening our energy security through increased production and ensuring fair return on mineral assets. The 2009 initiatives request funding to:

- Develop OCS alternative energy/alternate use opportunities;
- Lease new and frontier offshore areas;
- Invest in financial management, audit, and compliance capabilities; and
- Invest in geoscience tools.

The MMS plays an important role in President Bush's National Energy Policy by securing ocean energy for the Nation. The initiatives enable MMS to continue its role in providing access to important national energy supplies. Some of these initiatives include: MMS's geoscientific interpretive tools (GIT), OCS 5-Year Leasing Program needs, and implementing the Alternative Energy (EPAct Section 388) program. Benefits will include technological parity with industry, the leasing of new and frontier offshore areas, and developing OCS alternative energy/alternate use opportunities. More information about these initiatives can be found within the OEMM sub-activity write-ups.

MMS ensures the country receives fair value for its mineral resources, and collects, accounts for, substantiates, and on average over the last five years disbursed nearly $10 billion annually. The proposed initiatives enable MMS to invest in financial management, audit, and compliance capabilities. Some of these initiatives include: improving automated interest billing, implementing risk-based compliance and increasing property/company coverage. More information about these initiatives can be found within the MRM sub-activity write-ups.

Data Validation and Verification

The Minerals Management Service is committed to ensuring that performance data is reliable and valid. Without credible data, bureau managers are unable to make prudent decisions and the decision making process can be adversely affected. MMS has made significant progress in developing processes and procedures that support data validation and verification to date. In May 2006, the MMS issued data verification, validation (V&V) and certification procedures. These procedures, based upon the Department's January 2003 "Data Validation and Verification Assessment Matrix", comply with Departmental data V&V requirements and facilitate the necessary documentation, tracking, and certification of MMS's performance data. The MMS program offices have designated responsible managers who certify that reported data are accurate and that standards and procedures were followed. Responsibility for performance reporting is included in senior managers' annual performance plans and cascades down through the organization.

In addition, MMS has also put in place standardized data definitions across the bureau in the past year. Working closely with the Department, MMS developed definition templates for all bureau-specific DOI Strategic Plan performance measures. Each template defines key terms and reporting contacts, data calculation methodologies, and shows a clear relationship to the departmental mission activity in which it is categorized. The MMS data V&V methods are sufficiently credible and support the general accuracy and reliability of the performance data that is collected, recorded, and reported. The MMS will continue to work on improving performance reporting in the coming year and will issue additional guidance to its program offices in FY 2008.

Figure 4: MMS Organizational Chart

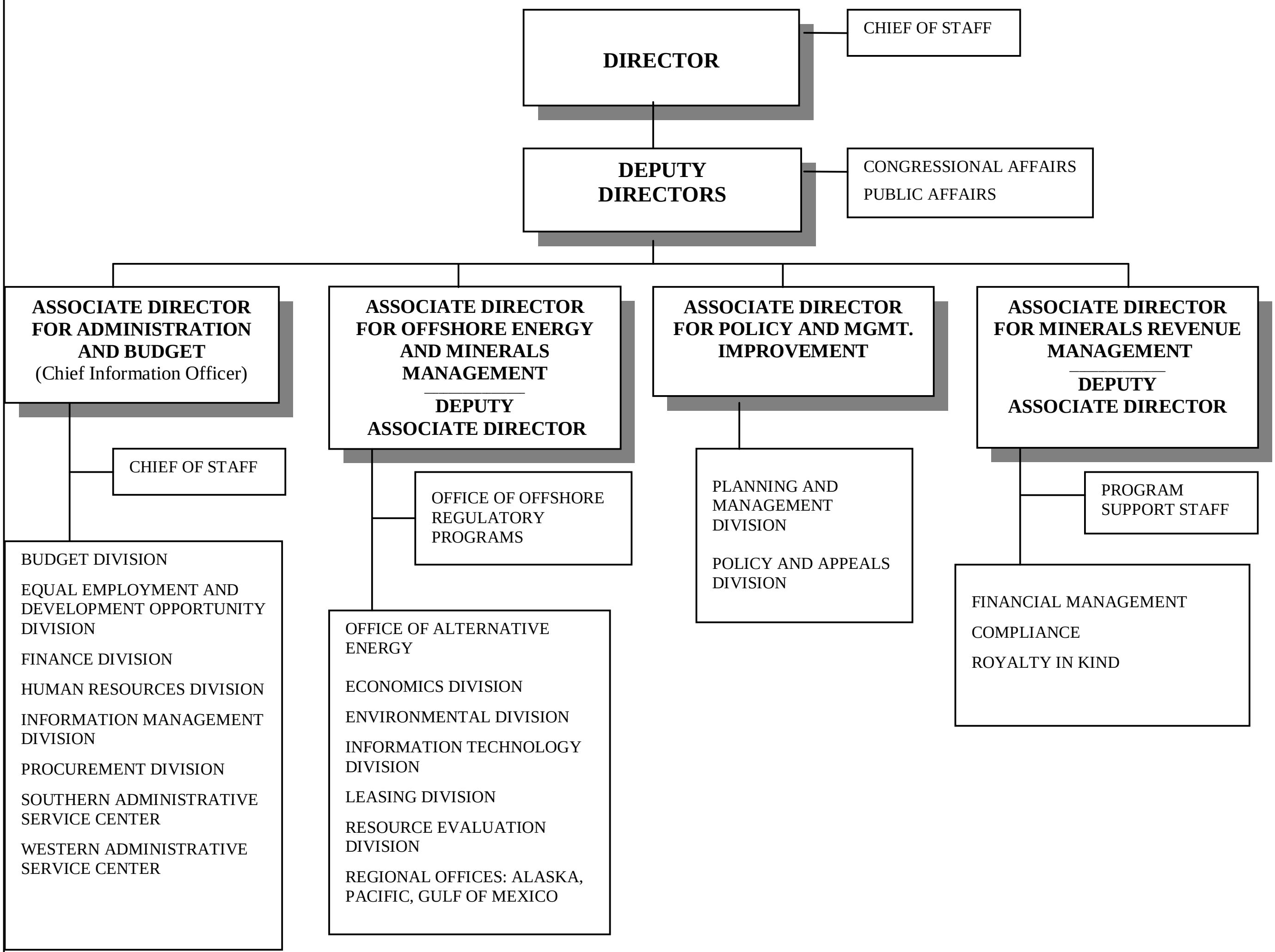


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Table 7: Goal Performance Tables – Resource Use (Energy)

Goal Performance Table - Resource Use (energy)

Note: Performance and Cost data may be attributable to multiple activities and subactivities. Therefore, measure costs may not equal totals shown in subactivity tables.
n/a - Data not available

Target Codes:	SP - Key Strategic Plan measures NK - Non-Key measures TBD - Targets have not yet been developed	PART - PART measures UNK - Prior year data unavailable BUR - Bureau specific measure ABC - Bureau ABC Output NA - Long-term targets are inappropriate to determine at this time
Type Codes:	**C** - Cumulative Measures **A** - Annual Measures **F** - Future Measures	

End Outcome Goal 1.1 Resource Use (energy): Manage or influence resource use to enhance public benefit, responsible development, and economic value.

End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	Type	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 President's Budget	Change from 2008 Plan to 2009	Long-term Target 2012
GPRA End Outcome Measures									
Number of offshore lease sales held consistent with the Secretary's 2007-2012 5-Year Program (SP)	C/F	4	4	2	2	5	3	-2	2
Total Actual/Projected Cost ($M)		30.5	32.7	33.1	33.2	35.4	42.4	+7.0	--
Contributing Programs	OMM-Leasing and Environment, Resource Evaluation								
Comments	*This measure counts lease sales conducted under the OCS Oil and Gas Leasing Program. The 2007-2012 Final Program was published June 29, 2007. Expansion of OCS acreage available for leasing consideration, a significant amount of which has not been offered/evaluated for decades, requires an investment in environmental studies, environmental analysis, resource assessment, and leasing consultation. Funding provided in 2009 will support environmental studies and environmental assessments necessary to provide access to these frontier areas in 2009 and beyond. Environmental information is needed for supporting documents required for future lease sales in the North Aleutian Basin, Chukchi Sea, Beaufort Sea and expanded areas in the Central and Eastern Gulf of Mexico. The three lease sales in 2009 reflect a normal year of 2 lease sales in the GOM and 1 in Alaska. The five lease sales scheduled in 2008 are a result of the Louisiana litigation and an additional sale added with the passage of GOMESA.*								
Percent of Federal and Indian revenues disbursed on a timely basis per statute (SP/PART)	A	95.5% ($1.344B / $1.407B)	98.4% ($1.978B / $2.011B)	94.5% ($2.505B / $2.650B)	96.3% ($2.251B / $2.336B)	98%	98%	No Change	99%
Total Actual/Projected Cost ($M)		41.9	42.3	43.7	45.8	45.2	47.8	2.7	--
Contributing Programs	MRM-Revenue and Operations								
Comments	*In FY 2006, MRM focused on reducing accounts receivable and unapplied payments. This resulted in the processing of several older payments, which lowered our timely disbursements result to 95%, compared to 98% in FY 2005. Following the clearance of these older payments, timely disbursements increased in FY 2007. During FY 2008 and 2009, MRM will implement a 2-year FY 2008 budget initiative for interactive payment and billing. System enhancements will provide secure access for industry reporters to play a more interactive role in matching payments to the appropriate receivables. After the initial FY 2010 implementation year, MMS anticipates that more accurate company reporting will increase MMS disbursement timeliness to 99% by FY 2012.*								

Goal Performance Table - Resource Use (energy) (continued)									
Intermediate Outcome Strategy 1: Effectively manage and provide for efficient access and development									
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2004 Actual**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2009 President's Budget**	**Change from 2008 Plan to 2009**	**Long-term Target 2012**
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures									
Percent of available offshore oil and gas resources offered for leasing compared to what was planned in the Secretary's Five-Year Plan (SP)	C/F	84.2%			84.2% (228.5/ 271.3)	2007-2012 Leasing Program Target: 98%			
Contributing Programs	OMM-Leasing and Environment, Resource Evaluation								
Percent of available OCS acres offered for leasing in a 5 Year Program compared to what was planned for leasing (PART)	C/F	67.3%			67.3% (386.1/ 573.8)	2007-2012 Leasing Program Target: 82%			
Contributing Programs	OMM-Leasing and Environment, Resource Evaluation								
Comments	*Targets for the 2007-2012 OCS Oil and Gas Leasing Program assume that the most prospective acreage will be offered which is projected to be 98% of Undiscovered Technically Recoverable Resources. If all the sales scheduled in the 5-year program for a specific year were held, meaning no major deferrals of acreage, the available resources offered would be 100%. The current, and proposed, 5-year plan includes "special sales", a process designed for the remote areas of Alaska that contain prospects for oil and gas, but are currently considered to have high risk, high costs, and lower industry interest. If industry does not express an interest in the Call for Information for Special Sales, presale work does not continue.*								
Percent of available OCS acres offered in each year's lease sales (PART)	C/F	>57%	>99%	94%	35% (44.6/ 127.3)	85%	79%	-6%	76%
Contributing Programs	OMM-Leasing and Environmental and Resource Evaluation								
Percent of available OCS oil and gas resources offered in each year's lease sales (PART)	C/F	>88%	>99%	> 98%	35.6% (19.5/ 54.7)	97%	99%	+2%	97%
Total Actual/Projected Cost ($M)		30.5	32.7	33.1	33.2	35.4	42.4	+7.0	--
Contributing Program	OMM-Leasing and Environment, Resource Evaluation								
Comments	*These measures count the acreage and resources offered through lease sales scheduled under the Secretary's 5-Year OCS Oil and Gas Leasing Program. Targets for the 2007-2012 OCS Oil and Gas Leasing Program assume that the most prospective acreage will be offered; the 2009 percentage decrease in acreage and percentage increase in resources shows that excluded acreage contains few estimated technically recoverable resources.* *As a result of settlement of litigation brought by the State of Louisiana, MMS postponed Central Gulf of Mexico Sale 201, scheduled for March 2007. The 2007 Chukchi Sea Sale 203 was a special sale and not held.*								

Goal Performance Table - Resource Use (energy) (continued)

End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	Type	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 President's Budget	Change from 2008 Plan to 2009	Long-term Target 2012
Percentage of Environmental Studies Program projects rated "Moderately Effective" or better by MMS internal customers (PART)	A	N/A	N/A	92% (baseline)	100% (12/12)	85%	90%	+5%	TBD
Contributing Programs	OMM-Leasing and Environment								
Percent of ESP Projects delivered on time (PART)	A	N/A	N/A	N/A	N/A	Baseline Year	TBD	--	TBD
Contributing Programs	OMM-Leasing and Environment								
Comments	*This measure evaluates the timeliness of the Environmental Studies Program's Projects. The MMS will need a full range of updated environmental information for the North Aleutian Basin (NAB) National Environmental Policy Act (NEPA) pre-lease/post-lease analyses, as well as post-lease monitoring information for the Chukchi and Beaufort Seas. No concerted environmental data gathering related to oil and gas has occurred in the Chukchi Sea and NAB for more than 15 years. Without the proposed initiative funding for environmental studies and environmental assessments, MMS may have to delay or cancel planned sales in frontier areas.*								
Percent of leases drilled for 1st time - 5 Year Leases (PART) (calendar year)	C/F	8.4% (129/1,531)	7.1% (132/1,858)	5.9% (119/2,023)	4.8% (86/1,778)	6.1%	6.1%	No Change	6.1%
Contributing Program	OMM-Regulatory								
Percent of leases drilled for 1st time - 8/10 Year Leases (PART)(calendar year)	C/F	1.2% (43/3,531)	1.1% (42/3,918)	1.1% (43/3,774)	1.2% (42/3,536)	1.4%	1.4%	No Change	1.5%
Contributing Program	OMM-Regulatory								
Comments	*OCS operators continued to dedicate resources to re-establish production and repair/replace the damaged infrastructure during 2006. Some drilling rigs and ships previously used to drill exploratory wells are dedicated to developmental and appraisal drilling due to damages sustained by the drilling platforms and a backlog of recent deepwater discoveries. Presently there are 7 new ultra-deepwater rigs under construction and 2 additional ultra-deepwater rig upgrades with contracts to work in the Gulf of Mexico. These additional rigs are expected to be added to the GOM rig fleet between 2008 and 2010. Additionally, many shallow water jack-up drilling rigs have left the Gulf of Mexico for international work as the number of leases held by industry remains steady or is increasing. A recent industry report states that the number of rigs drilling in the shallow-water Gulf has fallen to 47 from 84 a year ago. The jack-up rigs leaving the GOM usually get 3 to 5 year contracts overseas compared with well-to-well contracts in the GOM.*								

Goal Performance Table - Resource Use (energy) (continued)									
Intermediate Outcome Strategy 2: Enhance responsible use management practices									
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures									
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2004 Actual**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2009 President's Budget**	**Change from 2008 Plan to 2009**	**Long-term Target 2012**
Composite accident severity ratio (SP/PART)	C/F	0.08	0.03	0.10	0.075 (5,208/ 69,241)	<0.10	<0.10	No Change	TBD
Contributing Programs	OMM-Regulatory								
Maintain an annual composite operator performance index of X or less (PART/BUR)	C/F	0.17	0.11	0.15	0.15	0.20	0.20	No Change	0.20
Total Actual/Projected Cost ($M)		40.2	40.5	42.1	42.4	45.3	46.7	+1.4	--
Contributing Programs	OMM-Regulatory								
Comments	*MMS remains committed to safety and environmental protection as top priorities. The composite operator performance index sums two ratios that are normalized for OCS operator activity. The first ratio measures operator compliance using a weighted INC (incident of non-compliance) value.. The second ratio measures operator safety by assigning values for accidents.*								
Reduce number of fatalities among workers in DOI permitted or contracted activities (PART)	C/F	3	6	9	3	6	<6	-	<
Contributing Programs	OMM-Regulatory								
Reduce number of serious injuries among workers in DOI permitted or contracted activities (PART)	C/F	29	23	29	32	27	<27	-	<
Contributing Program	OMM-Regulatory								
Comments	*In July 2006, new MMS incident/accident reporting regulations became effective. These new regulations require operators to submit a written report in 15 days and more specifically define the types of incidents to be reported. In 2007, there was a significant increase in the number of injury incidents reported and the receipt of additional information improved the MMS' ability to categorize the severity of the injury based on the number of days of lost time/restricted work/job transfer. MMS is currently in the process of revising the definition of serious injuries based on the new information available.*								

Goal Performance Table - Resource Use (energy) (continued)

End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	Type	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 President's Budget	Change from 2008 Plan to 2009	Long-term Target 2012
Amount (in barrels) of offshore oil spilled per million barrels produced (SP/PART)	C/F	8.2 (4,769/580.6 million)	24.7 (13,299/537.9 million)	3.0 (1,382/466.9 million)	2.2 (1,134/ 509)	5	5	No Change	5
Total Actual/Projected Cost ($M)		60.6	62.9	63.8	64	68.2	69.6	+1.4	--
Contributing Programs	.								
Comments	*Since Hurricane Katrina in 2005, oil spill rates in recent years have been very good. Petroleum spillage resulting from offshore oil and gas activities in FY 2007 was small enough to bring this metric in at approximately half the goal. Historical data indicates that MMS is typically able to meet the current 5 barrel target level when no Major spills occur and when Medium spills total to less than 2,500 barrels. In FY2007, there were no major hurricanes and the largest oil spill, which is still under investigation, is projected to be approximately 600 barrels. The combination of MMS' continuous inspection of operator components to ensure safety and a low occurrence of external incidents led to the final results.*								
Less than X% of total gas produced is approved to be flared offshore (BUR) (Calendar Yr)	C/F	.25% (10,509,681/ 4,157,266,134 MCF)	0.29% (9,420,523/ 3,201,957,549 MCF)	0.28% (8,340,722/ 2,948,461,292 MCF)	0.27% (prelim.)*	0.8	0.7	-.1	0.7
Contributing Program	OMM-Regulatory								
Comments	*MMS has proposed regulatory changes to Subpart K which may cause future reported flaring and venting volumes to increase. Subpart K proposes to require meters on facilities producing more than 2000 bbls per day which may increase reported volume.* **Preliminary results for FY2007 are based on partial year data.*								
Process X% of exploration plans in less than 30 days (BUR)	C/F	100% (350/350)	99% (367/371)	75% * (259/345)	99.6% (276/277)	100%	100%	No Change	100%
Total Actual/Projected Cost ($M)		6.1	6.7	6.5	6.5	6.9	7.5	+.6	--
Contributing Programs	OMM-Regulatory								
Comments	** The 2006 actual reflects the closure of the MMS Gulf of Mexico Region and some associated District offices for as much as 62 days immediately prior to and following Hurricanes Katrina, Rita, and Wilma.*								
Process X% of offshore environmental assessments for development plans within 8 months (BUR)	C/F	100% (1/1)	100% (8/8)	100% (9/9)	100% (4/4)	100%	100%	No Change	100%
Contributing Programs	OMM-Leasing and Environment								
Process X% of development plans in less than 120 days (BUR)	C/F	100% (314/314)	100% (258/258)	94% * (293/313)	99.6% (478/480)	100%	100%	No Change	100%
Total Actual/Projected Cost ($M)		8.1	8.9	8.7	8.6	9.2	9.8	+.6	--
Contributing Programs	OMM-Regulatory								
Comments	** The 2006 actual reflects the closure of the MMS Gulf of Mexico Region and some associated District offices for as much as 62 days immediately prior to and following Hurricanes Katrina, Rita, and Wilma.*								

Goal Performance Table - Resource Use (energy) (continued)

End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	Type	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 President's Budget	Change from 2008 Plan to 2009	Long-term Target 2012
Process X% of right-of-way pipeline applications within 140 days (BUR)	C/F	98% (133/136)	93% (144/155)	97% (133/137)	99% (120/122)	90%	100%	+10%	100%
Total Actual/Projected Cost ($M)		4.1	4.5	4.3	4.3	4.6	4.7	+.1	--
Contributing Programs	OMM-Regulatory								
Conduct Technology Assessment and Research studies on X% of high-priority topics (BUR)	C/F	70% (16/23)	75% (16/20)	70% (17/22)	74% (25/ 34)	90%	85%	-5%	70%
Total Actual/Projected Cost ($M)		.9	.9	.9	0.9	1.5	1.5	n/c	--
Contributing Programs	OMM-Regulatory								
Achieve a utilization rate of X% at OHMSETT, the national oil spill response test facility (BUR)	C/F	84%	75%	80%	62% (162/ 260)	60%	60%	No Change	60%
Contributing Programs	OMM-Oil Spill Research								
Comments	*Between 2004 and 2006 Ohmsett utilization rates reached near the full utilization rates of 83% because of maintenance cycles. In 2006 those cycles were completed and no major upgrades are planned in the near future.*								
Total Number of Compliance Inspections Completed (PART/ABC-DOI)	A	24,938	23,115	19,961	20,567	20,000	20,000	No Change	20,000
Total Actual/Projected Cost ($M)		38.5	38.2	39.8	40.3	43	44	+1.0	--
Actual/Projected Cost per Unit ($)		1,544	1,687	1,990	1,959	2,150	2,200	+50	--
Contributing Programs	OMM-Regulatory								
Comments	*MMS has changed its inspection strategy to a more risk-based approach versus quantity of inspection. This strategy change means MMS is conducting more component sampling and performance based inspections which focus on higher risk facilities. Inspections at high risk facilities are full inspections and consume more resources than sampling inspections. Expanded leasing and exploration in Alaska and GOM ultra-deep water and environmentally sensitive area inspections require an additional inspector.*								

Goal Performance Table - Resource Use (energy) (continued)

End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	Type	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 President's Budget	Change from 2008 Plan to 2009	Long-term Target 2012
Conduct full Coast Guard inspections on X% of manned offshore facilities annually (BUR)	A	16% (173/1,110)	15% (164/1,109)	13% (154/1124)	20% (224/ 1121)	10%	10%	No Change	10%
Contributing Programs	OMM- Regulatory								
Comments	*Inspection of U.S. Coast Guard regulated items is a function that was provided for by regulation but one for which MMS is not reimbursed. Assumption of limited responsibilities by MMS was pursued following a report by the Inspector General that the U.S. Coast Guard was not conducting inspections of safety items on fixed facilities, as required by law. At this time, MMS inspectors conduct a limited FPSIP (fixed platform self inspection program) inspection on every platform that they visit and have a target of conducting full FPSIP inspections on 10 percent of manned facilities. Increasing the number of full FPSIP inspections by MMS inspectors would detract from performing inspections of equipment and operations under MMS jurisdiction.*								
Intermediate Outcome Strategy 3: Appropriate value through effective lease and permit management									
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures									
Percent of high bids accepted or rejected within 60 days (PART)	C/F	63% (572/906)	78% (612/786)	68% (530/785)	69% (259/374)	40%	50%	+10%	TBD
Total Actual/Projected Cost ($M)		14.4	15.5	15.6	13.3	14.2	15.4	+1.2	--
Contributing Programs	OMM-Resource Evaluation								
Comments	*The 60-day target was originally set for lease sales with fewer than 600 tracts receiving bids in the Gulf of Mexico Region or 90 tracts in the Alaska Region. The 2007-2012 Five-year Program, with its 5-expanded program areas, will result in far more and labor-intensive, block/tract evaluation units. A 500 percent expansion of acreage for Alaska and a 10 percent increase in the Gulf of Mexico will increase the number of tracts receiving bids. Additionally, in the Gulf of Mexico deep water, currently leased tracts with 10 year lease terms will be relinquished, then made available. This additional acreage will almost certainly place 2008-2009 sales over and above the baseline 600 tracts receiving bids and will lower the percentage of bids MMS is able to evaluate and accept or reject within 60 days.*								
Percent of tracts with high bids rejected in the previous lease sale receiving acceptable high bids at the planning area's next lease sale (PART) (FY)	C/F	57% (12/21)	83% (15/18)	39% (9/23)	33% (1/3)	50%	50%	No Change	50%
Contributing Programs	OMM-Resource Evaluation								
Comments	*MMS bid adequacy procedures resulted in a net gain of $19.6 million in the 2006 lease sales. However, MMS does not appear to be receiving the same interest in previously rejected tracts that was evident in the past. In recent sales, there has not been much interest in some of the lower-valued rejected tracts on re-offering. A 10-year table of rejected bids is displayed in the Resource Evaluation Initiative write-up.*								
Maintain the ratio of 1.8 to 1 (+/-0.4) of accepted high bids to MMS' estimated value (BUR)	C/F	2.1 to 1	1.9 to 1	2.1 to 1	2.1 to 1	1.8 to 1 (+/- 0.4)	1.8 to 1 (+/- 0.4)	No Change	1.8 to 1 (+/- 0.4)
Contributing Programs	OMM-Resource Evaluation								
Comments	*Measure includes only accepted high bids (not all high bids). Government value based on the dollar measure of the MMS estimate of a tract's expected net present value, given that the tract is leased in a current lease sale.*								

Goal Performance Table - Resource Use (energy) (continued)									
Intermediate Outcome Strategy 3: Appropriate value through effective lease and permit management									
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2004 Actual**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2009 President's Budget**	**Change from 2008 Plan to 2009**	**Long-term Target 2012**
Reserves recovered per dollar of funding for the conservation management component of the program (PART)	A	6.8 BOE	3.5 BOE	20.4 BOE	62.7 BOE	5.2 BOE	5.2 BOE	No Change	5.2 BOE
Contributing Programs	OMM-Regulatory								
Comments	*For fiscal years 2002-2006, MMS conservation management efforts are estimated to have increased ultimate recovery by 84.4 million barrels of oil (or equivalent volumes of natural gas). This measure captures how many barrels of oil (or equivalent volumes of natural gas) reserves are estimated to be made available for each dollar MMS invests in conservation management activities. Through the review of Conservation Information Documents (CIDs), MMS analyzes reservoirs that an operator has proposed to bypass. MMS has made operators commit to develop zones that the operator had proposed to bypass. The price of oil increased significantly in 2006 and 2007. This made reservoirs that may have previously been uneconomic, economic to produce. Because of higher prices, industry may choose to not submit CIDs and opt to produce reservoirs making this measure difficult to target.*								
Blocks/Tracts Evaluated (ABC)	A	8,140	8,177	10,996*	18,645**	9,300	9,300	No Change	9,300
Total Actual/Projected Cost ($M)	51.0	43.3	46.6	47.4	44.8	47.8	49.9	+ 2.1	--
Actual/Projected Cost per Unit ($thousands)	5.5	5.3	5.7	4.3	2.4	5.1	5.4	+ .3	--
Contributing Programs	OMM-Resource Evaluation								
Comments	*It is anticipated that the Final 2007-2012 5-year program, with its 5-expanded program areas will result in far more, labor-intensive, block/tract evaluation units. Additionally expansion into frontier areas as the North Aleutian basin and expanded 181 Area will require decades old data in analog format be digitized so it can be analyzed in GIT-based work flows. Data, system and workflow upgrades are urgently needed for fair market value and resource assessment reviews.* **Of the 10,996 blocks/tracts evaluated in FY 2006, 3,003 were Atlantic tracts. New geologic information was evaluated for the Proposed 2007-2012 5-Year Oil and Gas Leasing Program. This evaluation in the Atlantic was a special occurrence.* ***Results for FY 2007 are increased due to a special evaluation in the Atlantic Region for hydrates.*								
Estimated net return (in dollars) to the government through Royalty in Kind (RIK) (SP/PART)	C	$19.7M	$36M (cum)	$67.1M (cum)	$86M (cum) *	$105M (cum) **	$125M (cum)**	+$20M *	$180M * (cum)
Total Actual/Projected Cost ($M)		n/a	n/a	17.3	20.0	20.1	--	--	--
Contributing Programs	MRM-Compliance and Asset Management								
Comments	**The FY 2007 target is $86M (cum). The final results will be available April 2008.* *** The FY 2006 cumulative result of $67.1 million exceeded the initial FY 2007 target of $51.8 million. The RIK program consequently revised its targets for FY 2007 and beyond. The current targets are based on prior year trend data, known RIK oil volumes required for SPR fill during FY 2007-2012, and projected RIK gas expansion in the Gulf and Wyoming. Targets are based on cumulative progress made FY 2005 and forward in reaching the long-term goal. The current cumulative targets for FY 2008 and FY 2009 are $105 million, $125 million, respectively. Results are available in April of the succeeding year.*								

Goal Performance Table - Resource Use (energy) (continued)									
Intermediate Outcome Strategy 3: Appropriate value through effective lease and permit management									
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2004 Actual**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2009 President's Budget**	**Change from 2008 Plan to 2009**	**Long-term Target 2012**
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures									
Percent of late disbursements (SP)	C	0.77% ($0.063B / $8.300B)	0.34% ($0.033B / $9.939B)	1.13% * ($0.145B / $12.831B)	0.74% * ($0.086B / $11.671B)	1% *	0.9% *	- 0.1%	1%
Contributing Programs	MRM-Revenue and Operations								
Comments	** Please see comments to "Percent of Federal and Indian revenues disbursed on a timely basis per statute" measure above. Estimated FY 2007 late disbursements to States and Indian recipients, when compared to total FY 2007 disbursements, were far below the FY 2007 target. As a result, MMS' targets for FY 2008 and FY 2009 have been adjusted.*								
Percent of Federal and Indian royalties compliance work completed within the 3-year compliance cycle (SP/PART)	A	69% of CY 2001 royalties ($4.763B / $6.865B)	71% of CY 2002 royalties ($4.289B / $6.000B)	73% of CY 2003 royalties ($5.827B / $8.035B)	65% of CY 2004 royalties ($5.832B / $9.008B)	60% of CY 2005 royalties *	62% of CY 2006 royalties *	+2%	TBD
Total Actual/Projected Cost ($M)		43.7	44.2	53.2	53.7	55.5	58.6	3.2	--
Contributing Programs	MRM-Compliance and Asset Management								
Comments	** MMS reduced royalty revenue coverage for 2007 and beyond to address the OIG's recommendation that MMS increase property/company coverage.*								
Percent of companies' royalty information reported accurately the first time (PART)	A	96.7% (2.575M lines / 2.663M lines)	96.9% (3.025M lines / 3.121M lines)	97.4% (3.084M lines / 3.167M lines)	97.3% (3.094M lines / 3.180M lines)	98%	98%	No Change	TBD
Contributing Programs	MRM-Revenue and Operations								
Late disbursement interest costs (PART)	C	N/A	N/A	Baseline $1.851M	- 9.5% - $0.176M	-40% (Cum) -$0.740M	-60% (Cum) -$1.111M	-20% -$0.370M	-90% (Cum) -$1.666M
Contributing Programs	MRM-Revenue and Operations								
Comments	*This measure supports a focus on process and systems improvement to increase MRM's overall efficiency.*								

Goal Performance Table - Resource Use (energy) (continued)

End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	Type	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 President's Budget	Change from 2008 Plan to 2009	Long-term Target 2012
Transfer X percent of revenue to OST within 24 hours of receipt (BUR)	A	100% ($92.4M/ $92.4M)	100% ($113.4M/ $113.4M)	100% ($157.1M/ $157.1M)	100% ($124.3M/ $124.3M)	100%	100%	No Change	TBD
Contributing Programs	MRM-Revenue and Operations								
Percent of royalties for which lease data provided to BIA by first semi-monthly distribution (PART)	A	84% ($64.9M / $77.3M)	92% ($95.8M / $103.2M)	94.7% ($130.0M / $137.3M)	96% ($126.8M / $132.1M)	96%	96.5%	+0.5%	98%
Contributing Programs	MRM-Revenue and Operations								
Ensure substantial compliance for X% of Indian gas properties within 3 years for Indian-specific major portion/index pricing terms (BUR)	A	100% of CY 2001; (2,259 properties / 2,259 properties)	100% of CY 2002; (2,216 properties / 2,216 properties)	100% of CY 2003; (2,246 properties / 2,246 properties)	100% of CY 2004; (2,295 properties / 2,295 properties)	100% of CY 2005	100% of CY 2006	No Change	100% of CY 2009
Contributing Programs	MRM-Compliance and Asset Management								
RIK administrative cost efficiencies (PART)	C	N/A	N/A	$0.063/BOE (Baseline)	Annual Measure - results available April 2008	-5% (Cum)	-10% (Cum)	-5% (Cum)	TBD
Contributing Programs	MRM-Compliance and Asset Management								
Comments	*The 2006 baseline is an average of the 2004 thru 2006 cost per BOE.*								
Compliance benefit/cost efficiencies * (PART)	A	N/A	N/A	1 : 2.63 (Baseline)	1 : 4.27	1 : 4.45	1 : 4.60	+ 0.15	TBD
Contributing Programs	MRM-Compliance and Asset Management								
Comments	*This is a ratio of costs to collections for compliance reviews and audits. In FY 2007, for every dollar spent on compliance reviews and audits we collected $4.27 in additional royalties. To mitigate variances in collections, thus providing better management information, this is measured as an average over the previous 3 years. MRM costs and collections, as well as those of state and Tribal auditors, are included in this measure.								

Table 8: Budget At A Glance - MMS Activity/Subactivity Funding

(dollars in thousands)

	2007 Actual	2008 Enacted	2009 Initiatives: GIT	OCS 5-Yr Program	Alternate Energy	CMRET Earmark	OCS Connect	Auto Int. Billing	Adjustment Line Montr	OIG Compliance	IDEAS Redirect	Offsetting Collections Changes	Oil Spill	ATB - Travel & Cont.	Fixed Costs	2009 President's Request
Offshore Energy and Minerals Management																
Leasing & Environmental	41,529	46,403		6,172	858									-77	530	53,886
Resource Evaluation	28,633	30,407	1,086	1,560	142	-886								-70	489	32,728
Regulatory Program	52,629	55,769		768										-105	731	57,163
Information Management	29,998	28,757					-8,630							-21	143	20,249
Total OEMM	**152,789**	**161,336**	**1,086**	**8,500**	**1,000**	**-886**	**-8,630**	**0**	**0**	**0**	**0**	**0**	**0**	**-273**	**1,893**	**164,026**
Minerals Revenue Management																
Compliance & Asset Mgmt	43,034	45,055							-420	2,000				-118	830	47,347
Revenue & Operations	37,069	36,632						1,700						-56	387	38,663
Total MRM	**80,103**	**81,687**	**0**	**0**	**0**	**0**	**0**	**1,700**	**-420**	**2,000**	**0**	**0**	**0**	**-174**	**1,217**	**86,010**
General Administration																
Executive Direction	2,691	2,590												-8	59	2,641
Policy & Mgmt Improvemt	4,374	4,165												-10	71	4,226
Administrative Operations	17,987	17,310												-48	344	17,606
General Support Services	23,398	23,392									-98			0	3,197	26,491
Total GA	**48,450**	**47,457**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-98**	**0**	**0**	**-66**	**3,671**	**50,964**
ROMM	**281,342**	**290,480**	**1,086**	**8,500**	**1,000**	**-886**	**-8,630**	**1,700**	**-420**	**2,000**	**-98**		**0**	**-513**	**6,781**	**301,000**
Offsetting Rental Receipts	**-116,802**	**-123,730**										**-10,000**				**-133,730**
Cost Recovery	**-11,928**	**-12,000**										**-1,000**				**-13,000**
Oil Spill Research	**6,903**	**6,303**											**-180**			**6,123**
Minerals Management Service	**159,515**	**161,053**	**1,086**	**8,500**	**1,000**	**-886**	**-8,630**	**1,700**	**-420**	**2,000**	**-98**	**-11,000**	**-180**	**-513**	**6,781**	**160,393**

Table 9: Summary of Requirements Table - Royalty and Offshore Minerals Management (ROMM)

Offshore Energy and Minerals Management (OEMM)	2008 Enacted		Fixed Costs and Related Changes		Programmatic Changes		Offsetting Collections Changes		2009 President's Request		Inc(+) Dec(-) From 2008	
	FTE	($000)	FTE	($000)	FTE	($000)	FTE	($000)	FTE	($000)	FTE	($000)
Leasing & Environmental												
Appropriation	230	18,797	0	530	3	6,953	0	-6,900	233	19,380	3	583
Offsetting Collections	0	27,606	0	0	0	0	0	6,900	0	34,506	0	6,900
Subtotal	230	46,403	0	530	3	6,953	0	0	233	53,886	3	7,483
Resource Evaluation												
Appropriation	209	18,381	0	489	6	1,832	0	-2,100	215	18,602	6	221
Offsetting Collections	0	12,026	0	0	0	0	0	2,100	0	14,126	0	2,100
Subtotal	209	30,407	0	489	6	1,832	0	0	215	32,728	6	2,321
Regulatory												
Appropriation	317	34,720	0	731	4	663	0	0	321	36,114	4	1,394
Offsetting Collections	0	21,049	0	0	0	0	0	-13,000	0	8,049	0	-13,000
Cost Recovery	0	0	0	0	0	0	0	13,000	0	13,000	0	13,000
Subtotal	317	55,769	0	731	4	663	0	0	321	57,163	4	1,394
Information Management												
Appropriation	70	8,208	0	143	-7	-8,651	0	1,000	63	700	-7	-7,508
Offsetting Collections	0	20,549	0	0	0	0	0	-1,000	0	19,549	0	-1,000
Subtotal	70	28,757	0	143	-7	-8,651	0	0	63	20,249	-7	-8,508
Total OEMM												
Appropriation	826	80,106	0	1,893	6	797	0	-8,000	832	74,796	6	-5,310
Offsetting Collections	0	81,230	0	0	0	0	0	-5,000	0	76,230	0	-5,000
Cost Recovery	0	0	0	0	0	0	0	13,000	0	13,000	0	13,000
Total	**826**	**161,336**	**0**	**1,893**	**6**	**797**	**0**	**0**	**832**	**164,026**	**6**	**2,690**

Table 9: Summary of Requirements Table - ROMM (continued)

Minerals Revenue Management (MRM)	2008 Enacted		Fixed Costs and Related Changes		Programmatic Changes		Offsetting Collections Changes		2009 President's Request		Inc(+) Dec(-) From 2008	
	FTE	($000)	FTE	($000)	FTE	($000)	FTE	($000)	FTE	($000)	FTE	($000)
Compliance & Asset Mgmt												
Appropriation	361	25,820	0	830	4	1,462	0	-2,265	365	25,847	4	27
Offsetting Collections	0	19,235	0	0	0	0	0	2,265	0	21,500	0	2,265
Subtotal	361	45,055	0	830	4	1,462	0	0	365	47,347	4	2,292
Revenue & Operations												
Appropriation	170	17,367	0	387	0	1,644	0	-735	170	18,663	0	1,296
Offsetting Collections	0	19,265	0	0	0	0	0	735	0	20,000	0	735
Subtotal	170	36,632	0	387	0	1,644	0	0	170	38,663	0	2,031
Total MRM												
Appropriation	531	43,187	0	1,217	4	3,106	0	-3,000	535	44,510	4	1,323
Offsetting Collections	0	38,500	0	0	0	0	0	3,000	0	41,500	0	3,000
Total	**531**	**81,687**	**0**	**1,217**	**4**	**3,106**	**0**	**0**	**535**	**86,010**	**4**	**4,323**

Table 9: Summary of Requirements Table - ROMM (continued)

General Administration (GA)	2008 Enacted		Fixed Costs and Related Changes		Programmatic Changes		Offsetting Collections Changes		2009 President's Request		Inc(+) Dec(-) From 2008	
	FTE	($000)	FTE	($000)	FTE *	($000)	FTE	($000)	FTE	($000)	FTE	($000)
Executive Direction												
Appropriation	26	1,590	0	59	0	-8	0	0	26	1,641	0	51
Offsetting Collections	0	1,000	0	0	0	0	0	0	0	1,000	0	0
Subtotal	26	2,590	0	59	0	-8	0	0	26	2,641	0	51
Policy & Mgmt Improvement												
Appropriation	31	3,165	0	71	0	-10	0	0	31	3,226	0	61
Offsetting Collections	0	1,000	0	0	0	0	0	0	0	1,000	0	0
Subtotal	31	4,165	0	71	0	-10	0	0	31	4,226	0	61
Admin Operations												
Appropriation	151	15,755	0	344	0	-48	0	0	151	16,051	0	296
Offsetting Collections	0	1,555	0	0	0	0	0	0	0	1,555	0	0
Subtotal	151	17,310	0	344	0	-48	0	0	151	17,606	0	296
Gen Support Services												
Appropriation	0	10,947	0	3,197	0	-98	0	0	0	14,046	0	3,099
Offsetting Collections	0	12,445	0	0	0	0	0	0	0	12,445	0	0
Subtotal	0	23,392	0	3,197	0	-98	0	0	0	26,491	0	3,099
Total General Administration												
Appropriation	208	31,457	0	3,671	0	-164	0	0	208	34,964	0	3,507
Offsetting Collections	0	16,000	0	0	0	0	0	0	0	16,000	0	0
Total	**208**	**47,457**	**0**	**3,671**	**0**	**-164**	**0**	**0**	**208**	**50,964**	**0**	**3,507**
Total ROMM	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**
Appropriation	1,565	154,750	0	6,781	10	3,739	0	-11,000	1,575	154,270	10	-480
Offsetting Rental Receipts	0	123,730	0	0	0	0	0	10,000	0	133,730	0	10,000
Cost Recovery	0	12,000	0	0	0	0	0	1,000	0	13,000	0	1,000
Total	**1,565**	**290,480**	**0**	**6,781**	**10**	**3,739**	**0**	**0**	**1,575**	**301,000**	**10**	**10,520**

Table 9: Summary of Requirements Table - Oil Spill Research (OSR)

Oil Spill Research	2008 Enacted		Fixed Costs and Related Changes		Programmatic Changes		Offsetting Collections Changes		2009 President's Request		Inc(+) Dec(-) From 2008	
	FTE	($000)	FTE	($000)	FTE *	($000)	FTE	($000)	FTE	($000)	FTE	($000)
Appropriation	18	6,303	0	0	0	-180	0	0	18	6,123	0	-180
Offsetting Collections	0	0	0	0	0		0	0	0	0	0	0
Total	**18**	**6,303**	**0**	**0**	**0**	**-180**	**0**	**0**	**18**	**6,123**	**0**	**-180**

Table 8: Summary of Requirements Table - Total MMS Funding

Total MMS	2008 Enacted		Fixed Costs and Related Changes		Programmatic Changes		Offsetting Collections Changes		2009 President's Request		Inc(+) Dec(-) From 2008	
	FTE *	($000)	FTE	($000)	FTE *	($000)	FTE	($000)	FTE *	($000)	FTE *	($000)
ROMM Appropriation	1,565	154,750	0	6,781	10	3,739	0	-11,000	1,575	154,270	10	-480
OSR Appropriation	18	6,303	0	0	0	-180	0	0	18	6,123	0	-180
Total Appropriated	1,583	161,053	0	6,781	10	3,559	0	-11,000	1,593	160,393	10	-660
Offsetting Collections	0	123,730	0	0	0	0	0	10,000	0	133,730	0	10,000
Cost Recovery	0	12,000	0	0	0	0	0	1,000	0	13,000	0	1,000
Total	**1,583**	**296,783**	**0**	**6,781**	**10**	**3,559**	**0**	**0**	**1,593**	**307,123**	**10**	**10,340**

* This table does not include 22 FTE in the Coastal Impact Assistance Program (CIAP), a mandatory account, for both 2008 and 2009.

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FY 2009 PERFORMANCE BUDGET REQUEST

Offshore Energy and Minerals Management

Table 10: OEMM Summary of Budget Request

		2007 Actual	2008 Enacted	FY 2009 Fixed Costs & Related Changes (+/-)	FY 2009 Program Changes (+/-)	FY 2009 Budget Request	Change from 2008 (+/-)
Leasing and Environmental	($000)	41,529	46,403	530	+6,953	53,886	7,483
	FTE	227	230		+3	233	3
Resource Evaluation	($000)	28,633	30,407	489	+1,832	32,728	2,321
	FTE	211	209		+6	215	6
Regulatory	($000)	52,629	55,769	731	+663	57,163	1,394
	FTE	319	317		+4	321	4
Information Management	($000)	29,998	28,757	143	-8,651	20,249	-8,508
	FTE	70	70		-7	63	-7
Total, OCS Lands Act Activities	**($000)**	**152,789**	**161,336**	**1,893**	**797**	**164,026**	**2,690**
	FTE	**827**	**826**		**6**	**832**	**6**
Other Major Resources							
Oil Spill Research Appropriation	($000)	6,903	6,303		-180	6,123	-180
	FTE	18	18		0	18	0
Coastal Impact Assistance Program	($000)	250,000	250,000			250,000	0
	FTE	22	22			22	0

Note: Oil Spill Research and Coastal Impact Assistance Program are discussed under a separate tab.

The Federal Outer Continental Shelf (OCS) is a major supplier of oil and natural gas for the domestic market. In fact, if the Federal OCS were treated as a separate country, it would rank among the top five nations in the world in terms of the amount of crude oil and second in natural gas supplied for annual U.S. consumption. About 1,600 producing OCS leases offshore California, Alaska, and in the Gulf of Mexico currently contribute about 1.4 million barrels of oil and 8 billion cubic feet of natural gas per day for U.S. consumption, accounting for about 27 percent of the Nation's oil production and 15 percent of domestic natural gas production.

The MMS is responsible for managing the Nation's oil, natural gas, and other energy and mineral resources on the OCS. Within MMS, the Offshore Energy and Minerals Management program (OEMM) is responsible for OCS activities, which range from administering OCS leases and monitoring the safety of offshore facilities to protecting our coastal and marine environments. Through the work of OEMM, MMS manages the energy and mineral resources on 1.76 billion acres of the OCS offshore Alaska, the Atlantic and Pacific coasts, and in the Gulf of Mexico. OEMM has ensured that the OCS remains a solid contributor to the nation's energy needs through facilitation of new oil and gas development, careful regulation, and conservation of resources.

Interest in offshore oil and gas development remains strong as evidenced by three substantial sales that were held in 2007. Collectively, these sales generated $3,236,439,272 in high bids, with total bids of $5,657,420,015 on 1,097 tracts. Central Gulf of Mexico Sale 205, held on October 3, 2007, received high bids of $2,904,321,011, the second highest total in the history of the MMS oil and gas leasing program. The MMS is performing fair market value analyses on the high bids received in Sale 205. Analyses are scheduled to be completed by February 15, 2008.

In addition to successful lease sales, recent noteworthy events concerning oil and gas production in the Gulf of Mexico have occurred.

- In July 2007, the Independence Hub platform began production of natural gas and is consistently producing over 900 million cubic feet per day (MMCFD). This accounts for approximately 10% of the Gulf of Mexico's gas production. The platform is located over 123 miles off the coast of Mississippi in approximately 8,000 feet of water.

- In October 2007, the BP Atlantis platform began production of both oil and natural gas. Current oil production is 110,000 barrels of oil per day (bopd) and current gas production is 62 million standard cubic feet per day. Six wells are currently on line, with a seventh well scheduled to be placed on line shortly. Production is expected to increase to 150,000 bopd when the seventh well begins producing.

New authority under the Energy Policy Act of 2005 (EPAct 2005) (which added section 8(p) of the Outer Continental Shelf Lands Act (OCSLA)) granted the Department of the Interior (Department) discretionary authority to grant leases, easements, or rights-of-way for activities on the OCS that produce or support production, transportation, or transmission of energy from sources other than oil and gas. Additionally, the Department was given the authority to grant leases, easements, or rights-of-way for other OCS activities that make alternate use of existing OCS facilities. On March 20, 2006, the Department delegated the authority to implement these new programs to the MMS. These authorities were further delegated to the offshore program.

Given this new authority, MMS has responded by altering its organization. To more accurately reflect the OCS energy-related components of our mission, the former name of Offshore Minerals Management (OMM) has been changed to Offshore Energy and Minerals Management (OEMM). The OEMM is implementing an OCS Alternative Energy and Alternate Use Program with associated rulemaking to authorize and manage these ocean energy activities. This name change makes the program commensurate with the Administration's emphasis on renewable energy.

In addition, a new Office of Alternative Energy Programs (OAEP) has been established. It will develop and implement policy, analysis, and overall management of the OCS alternative energy leasing and operations programs while ensuring compliance with departmental goals and philosophy. The OAEP is headed by a Program Manager that reports directly to the Associate Director for OEMM. The new OAEP raises the alternative energy program's profile and best allows OEMM to meet the new statutory mandates and respond to unique needs of the regulated community. Most of the personnel in the OAEP are being transferred from the oil and gas program.

Interest in alternative energy development on the OCS is likely to continue, particularly in the North Atlantic, Mid-Atlantic, and along the West coast, as coastal states put in place initiatives requiring utilities to substantially increase their reliance on renewable energy sources. OEMM will consider and process proposed alternative energy projects, and assess potential development and environmental implications, allowing MMS to implement and actively manage an OCS alternative energy program as mandated by the EPAct 2005. The MMS Alternative Energy/Alternate Use program will foster a new offshore industry that will diversify the Nation's power supplies and open up new avenues to supply environmentally conscious alternative energy to the Nation. Program accomplishments to date include publishing the final Programmatic Environmental Impact Statement; publishing the Cape Wind Energy Project draft Environmental Impact Statement; and establishing an interim policy allowing the public to nominate areas of the OCS in which MMS would consider awarding limited leases that authorize data collection and technology testing. The MMS will continue to accept nominations under this interim policy until the final program regulations are in place, which is currently scheduled to occur in late 2008.

BUDGET OVERVIEW

Congress appropriates funds to the OEMM program through the Royalty and Offshore Minerals Management (ROMM) appropriation and the Oil Spill Research (OSR) appropriation. Within the ROMM appropriation, OEMM has four subactivities that roll up to the OCS Lands Activity. These are Leasing and Environmental (LE); Resource Evaluation (RE); Regulatory (RG); and the Information Management Program (IMP) which are outlined below.

- The *Leasing and Environmental Subactivity* includes OCS 5-Year Leasing Program implementation, planning and execution; assessment of environmental impacts; protecting the coastal environment; protecting the OCS through compliance with guiding statutes; the Alternative Energy/Alternate Use Program; the Marine Minerals Program; and the Environmental Studies Program.

- The *Resource Evaluation Subactivity* includes acquisition of geological and geophysical data, and development and implementation of the Resource Modeling Program, including resource assessment and estimation, tract evaluation; field reserves inventories, and economic analysis.

- The *Regulatory Subactivity* includes regulating OCS operations; review of OCS plans and permit applications; inspections and accident investigations; civil penalties and operator disqualification; operator training programs; annual operator performance reviews; management of reservoirs to maximize ultimate recovery of mineral resources; verification of oil and gas production levels to help ensure the public receives a fair return; and the Technology Assessment and Research Program.

- The *Information Management Program Subactivity* funds IT personnel support, shared services, hardware, software, training, security activities, maintenance, technical support, the Technical Information Management System, and OCS Connect.

OEMM also manages the Oil Spill Research Program and the Coastal Impact Assistance Program.

- *The Oil Spill Research (OSR) appropriation* funds oil spill research, oil spill prevention and response planning activities, and regulation of oil spill financial responsibility to support the DOI strategy of enhancing responsible use management practices in the energy sector. Through OSR, MMS funds studies to support safe and environmentally sound offshore operations and to promote responsible use by improving capabilities to detect, contain, and clean up open ocean oil spills.

- *The Coastal Impact Assistance Program (CIAP).* The Energy Policy Act of 2005 authorized disbursement of $250 million from OCS oil and gas revenues in each of the fiscal years 2007 through 2010 to producing states (Alabama, Alaska, California, Louisiana, Mississippi, and Texas) and coastal political subdivisions (counties, parishes, or boroughs) for approved coastal restoration and conservation purposes.

Resource Shifts

The OEMM continually examines its programs and its base budget to identify potential savings and opportunities to meet new, changing, or unexpected needs. The results are reflected in both the alignment of OEMM's FTE distribution and the offsets included in prior year budget requests.

Historically, OEMM has taken action to shift resources as program needs and priorities shifted, and program efficiencies were realized. Between 1985 and the end of FY 2008, OEMM's enacted FTE level, including the OSR appropriation, will have dropped by 306, a 26 percent reduction. This has occurred, in part, through elimination of the Atlantic Regional Office, periodic reductions in the Alaska and Pacific Regions and Headquarter Offices, and redirection of resources to accommodate increasing workload demands and reorganizations in the Gulf of Mexico (GOM), and creation of the Office of Alternative Energy Programs. Recent examples include the following:

2003[1]

- Workforce reduction of 48 FTEs and $1 million in the Pacific Region
- Base reduction of $2.2 million in the Environmental Studies Program
- Resources shifted to fund needs in the GOM ($5 million and 21 FTE) and OCS Connect effort to streamline business processes ($8.7 million)

2004

[1]This discussion of resource shifts does not include complete information regarding programmatic and fixed cost changes that were funded through increased appropriated dollars. Information on annual initiatives can be found in the annual President's Budget.

- IT reductions, FTE streamlining, and office closures of $4.7 million
- Resources shifted to fund continuing needs in the GOM ($1.6 million), OCS Connect ($2.9 million), Methane Hydrates ($300,000) and Infrastructure Security ($350,000)

2005

- Increase of $3.5 million in offsetting collections from offshore activities used, in part, to offset needed increases in appropriated dollars for the OCS Connect project ($4.3 million) and GOM Region interpretive technologies ($1.9 million).

2006

- Closing of the Santa Maria, CA District office ($364,000) and redirection of interpretive technology funding received in FY 2005 ($610,000) to offset some of the costs of new needs (helicopter safety, $1,605,000; MONTCAR model, $500,000; and geological interpretive needs, $500,000)
- Generated $2.1 million in increased cost recovery fees, which were used to replace appropriated dollars to fund bureau-wide operating costs.
- The Energy Policy Act of 2005 brings significant new responsibilities to the Secretary of the Interior and the Minerals Management Service.
- Redirection of $477,000 from the sand and gravel cooperative studies funding to higher priority oil and gas program needs.

2008

- Refocusing base resources of $2,000,000 and 18 FTE to fund new, priority program requirements.

2009

- Funding in the amount of $8.6 million no longer required for the development of OCS Connect will be redirected to emerging priorities, primarily environmental studies relating to new leasing areas under the 2007-2012 OCS Oil and Gas Leasing Program.

FY 2009 Budget Request

In FY 2009, OEMM’s net OCS Lands Act Activities request is $2,690,000 and six FTE greater than the FY 2008 enacted. This figure represents increases of $10,586,000 for new, priority program funding requirements and $1,893,000 for fixed costs, and reductions of $8,630,000 in OCS Connect, $886,000 for the Center for Marine Resources and Environmental Technology (CMRET), and $273,000 for travel and performance contracting. Please see the table below for a listing of OEMM’s programmatic budgetary changes.

Table 11: OEMM Program Request Compared to FY 2008 Enacted

Request Component	Subactivity	Amount	FTE
Program Changes			
• Geoscientific Interpretive Tools	**Total**	**+1,086,000**	**+0**
	Resource Evaluation	+1,086,000	+0
• OCS 5-Year Leasing Program	**Total**	**+8,500,000**	**+12**
	Leasing & Environmental	+6,172,000	+3
	Resource Evaluation	+1,560,000	+5
	Regulatory	+768,000	+4
• Implementing Alternative Energy	**Total**	**+1,000,000**	**+1**
	Leasing & Environmental	+858,000	+0
	Resource Evaluation	+142,000	+1
• **Subtotal – Programmatic Increases**		**+10,586,000**	**+13**
• OCS Connect	**Total**	**-8,630,000**	**-7**
	Information Management	-8,630,000	-7
• CMRET	**Total**	**-886,000**	**-0**
	Resource Evaluation	-886,000	-0
• Travel and Performance Contracting	**Total**	**-273,000**	**-0**
	Leasing & Environmental	-77,000	-0
	Resource Evaluation	-70,000	-0
	Regulatory	-105,000	-0
	Information Management	-21,000	-0
• **Subtotal – Programmatic Decreases**		**-9,789,000**	**-7**
• **Total, Program Changes**		**+$797,000**	**+6**

PROGRAM OVERVIEW

The OEMM program manages the nation's Outer Continental Shelf (OCS) energy and non-energy mineral resources in consultation with affected parties to determine if they can be developed in an environmentally sound manner and, if leased, to regulate activities to ensure safety, conservation, and protection of the environment. The OEMM program is headquartered in Washington, DC and Herndon, Virginia, with regional offices in three locations: New Orleans, Louisiana, for the Gulf of Mexico OCS Region and the Atlantic OCS area; Camarillo, California, for the Pacific OCS Region; and Anchorage, Alaska, for the Alaska OCS Region.

The strategies and activities carried out by OEMM contribute to the accomplishment of the Resource Use DOI mission goal. The OEMM program oversees resource production on the OCS to ensure minimal environmental impacts and safe operations in mineral extraction activities. Leasing, inspections, plans and permits, and assessment activities account for the majority of the work that contributes to resource management on the OCS.

Demands, Trends, and Resources

Forecasts show that the U.S demand for fossil fuels and other forms of energy is growing faster than our ability to produce supplies at home, meaning increasing energy imports and less security of supplies. Resources on Federal lands–including the Outer Continental Shelf (OCS—1.76 billion acres offshore the continental U.S. and Alaska)–will play an increasing role in supplying our energy needs.

About 1,600 producing OCS leases offshore California, Alaska, and in the Gulf of Mexico currently contribute about 1.4 million barrels of oil and 8 billion cubic feet of natural gas *per day* for U.S. consumption, accounting for about for 27 percent of the Nation's oil production and 15 percent of domestic natural gas domestic production.

The share of energy produced from the OCS will likely continue to grow over time because the OCS contains about 60 percent of the Nation's remaining undiscovered technically recoverable oil resources and 40 percent of its undiscovered natural gas resources. (The MMS (2006) estimates that the OCS contains about 86 billion barrels of oil and 420 trillion cubic feet of natural gas in yet-to-be discovered fields.) MMS estimates that within five years, the OCS will account for 40 percent of domestic oil and nearly 20 percent of domestic gas owing primarily to deepwater discoveries.

The strongest trend on the OCS today is the continuing development of the Gulf of Mexico deepwater (i.e., more than 1,000 feet deep). There are 124 deepwater projects now in production. Seven of the 20 largest U.S. oil fields, as well as the largest domestic oil discovery in the last 30 years, Thunder Horse, are located in Federal deepwater areas.

There have been 12 industry-announced discoveries over the past three years in water depths greater than 7,000 feet, and these ultra-deep discoveries have the promise of opening up entirely new geologic frontiers which could provide a significant increase in oil and gas supplies for decades to come.

The OCS also has significant potential as a source of new production from alternative energy resources. Section 388 of the Energy Policy Act, 2005 (EPAct) grants the Department of the Interior (DOI)/Minerals Management Service (MMS) new responsibilities over Federal offshore alternate energy and related-uses of the OCS. These alternate energy-related use (AEAU) projects include wind, wave, current, solar energy, and hydrogen generation projects, as well as projects that make alternative use of existing oil and natural gas platforms in Federal waters.

OCS 5-Year Oil and Gas Leasing Program: The OCS Lands Act requires the Secretary of the Interior to prepare and maintain an oil and gas leasing program that indicates the size, timing and location of leasing activity determined to best meet national energy needs for the five-year period following its approval.

MMS issued a new 5-Year Leasing Program in June 2007. The Final OCS Oil and Gas Leasing Program 2007-2012 (5-Year Program 2007-2012) was developed through an extensive consultation process prescribed by the OCS Lands Act. The Secretary announced the Proposed

Final Program and the Final Environmental Impact Statement (EIS) on April 30, 2007. On June 29, 2007, after the 60 day period required by the OCS Lands Act, the Secretary approved the program, which took effect on July 1, 2007. The 5-Year Program 2007-2012 includes 21 sales in eight of the 26 OCS planning areas – three areas in the Gulf of Mexico, one area in the Mid-Atlantic, and four areas offshore Alaska including one new area – the North Aleutian Basin (NAB). The schedule of lease sales included in this 5-Year Program can be found in the Leasing and Environmental Subactivity discussion. MMS estimates the proposed lease sales will lead to production of 10 billion barrels of oil and 45 trillion cubic feet of natural gas over a 40-year period. By providing responsible access to the energy resources in the Gulf of Mexico and Alaska OCS, MMS continues to support the President's National Energy Policy.

The FY 2009 budget request includes funding to support the Secretary's 5-Year Program 2007-2012. The MMS realizes that not all areas may ultimately see significant leasing activity. This request, for example, assumes no funding for planning work associated with potential leasing activity in the Mid-Atlantic Planning Area, which remains under Congressional moratorium and Presidential withdrawal. The requested funding is for resources that will allow investment in environmental studies, environmental analysis, resource assessment, and leasing consultation, some in areas where no concerted oil and gas related data gathering has occurred in over 15-20 years.

In FY 2009, a total increase of $8,500,000 and 12 FTE are required in three subactivities, as shown in the following table, for MMS to effectively administer the Secretary's proposed oil and gas leasing program.

Table 12: Summary of OCS 5-Year O&G Leasing Program Needs – All Subactivities

	($000)	FTE	Short Description
Alaska	***7,648***	***6***	
Workforce	284	2	Geologists/geophysicists (RE)
	284	2	Staff needed to manage NAB and Chukchi studies (LE)
	284	2	Petroleum engineers - production & development (RG)
G&G Data Acquisition	500		Digitization of analog seismic information (RE)
G&G Seismic Data Storage	350		Increased storage capacity needed (RE)
Environmental Studies	5,514		Information needed in remote, frontier areas (LE)
Environmental Impact Statement/Environmental Analysis	232		Pre-Sale Environmental Analysis, printing, and travel (LE)
Native Alaskan Conflict Avoidance	200		Environmental compliance assistance on subsistence issues (RG)
Gulf of Mexico	***852***	***6***	
Workforce	426	3	Expanded 181 and South 181 bid adequacy & economics (RE)
	142	1	GOMESA implementation-benthic biologist (LE)
	284	2	GOMESA implementation-petroleum engineer & inspector (RG)
Five-Year Program Needs	***8,500***	***12***	

Ensuring Economic Return: The FY 2009 budget request includes a $1.086 million initiative for Geoscientific Interpretive Tools (GIT). GIT is a key information technology tool composed of integrated commercial software and hardware products and forms the basis of essentially all OEMM determinations needing critical geoscience analyses. An upgrade to the program's GIT capabilities is required to maintain OEMM's ability to review and analyze industry applications, plans, and requests and to maintain the quality and thoroughness of agency decisions related to determinations on fair market value, new producible leases, royalty relief, and the conservation of resources.

OEMM's current interpretation work process consists of two-dimensional (2-D) analysis of three-dimensional (3-D) data on UNIX workstations. The oil and gas industry standard is now true 3-D earth modeling and visualization. MMS has not made a significant acquisition of GIT software in over six years. OEMM's current GIT software and workflows are rapidly becoming obsolete, and the geoscience interpretation workflows need to be transformed to industry comparable GIT applications. Much of the oil and gas industry has already embraced this technology as a critical business driver providing improved quantitative analyses and efficiencies.

Two examples provide an indication of the value and importance of maintaining an effective set of geoscience capabilities within OEMM.

Lease sale bid adequacy decisions: GIT has been routinely used for all fair market value determinations since 1995. During this period, the tools were regularly updated and technology kept current. Bid adequacy determinations have historically provided a positive direct financial return to the Federal government. A comparison of rejected bids and bids subsequently accepted for the same tracts in the next lease sale using existing GIT software indicates an aggregate increase in bonus receipts of $373 million during the period 1997 through 2006. The requested funding will allow MMS to work with 3-D data in the office and ensure the quality of the software used for these critical quantitative analyses is on a par with industry standards. The upgrade is needed as the technology continues to advance.

Conservation of resources: Lessees submit a Conservation Information Document (CID) prior to initial production from a lease. The CID contains geological and geophysical (G&G) data and engineering data and is evaluated to ensure that all economically producible wells are planned for production and that no economic reservoirs will be bypassed. The duration of the G&G evaluation of CIDs is highly dependent on the complexity of the geology and can take from one to six months. An incorrect G&G evaluation could result in an average reservoir of 12,000,000 BOE being bypassed, with a corresponding loss of approximately $100 million in revenue to the taxpayer and the U.S. Treasury (not counting production benefits).

<u>Alternative Energy/Alternate Use</u>: To continue development and implementation of the alternative energy program on the OCS, $1 million in new resources is requested. Interest in alternative energy development continues, and, to date, MMS has been contacted by over a dozen companies planning to submit applications as soon as the Program is ready to receive them.

Many of the initial applications were anticipated to be issued noncompetitively, requiring the applicant to bear the cost of proposal-specific studies. However, based on interest from industry and state-initiated RPSs, it is expected that MMS will offer a competitive lease sale in the near future, most likely in the North or Mid-Atlantic or along the North Pacific. Such an action would require MMS to bear the cost of planning and sale-related environmental impact statements. Both noncompetitive lease issuance and competitive lease offerings would require that MMS acquire baseline environmental information (environmental studies), develop leasing criteria (bidding systems, award criteria, lease terms and size, production fees and payments, stipulations), conduct economic, environmental, and engineering assessments of project proposals, grant leases, review plans, enforce lease and plan terms and conditions, and inspect facilities. Additionally, MMS is responsible for the technical and environmental review of each project. While applicants are expected to bear the cost of third party contracting for National Environmental Policy Act (NEPA) compliance, MMS has the responsibility to oversee each NEPA contractor and to ensure the products meet MMS requirements.

Table 13. Funding Provided for Energy Policy Act Implementation

Energy Policy Act of 2005	2007 Enacted	2008 Enacted	2009 Request
cumulative funding	($000s)	($000s)	($000s)
Gas hydrate research & assessment	500	500	500
Establish OCS alternative energy	2,317	5,661	6,661
Conduct forum on liquid nat gas	0	137	137
Coastal Impact Assistance Program	250,000	250,000	250,000

In addition, under a new policy announced in November 2007, MMS is accepting applications for alternative energy data gathering and technology testing. A 60-day comment period closed on January 7, 2008. As of January 17, 2008, MMS has received 43 nominations, the majority of which focus on resource assessment activities on the Atlantic OCS. Most of the nominations received on the Atlantic Coast are for meteorological and oceanographic data collection facilities that would support wind generation projects off Massachusetts, New York, New Jersey, Delaware, Maryland, Virginia, South Carolina, and Georgia. Nominations for areas off Florida focus on ocean current information collection and technology. On the Pacific Coast, the main interest is in wave energy, and nominations were received for areas off California, Oregon, and Washington.

The requested funding will be used to consider and process proposed alternative energy projects, allowing MMS to implement and actively manage an OCS alternative energy program as mandated by the EPAct.

PERFORMANCE OVERVIEW

The OEMM Budget Request reflects the DOI Strategic Plan. Its activities support accomplishment of the Resource Use mission goal to Manage or Influence Resource Use to Enhance Public Benefit, Responsible Development and Economic Value (Fossil Fuels, Renewables and Non-Energy Minerals). Key performance indicators of the program’s success include holding OCS lease sales on schedule, ensuring safety of operations, and minimizing oil spills.

Program Assessment Rating Tool (PART) – The President’s Management Agenda calls for increasing integration of budget and performance management processes. In support of this initiative, the Administration developed the PART review to assess and improve program performance. A PART review helps identify a program’s strengths and weaknesses by looking at all factors that affect and reflect program performance, including program purpose and design;

strategic planning and performance measurement; program management; and program evaluations and results. For purposes of the PART, OEMM is divided into three components:

OCS Environmental Studies

- Reviewed in 2002 and rated "Moderately Effective" in comparison to similar programs in other departments government-wide.

- MMS studies programs are "very effective in providing timely and peer reviewed environmental research to decision makers."

OCS Resource Evaluation and Leasing

- Reviewed in 2004 and rated "Moderately Effective." One limiting factor in the program's overall effectiveness rating was its underlying legislative mandate. As stated in the PART: "The nonenergy mineral and oil and gas lease sales are free of major flaws. However, pursuant to the OSCLA, MMS can only offer access to sand, gravel, salt, sulphur, oil, and gas. Currently, no clear authority exists for the Federal government to comprehensively review, permit, and provide appropriate regulatory oversight for renewable energy projects such as wind, wave, and solar – as well as projects of a more traditional nature such as facilities to handle liquefied natural gas and compressed natural gas. Instead, current authorities appear to be either non-existent or limited in scope. The MMS has the capacity to manage these resources, but their mandate is too narrow." The MMS has since received expanded OCS regulatory and leasing authority to include renewable energy projects through the Energy Policy Act of 2005. Currently, MMS is evaluating one OCS application (Cape Wind Energy Project) and another is on hold (Long Island Offshore Wind Park).

- The MMS "manages access to mineral resources with exceeding proficiency" and "offers environmentally sound access to the most promising resource areas of the OCS."

OCS Regulatory and Compliance

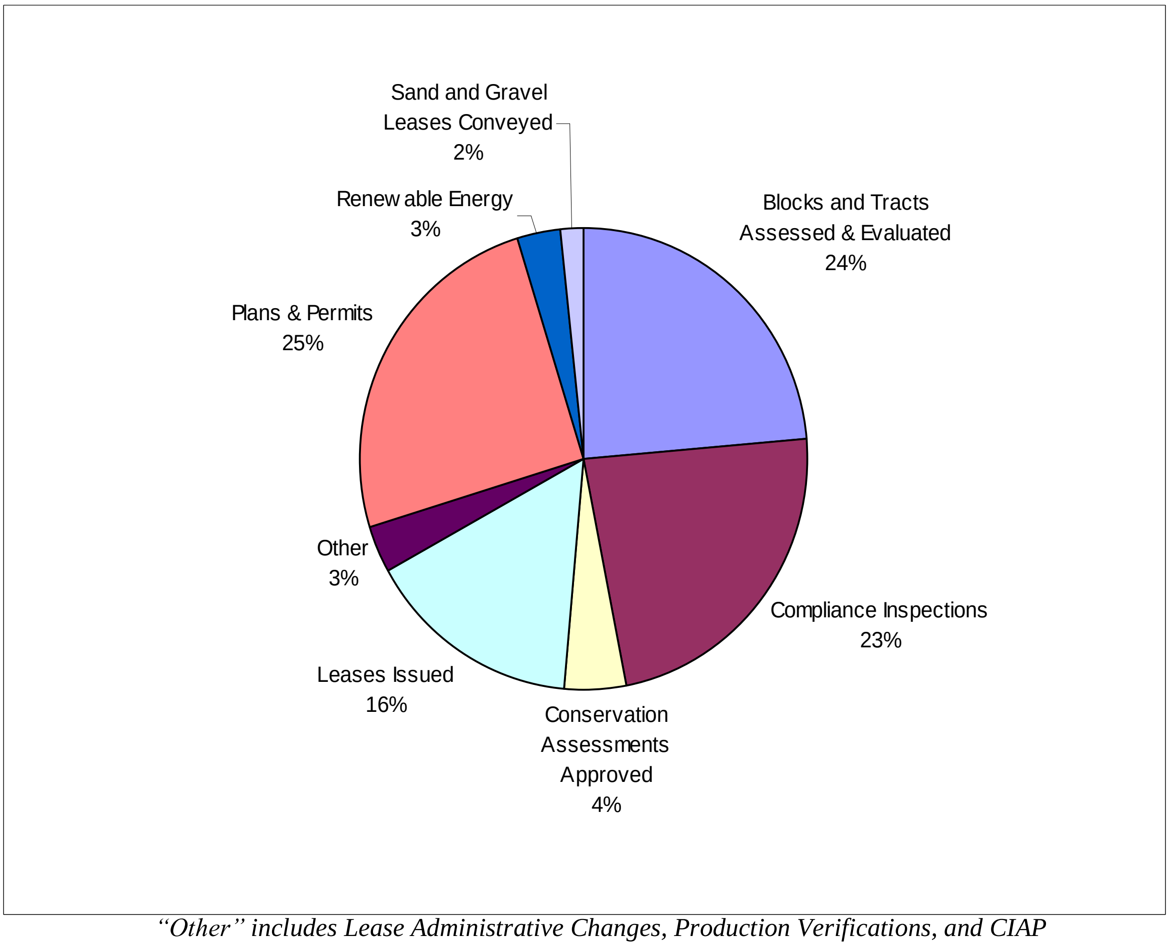
- Reviewed in 2005 and rated "Effective" – the highest rating

- The 2005 assessment reported that the program "...is well managed and effectively balances the need for access to mineral resources with environmental protection goals. The MMS uses both regulatory and non-regulatory means to minimize risk to the public and the environment and to avoid uncompensated resource loss."

MMS has closed all except one of the original improvement actions "expand program evaluation through regular independent reviews". OEMM will take steps to implement this recommendation through independent external reviews. Two new improvement actions were developed in 2006: (1) Publish safety and environmental management systems (SEMS) regulations (Regulatory and Compliance PART); and (2) Publish regulations to formalize the new Alternative Energy/Alternate Use program (Resource Evaluation and Leasing PART).

OEMM End Outputs - The OEMM continues to work toward integrating its budget and performance data. As part of these efforts, OEMM is collecting, reviewing, and analyzing

Activity-Based Cost (ABC) data to examine how OEMM activities consume resources and produce outputs, whether changes in cost correlate to changes in output, and whether the information confirms perceptions of where program dollars are being invested. OEMM ABC data is shown in the figure below, which illustrates program dollars spent in end output categories established in the ABC framework:



"Other" includes Lease Administrative Changes, Production Verifications, and CIAP

Figure 5: Approximate Distribution of 2007 Costs by End Output

FY 2009 PERFORMANCE BUDGET REQUEST
Offshore Energy and Minerals Management
Leasing and Environmental Subactivity

Table 14: OEMM Leasing and Environmental Subactivity Budget Summary

		2007 Actual	2008 Enacted	FY 2009 Fixed Costs & Related Changes (+/-)	FY 2009 Program Changes (+/-)	FY 2009 Budget Request	Change from 2008 (+/-)
Leasing and Environmental Assessment Program	($000)	23,851	27,224	530	+1,439	29,193	1,969
	FTE	227	230		+3	233	3
Environmental Studies Program	($000)	17,678	19,179	0	+5,514	24,693	5,514
	FTE	0	0		0	0	0
Leasing and Environmental Subactivity	**($000)**	**41,529**	**46,403**	**530**	**6,953**	**53,886**	**7,483**
	FTE	**227**	**230**	**0**	**3**	**233**	**3**
Other Major Resources							
None	($000)	0	0	0	0	0	0

SUMMARY OF FY 2009 PROGRAM CHANGES

Request Components	**($000)**	**FTE**
<u>Program Changes</u>		
• OCS 5-Year Leasing Program	+6,172	+3
• Implementing Alternative Energy	+858	+0
• Travel and Performance Contracting	-77	-0
Total, Program Changes	**+6,953**	**+3**

JUSTIFICATION OF FY 2009 PROGRAM CHANGES

The 2009 budget request for the Leasing and Environmental Subactivity is $53,886,000 and 233 FTE, a net increase of $7,483,000 and three FTE from the FY 2008 enacted level.

OCS 5-Year Oil and Gas Leasing Program (+$6,172,000; +3 FTE): The OCS Oil and Gas Leasing Program 2007-2012 (5-Year Program 2007-2012) significantly expanded the area offered for leasing and moves into areas that are new and considered frontier. This includes an 80 percent expansion of acreage for planning areas in Alaska when comparing planning areas that experienced lease sale work in the 2002-2007 Program to areas available for leasing in the 5-Year Program 2007-2012; a 10 percent expansion in the Gulf of Mexico; and consideration of 2.9 million acres off Virginia in the Atlantic for the first time since the 1980s. No resources are requested for a Virginia sale but may be needed in the future if potential activity there becomes more definitive. In FY 2009, a total increase of $8,500,000 and 12 FTE are required in three subactivities for MMS to effectively administer the Secretary's proposed program. A table showing total requested resources can be found in the OEMM Overview tab.

Of the total required resources, $6,172,000 and three FTE are needed in the Leasing & Environmental (LE) Subactivity as depicted in the following table.

Table 15: Summary of OCS 5-Year O&G Leasing Program Needs - Leasing & Environmental Subactivity

	($000)	FTE	Short Description
Alaska	***6,030***	***2***	
Environmental Studies	5,514		Information needed in remote, frontier areas
Workforce	284	2	Staff needed to manage NAB & Chukchi studies
Environmental Impact Statement/ Environmental Analysis	232		Pre-Sale Environmental Analysis, printing, and travel
Gulf of Mexico	***142***	***1***	
Workforce	142	1	GOMESA implementation – benthic biologist
Five-Year Program Needs (L&E)	***6,172***	***3***	

Alaska OCS Region (+$6,030,000; +2 FTE): To promote access to energy resources and sustain a dynamic economy, an aggressive schedule of six conventional sales and two special interest sales on the Alaska OCS are included in the 5-Year Program 2007-2012. To promote responsible use and protect environmental resources, a National Environmental Policy Act (NEPA) review will be completed for each lease sale. To streamline the NEPA process, minimize duplication of effort, and focus on issues specific to each lease sale, the MMS Alaska OCS Region will prepare a multiple-sale environmental impact statement (EIS) for all of the proposed conventional lease sales scheduled in each sub-region (Arctic and Bering) and conduct an environmental review for each lease sale after the first one to determine whether new information indicates the potential for other significant impacts that were not addressed in the final EIS.

Leasing and Environmental Assessment (+$516,000; +2 FTE):

Environmental Impact Statements/Environmental Analyses (+232,000; +0 FTE): Consultation with local communities, public input into the NEPA process, and Government-to-Government meetings with Alaska Native organizations are critical to successful implementation of the OCS Program in the Alaska Region. These efforts will help to meet the Secretary's mandates, as well as the requirements set by the Council on Environmental Quality. Working with the local communities, while extremely important, is also time-consuming and expensive due to the remoteness of many locations in Alaska. At least two series of NEPA/Government-to-Government meetings need to be conducted during FY 2009: public hearings for the North Aleutian Basin Sale Draft EIS and a possible Seismic Surveying Draft EIS and, depending on the timing of plan submission, scoping meetings for the EIS(s) on development and production plan(s) in either the Beaufort Sea or Cook Inlet, or both. The MMS will also need to print and distribute the Arctic Multiple-Sale Final EIS, and the North Aleutian Basin Sale and Seismic Surveying Draft EISs.

Workforce (+$284,000; +2 FTE): Two additional FTE are required for procuring and managing additional environmental studies (described below), since current staff are fully committed on the existing Beaufort studies. One FTE is required to manage studies needed in the North Aleutian Basin and one FTE is needed to manage Chukchi Sea studies.

Without the requested funding, MMS will be unable to provide the NEPA support necessary to review and approve/modify/deny exploration, delineation, and development requests from industry and for the production of offshore Alaska oil and gas reserves. Associated revenues (royalties and rentals) will be decreased and/or moved further into the future.

Environmental Studies Program (+$5,514,000; +0 FTE): The MMS will need a full range of updated environmental information for the North Aleutian Basin (NAB) National Environmental Policy Act (NEPA) pre-lease/post-lease analyses, as well as post-lease monitoring information for the Chukchi and Beaufort Seas. Significantly more environmental data gathering related to oil and gas in the Chukchi Sea and the NAB will be necessary. Under the 5-Year Program 2007-2012, three sales are proposed in the Chukchi Sea and one is proposed in the NAB. The local boroughs have an expectation that sufficient information will be available to support future decisions on industry activity. Up-to-date information is needed to ensure that NEPA analyses are sufficiently robust to support the timely sale, exploration, and development of resources under the 5-Year program. The Chukchi Sea has tremendous resource potential: an estimated 15 billion barrels of technically-recoverable oil and 77 trillion cubic feet (TCF) of technically-recoverable natural gas (2006 National Assessment, mean estimates). The NAB has very good natural gas prospects: an estimated 8.6 TCF of technically-recoverable natural gas (mean).

Costs for environmental studies needed in these three remote, frontier areas are based on current trends, recent experience, and expected shipboard logistics costs in sub-arctic and arctic areas that are quite high. The MMS is able to direct $7.1 million in current and future base funding to this effort. However, additional funding is needed to support the level of studies required for these areas. In recent years, approximately $5.5 million to $6 million per year has been allocated for study emphasis in primarily the Beaufort Sea. MMS requests an additional $5.5 million for to expand environmental studies into the Chukchi Sea and the NAB.

Without adequate funding for environmental studies, MMS could face increased vulnerability to legal challenges regarding planned Alaska lease sales and/or post-lease actions. MMS recognizes that every aspect of the agency's action is under heavy scrutiny. If lawsuits are successful, oil and gas development would likely be delayed, with corresponding losses in revenues to the U.S. Treasury and increased reliance on foreign energy sources. Even without the prospect of litigation, lease sales in Alaska are highly controversial and MMS recognizes it will need to spend a great deal of effort and resources in working with local groups to address and assuage concerns they may have regarding leasing activities offshore Alaska.

<u>*North Aleutian Basin*</u>**:** The 5-Year Program 2007-2012 includes a single lease sale for the North Aleutian Basin (NAB) (2011). The planning area covers nearly 33 million acres (of which 5.6 million are included in the proposed sale area) with many environmentally sensitive resources, thus requiring extensive environmental study. In fact, in its Joint Explanatory Statement (Report Language) in the FY 2008 Omnibus Appropriations Bill, Congress directs that MMS provide certain information concerning impacts of potential oil and gas leasing in Alaska's North

Aleutian Basin OCS Planning Area. MMS fully intends to comply with this directive, and, if needed, will consider moving the NAB sale from 2011 to 2012 to ensure that this frontier area has a full suite of updated environmental information on which to evaluate any potential lease sale activity.

The MMS held the last NAB lease sale in 1988, and it resulted in the issuance of 23 leases for $95 million, which were later bought back due to Congressional Moratoria. Studies exclusive to the planning area tapered off around 1992 because of the Congressional Moratoria on leasing in the NAB at the request of the State of Alaska. Now, in order to hold a lease sale and manage post-sale industry activities in the planning area, MMS will need to write environmental impact statements (EIS), review and approve exploration and development plans, and consult extensively with other organizations. Because previous results of offshore environmental studies are at least 15 years out-of-date, new studies are needed. Collection of a full range of multidisciplinary information must be initiated in FY 2009 so that the EIS and related NEPA documentation can be completed in a timely manner to support the planned 2011 lease sale.

Studies must support both the pre-sale and post-sale (exploration, development, and production) environmental analyses. Topics will include physical oceanography, circulation modeling, fate and effects, endangered species, living resources, marine mammals (e.g., sea otters, pinnipeds), fish, birds, and socio-economics. Several species listed, recently removed from listing, or proposed for listing under the Endangered Species Act (ESA) feed in or near the NAB planning area. These include, for example, the listed North Pacific right, fin, humpback, and sperm whales, and Steller's sea lions; recently removed from listing gray whales; and proposed for listing sea otters. Within the planning area, ESA Critical Habitat is designated for Steller's sea lions and the Pacific right whale; Critical Habitat is designated near the planning area for Steller's eiders (northern sea ducks). The entire area is also designated as Essential Fish Habitat related to various managed fish species.

<u>*Chukchi Sea:*</u> The Chukchi Sea planning area covers nearly 63 million acres, and is subject to Arctic ice conditions for much of the year. Although remote, it has many species that live or migrate through the area. The MMS-sponsored research planning workshop, "Chukchi Offshore Monitoring in Drilling Area Workshop," November 1-3, 2006, defined study concepts for monitoring studies. Four studies from that workshop are proposed as part of the *Chukchi Offshore Monitoring in Drilling Area* (COMIDA) studies in the Alaska Annual Studies Plan. The *COMIDA* studies are a key component of Chukchi Sea environmental studies pertinent to post-sale monitoring subsequent to Chukchi Sea Lease Sale 193 scheduled for 2008. Industry has expressed strong interest in leasing in Sale 193, which is likely to be followed by exploration and possibly development. Much current information on selected topics is available, but certain physical information dates to the 1970s and some supplementing is needed.

The above studies will support both the Sale 193 post-sale (exploration, development, and production) information needs and the later pre-sale environmental analysis in the next Arctic Multiple-Sale EIS, which will support two additional proposed Chukchi Sea sales (2010 and 2012) in the 5-Year Program 2007-2012.

As with the Beaufort Sea, the bowhead whale migrates through the Chukchi Sea in both the spring and fall; the spring bowhead migration includes newborn calves. Coastal villages hunt the whale for subsistence in the spring. Avian species, including the threatened Steller's and spectacled eider, migrate along the Alaska Chukchi coast to reach their summer nesting grounds on the North Slope. The COMIDA planning workshop considered monitoring environmental indicators such as sediment and water chemistry, benthic biota, fish, walrus and other pinnipeds, birds (e.g., eiders, Pacific Black Brant), beluga whales, polar bears, subsistence resources with respect to sociocultural aspects, and surveys of endangered whales. Polar bear studies may increase under this initiative pending results of the Fish and Wildlife Service review of the proposed ESA listing for this species.

<u>*Beaufort Sea:*</u> The continuing development in the Beaufort Sea will require further mesoscale monitoring, currently titled *continuation Arctic Nearshore Impact Monitoring in Development Area (cANIMIDA)*. This will be patterned as a multi-year, multi-disciplinary study providing baseline and monitoring results for chemical contamination, turbidity, sedimentation effects, and subsistence whaling in the vicinity of Northstar and Liberty development sites, with the potential to expand into areas in which industry proceeds following the very successful Beaufort Sea sales in 2003 and 2005. Northstar is in state waters, but includes production of OCS oil through directional drilling. Northstar is the first offshore development project to install and operate a subsea pipeline in the Arctic. Liberty, a prospect being considered by industry for development in the near future, is situated to the east of Northstar. The MMS approved the Liberty Development and Production Plan on January 3, 2008. Construction activities in support of the Liberty project are scheduled for the first quarter of 2009. Development drilling is scheduled to start in 2010 with first oil in 2011. *ANIMIDA* monitoring includes pre-construction, construction, and early production periods for both sites. The *cANIMIDA* study is nearing the end of its current funding approval, but is expected to be extended at least to a limited degree for Northstar and would be expanded if new commercial discoveries are made. Public and interagency comments identified monitoring issues, and MMS coordinated priority field investigations with lessees and other organizations.

Interagency reviews of related EISs and development and production plans recommended monitoring the activities and potential effects with production from Northstar and anticipated development and production activities from the development of the Liberty field. There is a continuing, ongoing need for this monitoring information. The MMS OEMM program is a member of the joint agency North Slope Science Initiative and will coordinate with other agencies that are performing research in the area. Polar bear studies may increase under this initiative pending results of the FWS review of the proposed ESA listing for this species.

Without the requested funding, some high-priority studies in the Chukchi Sea and North Aleutian Basin Planning Areas will be delayed or cancelled, which could result in delays in completing NEPA or ESA analyses for sales proposed in these planning areas under the 5-Year Program 2007-2012.

<u>**Gulf of Mexico OCS Region (+$142,000; +1 FTE):**</u> The Gulf of Mexico Energy Security Act (GOMESA), enacted on December 20, 2006, added about 10 percent to the acreage available for leasing in the Gulf of Mexico and will result in new lease sales beginning in 2008 and thereafter. The first oil and gas lease sale to include GOMESA revenue sharing provisions was Western GOM Sale 204 in August 2007. The current resource estimates for the areas required to be made

available by GOMESA are as follows: in the reconfigured Central Gulf Planning Area: Sale 181 area—0.62 Bbl oil and 3.07 Tcf gas and 181 South Area—0.52 Bbl oil and 2.16 Tcf gas; and in the reconfigured Eastern Planning Area— 0.14 B bbl oil and 0.601 Tcf gas.

Although prior to enactment of GOMESA, the two areas in the Central Gulf Planning Area were included in the Proposed Final Program 2007-2012, GOMESA officially expanded the existing program and established specific deadlines for completion of lease sales. The GOMESA requires MMS to offer the “181 Area” within one year from the date of the Act and to offer the “181 South Area” for lease as soon as practicable.

The portion of the 181 Area within the Central Planning Area (approximately two million acres) was offered in Central Gulf of Mexico Sale 205, held in October 2007. Although the 181 South Area had been included in the Proposed Final Program 2007-2012, GOMESA canceled the Congressional moratorium, thereby allowing presale steps to commence; a supplemental EIS covering the 181 South Area must now be prepared. Completion of this environmental analysis and review will take about 18 months. Therefore, the 181 South Area (approximately 5.8 million acres) will be offered in Central Gulf of Mexico Sale 208, scheduled for March 2009.

GOMESA also mandated leasing in a portion of the Eastern Planning Area that was not included in the Proposed Draft Program 2007-2012. This are was was included in the final 5-Year Program 2007-2012. Due to the need for a supplemental EIS, the portion of the 181 Area within the Eastern Planning Area (approximately 500,000 acres) will be offered separately in Sale 224, scheduled for March 2008.

Leasing and Environmental Assessment (+$142,000; +1 FTE): A benthic biologist is needed to handle the emerging information needs in the Eastern Gulf of Mexico relating to potential impacts on the benthic ecology stemming from OCS leasing, exploration, and development in the Gulf of Mexico Planning Areas, especially the Eastern Gulf. Areas of concern will include fisheries, marine protected areas, live-bottom habitats, and benthic community characterization. The benthic communities of the slope in the EGOM area, seaward of the shelf break, have not been studied in detail. Interaction of the continental shelf and slope benthic communities is complex and involves interactions with onshore and offshore flows. For example, what patterns of benthic communities exist on the continental shelf and slope and how do these vary with slope direction and with topography? Are there seasonal differences? A benthic biologist will be able to address these issues and challenges and provide knowledge for the safe and environmentally sound development of the Eastern Gulf of Mexico.

Without the requested funding, delay in the design of studies will occur, which could result in delays in completing NEPA or ESA analyses for sales proposed in these planning areas under the 5-Year Program 2007-2012.

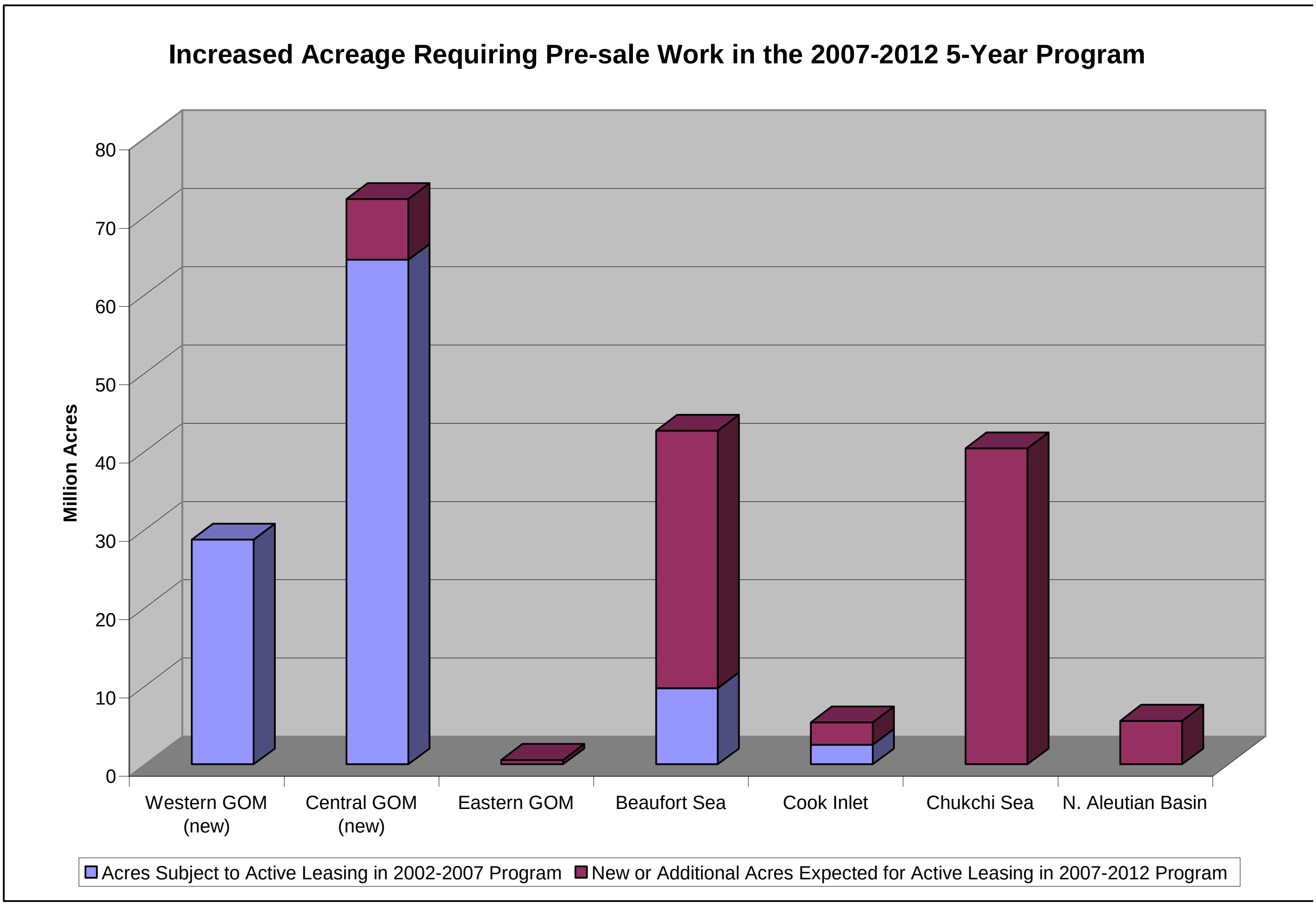


Figure 6: Increased Acreage Requiring Pre-Sale Work in the 2007-2012 5-Year Program

Additional resources of $1,560,000 and five FTE are also being requested in the Resource Evaluation Subactivity for OCS 5-Year Oil and Gas Leasing Program needs, and $768,000 and four FTE are being requested in the Regulatory Subactivity.

Table 16: L&E Key Budgetary Changes Table: OCS 5-Year Leasing Program

Leasing and Environment Performance for Key Increases - OCS 5-Year Leasing Program, + $6,172,000/ +3 FTE									
	2004 Actual	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2009 President's Budget**	**2010 Estimate**	**2011 Estimate**	**2012 Estimate**
Number of offshore leases sales held consistent with the Secretary's 2007-2012 5-Year Program (SP)									
Performance at Proposed Budget Level						3	3	4	2
Performance w/o Initiative*	4	4	2	2	5	3	2	3	1
Total actual/projected cost ($M)	30.5	32.7	33.1	33.2	35.4	42.4	42.4	42.4	42.4
Total actual/projected cost without initiative ($M)						35.4	35.4	35.4	35.4

This measure counts lease sales conducted under the OCS Oil and Gas Leasing Program. The 2007-2012 Final Program was published June 29, 2007. Expansion of OCS acreage available for leasing consideration, a significant amount of which has not been offered/evaluated for decades, requires an investment in environmental studies, environmental analysis, resource assessment, and leasing consultation. Funding provided in 2009 will support environmental studies and environmental assessments necessary to provide access to these frontier areas in 2009 and beyond. Environmental information is needed for supporting documents required for future lease sales in the North Aleutian Basin, Chukchi Sea, Beaufort Sea and expanded areas in the Central and Eastern Gulf of Mexico. The three lease sales in 2009 reflect a normal year of 2 lease sales in the GOM and 1 in Alaska. The five lease sales scheduled in 2008 are a result of the Louisiana litigation and an additional sale added with the passage of GOMESA.

**Without the proposed initiative funding for environmental studies and environmental assessments, MMS may have to delay or cancel planned sales in frontier areas*

Implementing Alternative Energy (+$858,000; +0 FTE): Shortly after passage of the Energy Policy Act of 2005 (EPAct 2005), wind resource assessments suggested that the most promising OCS areas for alternative energy development were concentrated in the Northeast United States. This assessment has held true, particularly for wind technology, as interest in the Northeast has continued to grow such that several competitive leases in the Northeast are likely to occur. For example, the state of New Jersey is planning a $4.5 million environmental siting study to begin in January 2008 and has issued a Request for Proposal for an offshore wind facility. Proposals are due in January 2008, and the grant is expected to be awarded by March 2008. Interest in wind technology has also expanded south into the mid-Atlantic and several areas even further south (i.e., South Carolina and Georgia). For instance, in May 2007, the Delaware Public Service Commission and other applicable state agencies directed Delmarva Power & Light Company, a state utility, to negotiate a power purchase agreement with Blue Water Wind, LLC, for electricity to be generated from an offshore wind farm proposed on the Outer Continental Shelf off the coast of Delaware. The two entities are currently negotiating the terms for the power purchase agreement. The MMS has also received considerable interest in offshore wave and current projects primarily off the coast of Florida and in the Northwest. To date, MMS has been contacted by over a dozen companies planning to submit applications as soon as the Program is ready to receive them.

Table 17: List of Potential Projects and their Associated Region and Technology Type

Region	Technology	Number of Projects
North Atlantic	Wind	10
Mid Atlantic	Wind	2
South Atlantic	Wind	2
Straits of Florida	Wave	1
Straits of Florida	Ocean Current	12
Gulf of Mexico	Wind	1
Pacific Northwest	Wave	2
Southern California	Wind	1

Interest in alternative energy development on the OCS is likely to continue, particularly in the North Atlantic, Mid-Atlantic, and along the West coast, as coastal states put in place initiatives (renewable energy portfolio standards (RPS)) requiring utilities to substantially increase their reliance on renewable energy sources (see the below Figure). For example, in the North Atlantic, New York has set a goal for public utilities to achieve a 25% share by 2013, one of the most aggressive targets in the country. In the Pacific, Oregon has instituted a Renewable Energy Action Plan that calls for renewable energy to account for a 25% share, approximately 1,600 MW, by 2025.

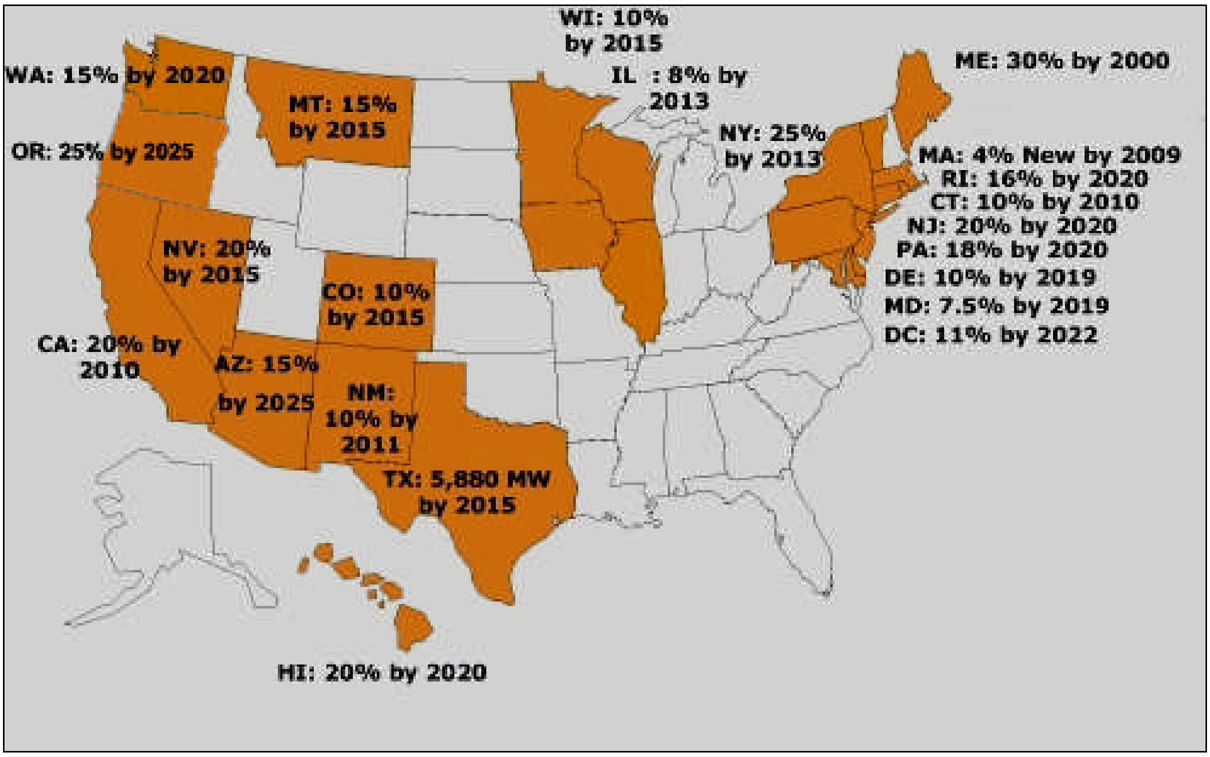


Figure 7: Renewable Energy Portfolio Standards for the United States

On November 5, 2007, MMS announced in the *Federal Register* an interim policy on Offshore Alternative Energy Resource Assessment and Technology Testing Activities. This interim policy allows for immediate nominations of areas of the OCS for potential issuance of limited-term leases authorizing meteorological or marine data collection facilities on the OCS that will be used to assess alternative energy resources (e.g., wind, wave, and ocean current) or to test alternative energy technologies. As of January 17, 2008, MMS has received 43 nominations, the majority of which focus on resource assessment activities on the Atlantic OCS. Most of the nominations received on the Atlantic Coast are for meteorological and oceanographic data collection facilities that would support wind generation projects off Massachusetts, New York, New Jersey, Delaware, Maryland, Virginia, South Carolina, and Georgia. Nominations for areas off Florida focus on ocean current information collection and technology. On the Pacific Coast, the main interest is in wave energy, and nominations were received for areas off California, Oregon, and Washington. The interim policy does not authorize leasing for commercial production of electricity. Nominations received will be used to further refine geographic areas of focus and estimates of resource needs.

The following table describes the overall funding request for implementing alternative energy. Note that the majority of the request is in the Leasing and Environmental Subactivity, with one item in the Resource Evaluation Subactivity.

Table 18. Summary of Funding for Implementing Alternative Energy

	($000)	FTE	Short Description
Leasing and Environmental Subactivity	***858***	**0**	
Environmental Assessments/ Environmental Impact Statements	858	0	To cover the cost of planning and sale-related environmental activities for competitive sales
Resource Evaluation Subactivity	***142***	***1***	
Workforce	142	1	For an economist/economic modeler to design fiscal terms for leases, rights-of-way, and rights-of-use and easements
Total	***1,000***	***1***	

Leasing and Environmental Assessment (+$858,000; +0 FTE):

Environmental Assessments/Environmental Impact Statements (+$858,000; +0 FTE): Section 388 of the EPAct 2005 requires DOI to issue a lease, easement, or right-of-way on a competitive basis unless the Secretary determines after public notice of a proposed lease, easement, or right-of-way that there is no competitive interest. Many of the initial applications were anticipated to be issued noncompetitively, requiring the applicant to bear the cost of proposal-specific studies. However, based on interest from industry and state-initiated RPSs, it is expected that MMS will offer a competitive lease sale in the near future, most likely in the North or Mid-Atlantic or along the North Pacific. Such an action would require MMS to bear the cost of planning and sale-related environmental impact statements. Both noncompetitive lease issuance and competitive lease offerings would require that MMS acquire baseline environmental information (environmental studies), develop leasing criteria (bidding systems, award criteria, lease terms and size, production fees and payments, stipulations), conduct economic, environmental, and engineering assessments of project proposals, grant leases, review plans, enforce lease and plan terms and conditions, and inspect facilities. Additionally, MMS is responsible for the technical and environmental review of each project. While we expect to require the applicant to bear the cost of third party contracting for National Environmental Policy Act (NEPA) compliance, MMS has the responsibility to oversee each NEPA contractor and to ensure the products meet MMS requirements.

In November 2007, MMS released the Final Programmatic Environmental Impact Statement (FPEIS) for the Alternative Energy and Alternate Use Program. The record of decision was issued on January 10, 2008. It is anticipated that final regulations governing the program will be in place in late 2008. These two foundation documents, in concert with the interim policy, will set the stage for FY 2009.

Without the requested funding, MMS will be challenged in implementing, in a timely manner, the OCS Alternative Energy Program as envisioned by the EPAct. This may increase the challenges states in the Northeast and Pacific Northwest face in working to achieve their RPS targets and other state renewable energy goals.

Additional resources of $142,000 and one FTE are being requested in the Resource Evaluation Subactivity for Planning and Implementation of EPAct Section 388.

Travel and Performance Contracting (-$77,000; -0 FTE): A programmatic reduction of $77,000 will result from reductions in travel and from savings realized through performance-based contracting. These reductions are part of a Department-wide effort to reduce costs. Please refer to the General Statement for additional information.

PROGRAM OVERVIEW

One of the cornerstones of the National Energy Policy is the role the Department's Minerals Management Service (MMS) plays in securing ocean energy for the nation. The MMS is a leader in facilitating energy development to meet the nation's domestic energy needs. It manages access to the mineral resources of the Outer Continental Shelf (OCS) to help meet the energy demands and other needs of the nation while balancing such access with the protection of the human, marine, and coastal environments. Currently, MMS administers over 7,500 active mineral leases on approximately 40 million OCS acres. Production from these leases will generate billions of dollars in revenue for the Federal Treasury and State governments while supporting thousands of jobs. The MMS oversees production from the OCS that represents a significant portion of total domestic oil and natural gas production. In 2006, OCS production accounted for about 27% of total domestic oil production and 15% of domestic natural gas production. To date, OCS lands have yielded about 173.5 trillion cubic feet of natural gas and almost 17 billion barrels of oil for U.S. consumption.

PERFORMANCE OVERVIEW

The Leasing and Environmental (LE) subactivity funds the Leasing and Environmental Assessment Program and the Environmental Studies Program, supporting DOI's End Outcome Goal to "Manage or influence resource use to enhance public benefit, promote responsible use, and ensure optimal value." A key indicator of performance is the ability to hold offshore lease sales as scheduled in the Secretary's Five-Year Oil and Gas Leasing Program, supporting DOI Strategy 1 to "Effectively manage and provide for efficient access and development." The final sale of the 2002-2007 Five-Year OCS Oil and Gas Leasing Program, Beaufort Sea Lease Sale 202, was held on April 18, 2007. It garnered $42.3 million in bids on 92 blocks. The March 2007 Central Gulf Sale 201 was cancelled in order to meet the specifications of the litigation settlement agreement with the State of Louisiana over Western Gulf Sale 200. That acreage was included in an expanded Central Gulf Sale 205 that was held in October 2007.

The 5-Year Program 2007-2012 was developed through an extensive consultation process prescribed by the OCS Lands Act. The Secretary announced the Proposed Final Program 2007-2012 and the Final EIS on April 30, 2007, and they were submitted to the President and the Congress. On June 29, 2007, the Secretary approved the program, and it became effective on July 1, 2007. The 5-Year Program 2007-2012 includes 21 sales in eight of the 26 OCS planning areas – three areas in the Gulf of Mexico, one area in the Mid-Atlantic, and four areas offshore Alaska. The MMS estimates that 10 billion barrels of oil and 45 trillion cubic feet of natural gas could be produced over 40 years as a result of sales under consideration in the 5-Year Program 2007-2012. By providing responsible access to the energy resources in the Gulf of Mexico and Alaska OCS, MMS continues to support the President's National Energy Policy.

Table 19: 5-Year 2007-2012 Lease Sale Schedule		
Calendar Year[1]	**Area**	**Sale No.**
2007 August	Western Gulf of Mexico	204
October	Central Gulf of Mexico	205
2008 February	Chukchi Sea	193
March	Central Gulf of Mexico	206
March	Eastern Gulf of Mexico[2]	224
August	Western Gulf of Mexico	207
2009 March	Central Gulf of Mexico	208
Spring	Beaufort Sea	209
August	Western Gulf of Mexico	210
Fall	Cook Inlet[3]	211
2010 Winter	Chukchi Sea	212
March	Central Gulf of Mexico	213
August	Western Gulf of Mexico	215
2011 March	Central Gulf of Mexico	216
Early Spring	Beaufort Sea	217
Late Spring	North Aleutian Basin	214
August	Western Gulf of Mexico	218
Fall	Cook Inlet	219
Fall	Mid-Atlantic[4]	220
2012 Winter	Chukchi Sea	221
March	Central Gulf of Mexico	222

[1] Sales are listed by calendar year. Sale dates may occur in a calendar year different than the fiscal year (e.g. a sale occurring in October 2007 would fall in calendar year 2007 but fiscal year 2008).
[2] On December 20, 2006, the President signed the Gulf of Mexico Energy Security Act of 2006 (GOMESA). Under GOMESA, MMS is mandated to hold a lease sale in the 181 Area of the Eastern Gulf, more than 125 miles from Florida and west of the military mission line. The sale is part of the 5-Year Program 2007-2012.
[3] Special Interest Sales – Proposed sales will move forward only after consideration of comments received in response to annual calls for information. If the responses do not support consideration of a sale, the sale will be postponed and a request for nominations and comments will be issued again in each subsequent year of the schedule, until a sale is held or the schedule expires.
[4] Lease sale 220 will only be held if the President chooses to modify the withdrawal and Congress discontinues the annual appropriations moratorium in the Mid-Atlantic.

Both 2007 lease sales contained in the 2007-2012 5-Year Program (see above Table) were held as scheduled.

- Sale 204, Western Gulf of Mexico (WGOM), was held on August 22, 2007. The MMS accepted high bids valued at $287,081,023 and awarded 274 leases to the successful high bidders. The leases were awarded following the completion of an extensive, two-phase bid evaluation process to ensure that the federal government receives a fair monetary return for the public mineral resources it makes available.

- Sale 205, Central Gulf of Mexico (CGOM), was held on October 3, 2007. The sum of high bids on 723 tracts was $2,904,321,011. The grand total of all 1,428 bids in the sale was $5,245,583,944. This was a very aggressive sale with industry bidding on many tracts that had been unavailable for the last 10 years. There was also heavy bidding on new tracts added by the Congressional mandate under the Gulf of Mexico Energy Security Act. The $2.9 billion in high bids was the second highest for any sale in the history of the program.

Leasing activities include planning for the Secretary's 5-Year Program, mapping and surveying OCS boundaries, implementing the lease sale process, and administering leases. These activities enable the bureau to meet its performance goals for the number of lease sales held, the timeliness of these sales, and the acreage offered through these sales. In addition, the Marine Minerals program is responsible for all other minerals on the OCS including sand and gravel.

Effective management of the energy resources on the OCS for efficient access and development is supported by Environmental Assessment, Environmental Compliance, and Environmental Studies activities. The work provides information necessary to ensure operations are conducted in an environmentally sound manner and decisions are supported by good science.

- Environmental Assessment (EA) activities ensure that appropriate environmental information is available for planning and decision-making at all phases of OCS activities, from 5-Year Program planning through platform removal. This is accomplished by consultation with interested and affected parties, and preparation of environmental impact statements, environmental assessments, and related program-level reports.

- Environmental Compliance provides oversight, policy guidance, and direction for environmental compliance of MMS and industry activities. Compliance with statutory requirements is assessed and encouraged in a variety of ways, including compliance monitoring, field verification and validation, reporting mechanisms, enforcement, incentives, outreach, and education.

- The Environmental Studies Program (ESP) funds and manages scientific research to better understand the OCS environment and the effects of mineral resource exploration and development activities, and socioeconomic impacts on the human environment. Environmental Studies scientific information is used in the environmental assessment activity.

Within its Activity-Based Costing (ABC) system, MMS is able to allocate both EA and ESP expenditures to the activities and operations they support. Further, MMS tracks the number of leases issued and the number of lease administrative changes as end outputs, providing the ability to assign the full cost of leasing and lease adjudication activities, as well as proportional shares of program support and general administrative costs. Similarly, direct and indirect costs of the Marine Minerals Program are allocated to the number of sand and gravel leases conveyed.

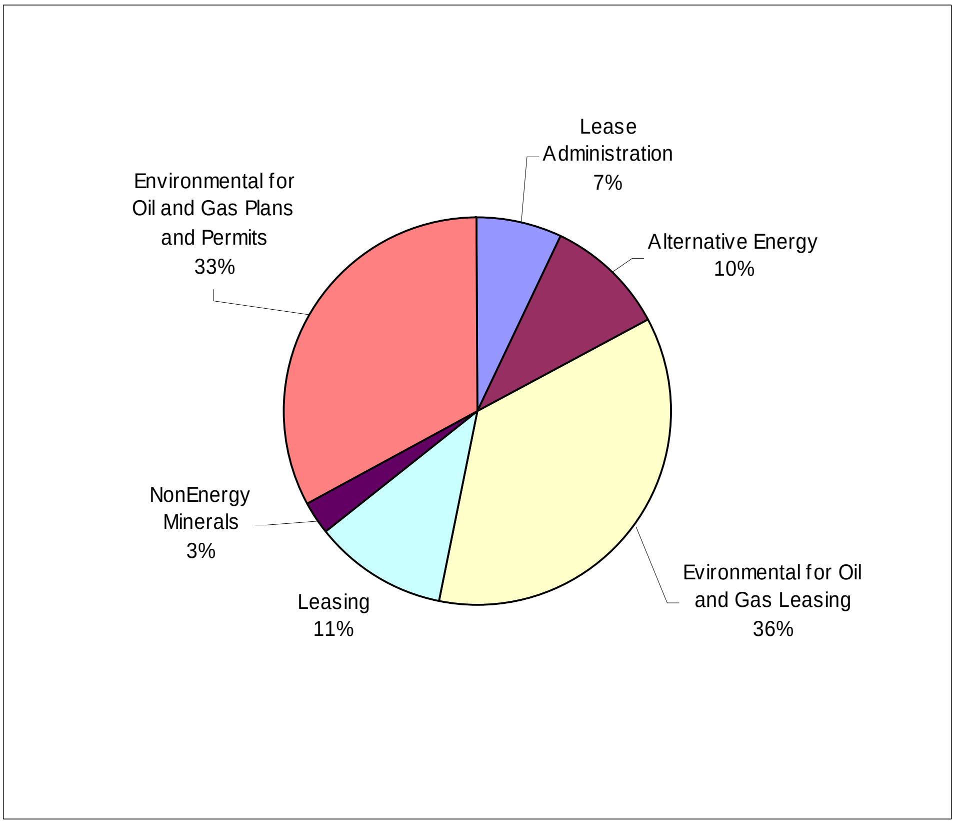


Figure 8. Estimated 2007 Leasing and Environmental Spending Profile

2009 PROGRAM PERFORMANCE – LEASING & ENVIRONMENTAL ASSESSMENT

5-Year OCS Oil and Gas Leasing Program: The MMS has played and will continue to play a vital role in providing access to domestic energy resources, supporting the President's National Energy Policy by continuing the OCS leasing program on predictable schedules. In 2004, OEMM initiated the multi-year process of developing a new 5-Year OCS Oil and Gas Leasing Program that schedules OCS lease sales for 2007 to 2012. The Secretary announced the Proposed Final Program and final EIS on April 30, 2007, and approved the 5-Year Program 2007-2012 on June 29, 2007. The Program is effective from July 1, 2007 through June 30, 2012.

The 5-Year Program is a pivotal element of managing the nation's offshore mineral assets. The OCS Lands Act (OCSLA) requires DOI to prepare a long-range program that specifies the size, timing and location of areas to be considered for Federal offshore natural gas and oil leasing. The MMS works in consultation with stakeholders (including federal and state agencies, local communities, federally recognized tribes, private industry, and the general public) to develop a program that not only offers access to those areas of the OCS with the most promising potential for development of oil and natural gas resources, but does so in an environmentally responsible manner. Under the 2007-2012 Program, OCS oil and gas lease sales will be held on an area-wide basis with annual sales in the Central and Western Gulf of Mexico, and less frequent sales held in the Eastern Gulf of Mexico and offshore Alaska.

As monitored in DOI and MMS GPRA measures, the bureau consistently conducts lease sales as outlined in the Secretary's 5-Year Leasing Program. Recent successes in OCS lease sales, reported in the program's PART measures and ABC outputs in terms of bidding activity and leases issued, are in part a result of MMS efforts to design the sales with terms, conditions, and incentives that foster continued industry interest in exploration for domestic energy resources.

Alternative Energy/Alternate Use Program: Important for future energy supplies is the MMS authority for the Outer Continental Shelf (OCS) Alternative Energy and Alternate Use (AEAU) program under Section 388 of the Energy Policy Act of 2005 (PL 109-58). Under this authority, MMS will regulate alternative energy projects and alternate use of existing oil and gas platforms on the OCS. Alternative energy includes wind, wave, solar, underwater current, and generation of hydrogen. Alternate uses of existing facilities may include, but are not limited to, aquaculture, research, education, recreation, and support for offshore operations and facilities. Section 388 of the Energy Policy Act authorizes MMS to:

- Ensure consultation with state and local governments, federal agencies, and other stakeholders;
- Ensure protection of the environment;
- Grant easements, leases, or rights-of-way for alternate energy related uses of the federal OCS;
- Pursue appropriate enforcement actions in the event violations occur;
- Require appropriate financial assurances to ensure that facilities constructed are properly removed at the end of their useful life;
- Regulate, monitor, and determine fair return to the nation; and
- Ensure equitable sharing of revenue with states.

Section 388 does not authorize any leasing, exploration, or development activities for oil or natural gas.

MMS is in the process of developing the AEAU programmatic regulations and completed a programmatic Environmental Impact Statement (EIS) in November 2007. The programmatic EIS examines the potential environmental effects of the program on the OCS over the next five to seven years and identifies policies and best management practices that may be adopted for the program. It assesses generic impacts from development, operations, and decommissioning of renewable energy or alternate use facilities and identifies key issues and mitigation measures that should be considered by subsequent site-specific reviews. Preparation of the programmatic EIS is a multi-step process that includes publication of a draft programmatic EIS, a final programmatic EIS, and a record of decision. The record of decision was issued in January 2008.

MMS also recently announced the establishment of an interim policy for Offshore Alternative Energy Resource Assessment and Technology Testing Activities. Announced in November 2007, the interim policy allows the public to nominate areas of the OCS in which MMS would consider awarding limited leases that authorize data collection and technology testing. MMS will continue to accept nominations under this interim policy until the final program regulations are in place.

Key Program Milestones**:**

- May 2006 - MMS published a Notice of Intent to Prepare a Programmatic EIS in the *Federal Register*.
- May and June 2006 - MMS held 10 separate public scoping meetings in Washington DC; Trenton, NJ; Long Island, NY; Boston, MA; Austin, TX; Long Beach, CA; Atlanta, GA; Portland, OR; Orlando, FL; and San Francisco, CA.
- October 2006 thru January 2007 - MMS conducted stakeholder meetings in Salem, Oregon; Boston, Massachusetts; West Long Branch, New Jersey; and New York City, New York.
- March 20, 2007 - MMS published the Draft Programmatic EIS (DEIS) in the *Federal Register*.
- April and May 2007 - MMS held public meetings for the DEIS in West Long Branch, NJ:; Melville, NY; Dedham, MA; Houston, TX; San Francisco, CA; Portland OR; Miami, FL; and Charleston, SC.
- June 2007 - MMS sponsored an AEAU environmental studies workshop based on foundation work from the MMS-funded study entitled, "*Worldwide Synthesis and Analysis of Existing Information Regarding Environmental Effects of Alternative Energy Uses on the OCS*".
- November 2007 – MMS published final programmatic Environmental Impact Statement (PEIS) in the *Federal Register*. The Record of Decision was issued on January 10, 2008.
- November 2007 – MMS published the "Request for Information and Nominations of Areas for Leases Authorizing Alternative Energy Resource Assessment and Technology Testing Activities Pursuant to Subsection 8(p) of the Outer Continental Shelf Lands Act, as Amended."
- November 2007 - MMS published the Record of Decision to establish an AEAU Program.
- December 2007 - MMS published an Advance Notice of Proposed Rulemaking in the *Federal Register,* and is currently preparing the Draft Proposed Rule to set up the regulatory system for managing leasing and operations for an Alternative Energy/Alternate Use (AEAU) Program. The draft rule will be published in early spring 2008.
- January 2008 – MMS published the Cape Wind Energy Project Draft EIS on January 17, 2008.

It is anticipated that final program regulations will be in place by late 2008. The final program regulations and PEIS, in concert with the interim policy, will set the foundation for MMS's Alternative Energy Program in FY 2009.

The Energy Policy Act also gave MMS responsibility for two existing offshore alternative energy projects - the Cape Wind project in the Nantucket Sound offshore Massachusetts, and the Long Island Offshore Wind Park offshore New York. The MMS is reviewing each project's application and supporting information, and is preparing environmental evaluations as required by law. A Notice of Intent to prepare an EIS for the Cape Wind Project was published by MMS in May 2006. The MMS filed the draft environmental impact statement (EIS) with EPA on January, 11, 2008 and it was released on January 14, 2008. The Draft EIS was published in the *Federal Register* on January 17, 2008. Public hearings will be held during March 2008. The final EIS and record of decision are planned for fall 2008.

In implementing an Alternative Energy/Alternate Use Program, MMS is committed to:

- *Protecting the environment and providing for safety of personnel and operations;*
- *Cooperating, coordinating, and collaborating with others to manage the OCS resources;*
- *Providing regulatory certainty and consistency;*
- *Establishing a comprehensive framework for planning, permitting, and inspecting;*
- *Providing for a fair return to the Nation for use of its resources;*
- *Basing management decisions on detailed science and engineering reviews; and*
- *Improving our understanding of ocean ecosystems to make sound OCS resource management decisions.*

The Energy Policy Act also directs the Secretary of the Interior, together with other agencies, to establish an OCS Mapping Initiative to assist in decision making related to alternative energy uses on the OCS. This initiative, also called the Multipurpose Marine Cadastre, is a multiyear endeavor that requires joint planning, interaction and commitment by federal, state, local, territorial, and tribal entities working through public and private partnerships. The MMS has been working cooperatively with other federal agencies to develop this information system, which is a repository of data such as the legal extents of authorities, and physical and cultural information in a common reference framework. This work is being facilitated through the efforts of the Federal Geographic Data Committee (FDGC)-Marine Boundary Working Group.

Environmental Assessment Program: As manager of energy and non-energy mineral resources and alternative energy/alternate use-related uses on the OCS, MMS has the responsibility to ensure that exploration, development, and production activities on the OCS are safe and environmentally sound. OCS operations are managed for continued compliance with key federal statutes including, but not limited to, the:

- National Environmental Policy Act (NEPA)
- Coastal Zone Management Act (CZMA)
- Endangered Species Act (ESA)
- Marine Mammal Protection Act (MMPA)
- Sustainable Fisheries Act (SFA)
- Clean Air Act (CAA)
- Clean Water Act (CWA)
- National Historic Preservation Act (NHPA)

In keeping with the principles espoused by these guiding statutes, MMS provides opportunities for public comment and consults with the National Oceanic and Atmospheric Administration (NOAA), the Fish and Wildlife Service (FWS), the Environmental Protection Agency (EPA), and others to develop a balanced leasing program and to promulgate regulations and permit requirements that protect natural and historical resources.

The OEMM assesses potential environmental impacts of proposed actions in accordance with the NEPA and related regulations. The NEPA process is intended to help public officials make decisions based on an understanding of environmental consequences and take actions that protect, restore, and enhance the environment. Public participation is an integral part of preparing an environmental impact statement (EIS) for approval of the OCS 5-Year Oil and Gas Leasing Program. The OEMM solicits external input to help identify relevant issues, alternatives, mitigation measures, and analytical tools.

NEPA and related regulations are followed at each stage in the leasing process, starting with the preparation of the final programmatic EIS for approval of the OCS 5-Year Oil and Gas Leasing Program. The final programmatic EIS addresses public comments in a responsive and responsible fashion. OEMM then prepares an EIS or a more focused Environmental Assessment (EA) prior to each lease sale and for other OCS oil and gas activities on a selective basis, including operator's plans for exploration and development, pipeline permit applications, decommissioning permit applications, and related industry activities. Each environmental review documents the potential environmental impacts and identifies mitigation measures that may be necessary to avoid or minimize adverse effects of a proposal. Many environmental reviews of routine plans or permit applications undergo a streamlined environmental review (Categorical Exclusion Review (CER)), in full compliance with NEPA. CERs are only for activities that have been demonstrated to not cause a significant environmental impact either individually or cumulatively, and which have been categorically excluded from more detailed reviews. CERs also identify mitigation measures to avoid or minimize adverse effects of the proposed action.

Additionally, the provisions of the CZMA ensure that covered OCS activities are consistent with the affected states' coastal zone requirements. OCS lease sales, plans, and permits are subject to review by states that have developed Coastal Management Programs to manage and balance competing uses that may affect land and water use and natural resources of the coastal zone. MMS works to resolve any differences with the state by implementing lease stipulations and lease-sale activities that are consistent with stakeholder land use objectives.

Environmental Compliance

MMS has sharpened its focus on environmental compliance through several initiatives. We are establishing and documenting policies, roles, and responsibilities for implementing the MMS environmental compliance program regarding all OCS activities under MMS jurisdiction with respect to ensuring that MMS policies and industry practices conform to the Nation's environmental policies and laws. We are working with the Department and the OEMM regulatory program to promote awareness and implementation of environmental management systems.

The OEMM has established a strategic initiative to achieve environmental accountability and compliance through development and implementation of environmental performance data verification and validation processes. MMS is developing performance measures and improving internal reporting that will allow MMS to better track and assess environmental compliance performance.

Under the MMS OCS Minerals Regulation and Compliance Assessment PART, conducted in 2005, OEMM environmental compliance monitoring and post-lease environmental analysis activities were assessed. Through the OCS Regulatory and Compliance Program, MMS acts on behalf of the public to ensure energy related activities are conducted in an environmentally acceptable manner. MMS received an overall rating of Effective for the assessment.

Marine Minerals Program: Under the Marine Minerals Program, MMS is responsible for managing all minerals on the OCS other than oil, gas, and sulfur. Key performance indicators monitored in the ABC and GPRA systems include the number of sand and gravel agreements and cubic yards conveyed, as well as the timeliness with which MMS processes these agreements. Since 1995, the program has fulfilled every request for resources, conveying rights to nearly 29 million cubic yards of OCS sand for shore protection and coastal restoration projects.

Coordination with other OCS users and regulators is becoming more important as new uses and conflicts grow. With mariculture, wind and wave power, artificial reefs, and fiber optic cables competing for space on the OCS, it is becoming more difficult to support the growing demand for sand resources. The MMS is committed to communicating, consulting, and cooperating with many diverse stakeholders in order to build consensus while balancing national, regional, and local interests. The Marine Minerals Program has received supplemental funds to conduct offshore sand studies in support of coastal restoration efforts to address damage from Hurricanes Katrina and Rita in the Gulf Coast states of Louisiana, Texas, Alabama, and Mississippi. The funds are being used to investigate available sources of federal OCS sand that can be used to restore portions of coastal areas significantly impacted by the hurricanes of 2005.

In addition, MMS has established working groups with state and Federal agencies in Florida and Louisiana to coordinate coastal restoration activities and gain information on new projects that plan to use Federal sand resources as early as possible. Such meetings have been very beneficial for the allocation of resources in the Marine Minerals Program. Previous cooperative efforts with coastal states helped identify and evaluate OCS sand deposits that were used for three beach nourishment projects in Maryland, four projects in Virginia, and four in Florida. An additional 11 projects have been completed which utilized OCS sand borrow areas identified by other state or Federal agencies for a total of 22 coastal restoration projects.

2009 PROGRAM PERFORMANCE – ENVIRONMENTAL STUDIES PROGRAM

The Environmental Studies Program (ESP) provides the solid scientific information needed for critical program decisions that must, by law, accommodate the delicate balance between the protection of the human, marine, and coastal environments and the nation's exploration, development, and production of petroleum and alternate energy resources and other marine minerals and energy-related alternate uses of OCS structures. Environmental studies are designed to address specific information needs concerning the environmental and socioeconomic state of a region, both before and after OCS activity. The scope of the Studies Program is as broad as the federal statutes that influence the MMS environmental assessment activities and is geographically diverse, ranging from unique deepwater issues in the Gulf of Mexico to the extreme environment of the Alaskan arctic. Studies provide the information necessary to develop measures to mitigate adverse impacts on the environment.

> "MMS's Environmental Studies Program (ESP) is a major source of information about the impacts of OCS oil and gas activities on the human, marine, and coastal environments."
>
> *An Ocean Blueprint for the 21st Century*
> *2004 Report of the U.S. Commission on Ocean Policy*

The OCS Lands Act requires the Secretary of the Interior to monitor the human, marine, and coastal environments of areas to be leased or developed for offshore oil and gas resources. The MMS is pursuing a strategy to enhance the planning, development, and implementation of environmental monitoring efforts – both as a means to evaluate the effectiveness of OCS lease stipulations and other environmental mitigation measures, and for research on what additional monitoring may be needed.

The ESP directly responds to the President's Management Agenda initiative, *Research and Development*. This program funds applied research through environmental and socioeconomic studies to predict potential impacts of oil and gas development and develop mitigating measures as well as improving our understanding of the fate, transport and effects of oil when spilled.

External Contributions: The planning process emphasizes communication within MMS as well as with federal, state, and local governments, academia, industry, and non-government organizations. Additional program oversight is provided by the OCS Scientific Committee, chartered under the auspices of the Federal Advisory Committee Act, which advises MMS on the feasibility, appropriateness, and scientific value of the ESP. Study proposals are evaluated for program relevance, programmatic timeliness, and scientific merit. ESP research plans are developed in coordination with the Technology Assessment and Research program and the Oil Spill Research program to provide a multi-faceted, interdisciplinary bureau response to meet the environmental and safety needs of the offshore program.

Partnerships with Stakeholders: The MMS has established key research partnerships with state universities through its Coastal Marine Institute (CMI) programs in Louisiana and Alaska, and through cooperative agreements with universities in California, Mississippi, Texas, and Alabama, where oil and gas activities actively occur. The Alaska CMI has a long record of working cooperatively with MMS and the State of Alaska and thereby provides us greater flexibility in achieving research projects of mutual benefit to MMS and the State. We plan to fully tap the world class expertise of the University of Alaska in timely completion of multi-disciplinary offshore studies. The CMI programs have provided an important vehicle for reducing MMS expenditures because CMI studies require a 1:1 non-Federal match. ESP managers also represent the MMS (and thus, the Department) in the National Oceanographic

Partnership Program, a collaborative community of federal agencies working to improve knowledge of the ocean environment. Through this interaction, MMS has accomplished important research that has been highly leveraged with funding from other agencies. The MMS is also extensively engaged in the new and evolving Ocean Governance Structure outlined in the President's U.S. Ocean Action Plan. Here our experience in integrating state-of-the-art science into resource management decisions and our expertise in applying the principles of adaptive management should prove invaluable.

Strategic Initiatives: The MMS 2007-2012 Strategic Plan includes a strategic goal to "Minimize Impact on the Environment." This goal aims to prevent or minimize adverse impacts to the marine, coastal, and human environments by ─

- achieving environmental accountability and compliance,
- targeting environmental and technical studies to support decisions; and
- ensuring OEMM environmental program policies and procedures are effectively communicated.

In 2005, MMS deployed a new webpage to provide the public with information about ongoing efforts in environmental monitoring to evaluate effectiveness of lease stipulations and environmental mitigation measures. The website has been designed to accommodate future monitoring activities associated with the development of methane hydrates and renewable energy sources on the OCS.

In addition, the Gulf of Mexico OCS Region (GOMR) has completed a project to develop software for Gulf-wide emission inventory reporting and has initiated a project to update the emission inventory. The GOMR has worked with industry and MMS regulatory staff to ground-truth the inventory via platform inspections and by review of flaring and venting records. Improvements to emission inventory reporting software and MMS flaring and venting reports are collateral benefits of this activity. The GOMR staff regularly receives and reviews field observer reports from explosive structure removal operations (from NOAA-Fisheries observers) and from seismic survey vessels (from trained industry-supported marine mammal observers), which demonstrate industry compliance with MMS requirements for protection of the environment. An annual summary of the seismic survey marine mammal observer reports is prepared and submitted to NOAA-Fisheries, as required by interagency consultations under Section 7 of the Endangered Species Act.

The GOMR has also developed and implemented a bi-monthly science and technology journal to disseminate environmental research findings, on both the environmental and technical fronts, to the interested public. The bimonthly journal *MMS Ocean Science* chronicles the science and technology used by MMS to manage offshore mineral resources. The journal is written for the general public, news media, and interested stakeholders, giving them a glimpse into the extensive science and technology needed to understand the offshore environment and recover the resources that lay on and beneath the seafloor. Thus far, this journal is sent to approximately 2,000 interested parties in paper form and 500 through email notification. The journal is also available on the MMS website and educational materials to assist teachers in preparation of lessons about the ocean environment.

During the FY 2004 budget process, the Program Assessment Rating Tool (PART) review found the ESP meets its stated purpose of providing timely and peer-reviewed environmental research to decision makers, assigning an overall rating of "Moderately Effective". Consistent with that review, the ESP continues to place strong emphasis on increasing public access to scientific information through its website. In response to PART recommendations, MMS developed and deployed the ESP Performance Assessment Tool to provide the basis for quantitative program performance measurement.

The Leasing and Environmental Subactivity Performance Overview Tables are shown on the following pages.

Table 20: Performance Overview - Leasing and Environmental

Measure	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 President's Budget	Change from 2008 Plan to 2009	Long-term Target 2012
Performance Overview - Leasing and Environmental								
Note: Performance and Cost data may be attributable to multiple activities and subactivities. Therefore, measure costs may not equal totals shown in subactivity tables.								
End Outcome Goal 1.1 Resource Use (energy): Manage or influence resource use to enhance public benefit, responsible development, and economic value.								
GPRA End Outcome Measures								
Number of offshore lease sales held consistent with the Secretary's 2007-2012 5-Year Program (SP)	4	4	2	2	5	3	-2	2
Total Actual/Projected Cost ($M)	30.5	32.7	33.1	33.2	35.4	42.4	7.0	--
Comments	*This measure counts lease sales conducted under the OCS Oil and Gas Leasing Program. The 2007-2012 Final Program was published June 29, 2007. Expansion of OCS acreage available for leasing consideration, a significant amount of which has not been offered/evaluated for decades, requires an investment in environmental studies, environmental analysis, resource assessment, and leasing consultation. Funding provided in 2009 will support environmental studies and environmental assessments necessary to provide access to these frontier areas in 2009 and beyond. Environmental information is needed for supporting documents required for future lease sales in the North Aleutian Basin, Chukchi Sea, Beaufort Sea and expanded areas in the Central and Eastern Gulf of Mexico. The three lease sales in 2009 reflect a normal year of 2 lease sales in the GOM and 1 in Alaska. The five lease sales scheduled in 2008 are a result of the Louisiana litigation and an additional sale added with the passage of GOMESA.*							

Performance Overview - Leasing and Environmental (Continued)

Measure	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 President's Budget	Change from 2008 Plan to 2009	Long-term Target 2012
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures								
Intermediate Outcome Strategy 1: Effectively manage and provide for efficient access and development								
Percent of available OCS acres offered in each year's lease sales (PART)	>57%	>99%	94%	35%	85%	79%	-6%	76%
Percent of available OCS oil and gas resources offered in each year's lease-sales (PART)	>88%	>99%	>98%	36%	97%	99%	+2%	97%
Total Actual/Projected Cost ($M)	30.5	32.7	33.1	33.2	35.4	42.4	7.0	--
Comments	*These measures count the acreage and resources offered through lease sales scheduled under the Secretary's 5-Year OCS Oil and Gas Leasing Program. Targets for the 2007-2012 OCS Oil and Gas Leasing Program assume that the most prospective acreage will be offered; the 2009 percentage decrease in acreage and percentage increase in resources shows that excluded acreage contains few estimated technically recoverable resources.* *As a result of settlement of litigation brought by the State of Louisiana, MMS postponed Central Gulf of Mexico Sale 201, scheduled for March 2007. The 2007 Chukchi Sea Sale 203 was a special sale and not held.*							
Percentage of Environmental Studies Program projects rated "Moderately Effective" or better by MMS internal customers (PART)	N/A	N/A	92% (baseline)	100% (12/12)	85%	90%	+5%	TBD
Percent of ESP Projects delivered on time (PART)	N/A	N/A	N/A	N/A	Baseline Year	TBD	--	TBD
Comments	*This measure evaluates the timeliness of the Environmental Studies Program's Projects. The MMS will need a full range of updated environmental information for the North Aleutian Basin (NAB) National Environmental Policy Act (NEPA) pre-lease/post-lease analyses, as well as post-lease monitoring information for the Chukchi and Beaufort Seas. No concerted environmental data gathering related to oil and gas has occurred in the Chukchi Sea and NAB for more than 15 years. Without the proposed initiative funding for environmental studies and environmental assessments, MMS may have to delay or cancel planned sales in frontier areas.*							

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FY 2009 PERFORMANCE BUDGET REQUEST
Offshore Energy and Minerals Management
Resource Evaluation Subactivity

Table 21: OEMM Resource Evaluation Subactivity Budget Summary

		2007 Actual	2008 Enacted	FY 2009 Fixed Costs & Related Changes (+/-)	FY 2009 Program Changes (+/-)	FY 2009 Budget Request	Change from 2008 (+/-)
Resource Evaluation Subactivity	($000)	28,633	30,407	+489	+1,832	32,728	2,321
	FTE	211	209		+6	215	6
Other Major Resources							
None	($000)	0	0	0	0	0	0

SUMMARY OF FY 2009 PROGRAM CHANGES

Request Components	**($000)**	**FTE**
<u>Program Changes</u>		
• Geoscientific Interpretive Tools	+1,086	+0
• OCS 5-Year Leasing Program	+1,560	+5
• Implementing Alternative Energy	+142	+1
• Center for Marine Resources & Environmental Technology	-886	-0
• Travel and Performance Contracting	-70	-0
TOTAL, Program Changes	**+1,832**	**+6**

JUSTIFICATION OF 2009 PROGRAM CHANGES

The FY 2009 budget request for the Resource Evaluation Subactivity is $32,728,000 and 215 FTE, a net increase of $2,321,000 and six FTE from the FY 2008 enacted level.

Geoscientific Interpretive Tools (+$1,086,000; +0 FTE): Geoscientific Interpretive Tools **(**GIT) is a key information technology tool composed of integrated commercial software and hardware products and forms the basis of essentially all OEMM determinations needing critical geoscience analysis. An upgrade to the program's GITcapabilities is required to maintain OEMM's ability to review and analyze industry applications, plans, and requests; maintain the quality and thoroughness of agency decisions related to determinations on fair market value, new producible leases, royalty relief, and the conservation of resources; and develop independent reserve and resource estimates, all of which are critical to managing the offshore program. GIT allows OEMM to improve productivity by quantifying analyses, improving and automating processes, fully integrating geophysical and geological data analysis, and significantly reducing risk and uncertainty in the decision making process.

MMS estimates total funding of $2.7 million is needed to fund GIT program costs. Current base funds of $1.6 million cover basic maintenance requirements. The MMS requires an additional $1.1 million for critical GIT software acquisition and maintenance needs. The justification rests on two points:

-GIT is rapidly approaching a critical stage in its lifecycle, requiring a reevaluation of the software technology currently employed. Continued commercial development of the existing software solutions is scheduled to cease during FY 2009 and product support will probably end during FY 2011. MMS needs to integrate the next generation of tools, which has been available to industry for a number of years into OEMM's geoscience workflows. This investment will allow OEMM to utilize modern exploration and production datasets, maintain a reasonable technical parity with industry, and tcontinue to support our current and future business processes.

-OEMM's current interpretation work process consists of two-dimensional (2-D) analysis of three-dimensional (3-D) data on UNIX workstations. The oil and gas industry standard is now true 3-D earth modeling and visualization. MMS has not made a significant acquisition of GIT software in over six years. OEMM's current GIT software and workflows are rapidly becoming obsolete, and the geoscience interpretation workflows need to be transformed to the next generation of GIT applications. Much of the oil and gas industry has already embraced this technology as a critical business driver providing improved quantitative analyses and efficiencies.

Two examples that provide an indication of the value and importance of maintaining an effective set of geoscience capabilities within OEMM are:

- ***Conservation of resources:*** Lessees submit a Conservation Information Document (CID) prior to initial production from a lease. The CID contains geological and geophysical (G&G) data and engineering data and is evaluated to ensure that all economically producible reservoirs are planned for production and not bypassed. The duration of the G&G evaluation of CIDs is highly dependent on the complexity of the geology and can take from one to six months. An incorrect G&G evaluation could result in an average reservoir of 12,000,000 BOE being bypassed, with a corresponding loss of approximately $100 million in revenue to the taxpayer and the U.S. Treasury (not counting production benefits).

- ***Lease sale bid adequacy decisions:*** GIT has been routinely used for all fair market value determinations since 1995. Through 2003, the tools were regularly updated and technology kept current. Bid adequacy determinations have historically provided a positive direct financial return to the federal government. A comparison of rejected bids and bids subsequently accepted for the same tracts in the next lease sale (see table below) using existing GIT software indicates an aggregate increase in bonus receipts of $373 million during the period 1997 through 2006.

Table 22: Comparison of Rejected/Accepted Bids

Comparison of Rejected Bids and Bids Accepted for the Same Tracts				
1997-2002 Program				
	Rejected ($MM)	Accepted ($MM)	Increase ($MM)	Increase (%)
1997	3.8	7.7	3.9	103%
1998	22.5	147.0	124.5	553%
1999	8.5	18.6	10.1	119%
2000	24.2	80.7	56.5	233%
2001	6.8	35.9	29.1	429%
2002	8.8	22.9	14.1	160%
Total	74.6	312.8	238.2	319%
2002-2007 Program				
	Rejected ($MM)	Accepted ($MM)	Increase ($MM)	Increase (%)
2002	1.6	14	12.4	775%
2003	10	19.9	9.9	100%
2004	20.5	91.0	70.5	344%
2005	7.3	29.9	22.6	310%
2006	6.1	25.7	19.6	321%
Total	45.5	180.5	135.0	297%
1997-2006 Total	120.1	493.3	373.2	311%

By adopting oil and gas industry standards and transforming our processes from a 2-D analysis of 3-D data to utilizing true 3-D earth modeling and visualization we will produce more accurate and efficient analyses. This can significantly enhance MMS decisions such as fair market determinations for lease sale bid acceptance. In addition to providing vastly increased capabilities, this software usually runs on simpler PC-based hardware rather than more expensive and complex Sun UNIX workstations, allowing MMS savings on future hardware procurements and support.

The requested funding will allow MMS to acquire industry comparable analytical software for performing geoscientific analysis. This will enable MMS geoscientists to maintain a reasonable degree of parity with industry in interpretive capabilities, including the ability to utilize modern exploration and production data and work flows. Maintaining an effective geoscientific analytic capability will allow MMS to continue to make properly informed decisions throughout the leasing process.

If the required funding is not received, analyses will continue using the 2-D capabilities of the existing software. The MMS will be in the tenuous position of relying upon increasingly antiquated solutions and workflows for performing mission critical analyses. The MMS would be unable to independently perform some of the routine analyses done by industry counterparts and possibly not even be able to use certain datasets developed from the deployment of new exploration and production technologies. The lack of these capabilities can have a major negative effect on the quality and timeliness of agency decisions such as fair market value determinations, field determinations, new producible lease determinations, royalty relief decisions, and conservation of resource decisions.

OCS 5-Year Oil and Gas Leasing Program (+$1,560,000; +5 FTE): The OCS Oil and Gas Leasing Program 2007-2012 (5-Year Program 2007-2012) significantly expands the area offered for leasing and moves into areas that are new and considered frontier. This includes an 80 percent expansion of acreage for planning areas in Alaska when comparing planning areas that experienced lease sale work in the 2002-2007 Program to areas available for leasing in the 5-Year Program 2007-2012; a 10 percent expansion in the Gulf of Mexico; and 2.9 million acres off Virginia in the Atlantic for the first time since the 1980s. No resources are requested for a Virginia sale but may be needed in the future if potential activity there becomes more definitive. In FY 2009, a total increase of $8,500,000 and 12 FTE are required in three subactivities for MMS to effectively administer the Secretary's proposed program. Table 11 in the OEMM Overview tab shows the total requested resources.

Of the total required resources, $1,560,000 and five FTE are needed in the Resource Evaluation (RE) Subactivity as depicted in the following table.

Table 23: Summary of OCS 5-Year O&G Leasing Program Needs - Resource Evaluation Subactivity

	($000)	FTE	Short Description
Alaska	***1,134***	***2***	
G&G Data Acquisition	500		Digitization of analog seismic information
G&G Seismic Data Storage	350		Increased storage capacity needed
Workforce	284	2	Geologists/geophysicists
Gulf of Mexico	***426***	***3***	
Workforce	426	3	Expanded 181 and South 181 bid adequacy & economics
Five-Year Program Needs (RE)	***1,560***	***5***	

<u>Alaska OCS Region (+$1,134,000; +2 FTE)</u>

<u>*Geological & Geophysical (G&G) Data Acquisition (+$500,000; +0 FTE):*</u> The 5-Year Program 2007-2012 presents the potential for assessing, leasing, and developing oil and gas resources in frontier areas such as the North Aleutian Basin. Any available seismic information, which is currently decades old, is in analog format and needs to be digitized so that it can be analyzed in GIT-based workflows. The opening of many of these areas would mean an abrupt increase in the amount of permit activity as industry acquires modern seismic information for decision-making. This would be in addition to the recent surge of industry seismic acquisition activities experienced in the Beaufort and Chukchi Seas. It is imperative that MMS have access to this new information for decision making. MMS is required to reimburse industry for the costs associated with providing to MMS copies of G&G data and information. Current funding levels for G&G data reimbursements are insufficient to meet these additional demands. Without access to the newly acquired seismic data and the conversion of selected vintage hardcopy data sets to a digital workstation capable format, MMS will be unable to adequately assess the

resource potential and economic value of these emerging areas or properly evaluate proposed industry activities.

Geological & Geophysical (G&G) Seismic Data Storage (+$350,000; +0 FTE): The analysis of seismic data is the foundation that supports prelease activities such as area identification, resource assessment, NEPA and policy analyses, and fair market value decisions. Seismic data are also a critical component in formulating decisions relative to reviewing and approving post lease applications and plans. OEMM has recently experienced an increased level of exploration activity from several major companies in the offshore Arctic.

- In the Beaufort Sea, one permit application for an extensive 3-D seismic program beginning in 2008 has already been received, with another application for 3-D work expected soon. The amount of coverage in new areas continues to grow in the Alaska OCS. The companies are also investing in a suite of different processing techniques beyond the standard ones that add to the amount of data storage needed for the acquired permit information.
- In the Chukchi Sea, two permits were issued in 2006 for extensive 3-D seismic programs and one 2-D program. One company continued operations in 2007 and has already submitted an application for 2008.
- In the North Aleutian Basin, several major oil companies continue to express interest in conducting G&G exploration seismic programs, possibly during 2009**.** A significant portion of the planned activities will include the acquisition of 3-D seismic data.

It is anticipated that during the summer of 2008 the volume of new seismic data generated from the recent surveys and these planned activities will exceed the data storage capacity of the current system in Alaska (including a recent FY 2007 expansion). Funds are required for additional incremental storage capacity in FY 2009 and thereafter to accommodate increased seismic data acquisition activities in the Arctic and Bering Sea. Conversion of existing older hard copy seismic information to digital datasets will add to the storage needs. Because increased data storage hardware will generate additional heat, facility modifications and new air conditioning equipment are also needed.

Without the expanded storage capacity, MMS will be required to continuously load and offload datasets to accomplish its mission responsibilities—lease sale evaluations, resource assessments, review and approval of exploration and development plans, etc. This will create inefficiencies in the interpretation workflow and utilization of staff resources, and result in rotating starts and stops in other than the highest priority activities as datasets supporting lower priority projects are off-loaded to create room for higher priority data and then subsequently re-loaded. It is likely that longer than normal timeframes would be required to complete bid acceptance decisions for lease sales and to review and approve industry applications, plans, and permits as data are continuously loaded to and unloaded from the system. Depending on bid amounts, the interest lost to the U.S. Treasury could be greater than the cost of the equipment, especially if this has to be done repeatedly on multiple sales. Impacts to industry and the nation related to delays in exploration and development would likely be much greater. The MMS anticipates an ongoing need to simultaneously access and interpret seismic data in at least four Alaska planning areas (Beaufort Sea, Chukchi Sea, North Aleutian Basin and Cook Inlet).

Workforce (+$284,000; +2 FTE): As discussed above, industry has been acquiring significant quantities of 3-D seismic data that will need MMS analysis to adequately evaluate areas that have not previously been analyzed. The need for 3-D implies that the geology is complex or the interpretation is to identify subtle stratigraphic features. Both cases require highly advanced seismic interpreters. The interpretation of these data will be critical to performing fair market valuations for the upcoming Beaufort Sea sales. In addition, MMS expects to lose over half of the Resource Evaluation (RE) workforce in the Alaska Region over the next four years and will need to transition to another generation of experts in Alaska geology; the expected workload looking forward provides a strong rationale for accomplishing this transition in an orderly manner.

Additionally, MMS anticipates that the current resource assessment model will be replaced, and changes are currently being made to the geologic modeling in the bid adequacy program (MONTCAR). Developmental work on these computer programs, testing, and implementation of the new models will further strain limited RE staff resources.

MMS estimates funding of $284,000 is needed for two additional FTE (geologists/geophysicists). These FTE will be trained in Alaskan geology and the use of MMS seismic interpretation software. They will be assigned to different basins so that the current maturing professionals can pass along the unique knowledge and expertise needed to successfully continue the important resource evaluation work of the Alaska Region.

Without the additional FTE, fair market value reviews will be of lower quality due to our low numbers of experienced analysts, especially in the years from 2010 to 2012 when five sales are proposed in the Beaufort Sea, Chukchi Sea, and North Aleutian Basin. Also in this time frame, industry should be exploring on leases and possibly starting development plans which will require dedicated staff time. The MMS expects very large amounts of new data to be collected that must be evaluated if the fair market evaluation is to be done properly. Given the expressed industry interest in the Chukchi and North Aleutian sale areas, the competition level could be high and will necessitate a solid, detailed analysis of the bid tracts to determine fair market value. The MMS will not be able to meet the 90-day limit and/or not be able to properly evaluate all bids unless more staff, and the associated resources that they will need to do their work, are acquired.

Gulf of Mexico OCS Region (+$426,000; +3 FTE): The 5-Year Program 2007-2012 and the recent passage of the Gulf of Mexico Energy Security Act of 2006 expanded the acreage offered for leasing in the Gulf of Mexico by approximately 10 percent. This increase in acreage will affect lease sales starting in 2008 and thereafter. The 5-Year Program 2007-2012 has added more than eight million acres to the existing program and commensurate resources are needed. The mean estimate of Undiscovered Technically Recoverable Resources assigned to the additional acreage are 1.14 Bbbls oil, and 5.23 Tcf gas (CGOM) and .18 Bbbls oil and .87 Tcf gas (EGOM) and are associated with six conceptual and three proven plays. The fields in the proven plays are tens of miles to the north of the additional acreage and in shallow water. The expanded acreage is considered rank wildcat and has no proven resources. The geology of the additional acreage has to be interpreted from newly acquired seismic data to derive the regional framework. The regional framework is critical to determine the hydrocarbon sources, migration pathways, and probable timing of the hydrocarbon migration from source to trap. The lack of seismic data precluded any previous interpretation within the expanded acreage. Additional FTE will be required to interpret newly acquired data that, in all probability, will alter the existing proven and conceptual plays' areal extent and generate new conceptual plays. Worldwide analogs of hydrocarbon fields will have to be investigated and analyzed to properly evaluate the hydrocarbon potential of the tracts offered for sale in new plays to determine the fair market value.

Workforce (+$426,000; +3 FTE): Two additional FTE ($284,000) are needed in the Gulf of Mexico Region to evaluate lease sale high bids for fair market value and new discoveries in the new leasing areas of the Central and Eastern Gulf of Mexico. A portion of the newly-available area which is adjacent to the modified Sale 181 area (i.e., the area offered in OCS Lease Sale 181, held on December 5, 2001) is expected to provide new gas discoveries. Since Sale 181, there have been 17 wells drilled on leases within the modified Sale 181 area which have discovered natural gas on 11 leases, with approximately 600 to 750 billion cubic feet (Bcf) of gas is expected to be recovered through the Independence Hub platform. The newly-available tracts to the east and south of the modified Sale 181 area are expected to contain additional natural gas at depths similar to the recent discoveries. The new areas are also expected to provide some oil discoveries in conceptual plays at deeper depths in the area adjacent to, and to the south of, the modified Sale 181 area. The mean estimate of undiscovered economically recoverable resources for the new leasing areas is 1.06 billion barrels of oil (Bbbl) and 2.71 trillion cubic feet (Tcf) of gas or 1.55 billion barrels of oil equivalent (BBOE) at $46/barrel oil price and $6.96/mcf gas price.

These FTE will interpret new data and information in order to complete bid adequacy determinations for future lease sales, estimate discovered volumes for potential energy legislation and policy, develop lease sale analogs for new discoveries, and revise assessments of undiscovered resource potential for future 5-Year OCS Oil and Gas Leasing Programs in this never explored expanded leasing area to the east and south of the Sale 181 area.

An economist ($142,000) is also needed to help prepare the necessary regulatory documents, conduct the needed supporting cost-benefit and small business analysis, and help design and implement the required revenue sharing allocation model for GOMESA. This position will also assist in the design of terms and conditions for leases offered in these new sale areas.

Without the additional FTE, the evaluation of new discoveries, lease sale bid determinations for fair market value, and revisions to assessments of undiscovered resources in the expanded areas near the Sale 181 area would have to be evaluated by current staff. The increased lease sale evaluation workload would likely cause delays in producing estimates of discovered resources for new discoveries. The increased workload would also likely cause delays in facilitating information requests for the assessment of undiscovered resources for potential future energy legislation.

The requested increase in funding will allow the program to meet all current performance measures. Without the increase, FTE resources will need to be diverted from the Reserves Inventory Program and resource assessment to keep pace with the expected increased in bid adequacy determinations.

Additional resources of $6,172,000 and three FTE are also being requested in the Leasing and Environmental Subactivity for OCS 5-Year Oil and Gas Leasing Program needs, and $768,000 and four FTE are being requested in the Regulatory Subactivity.

Implementing Alternative Energy (+$142,000; +1 FTE): In OEMM, implementation of EPAct Section 388, Alternative Energy and Alternate Use, is accomplished through the funding provided in two subactivities, Leasing and Environmental (LE) and Resource Evaluation. A comprehensive discussion of the alternative energy program efforts in FY 2009 is provided in the LE section. The following discussion details those additional resources needed to support this effort through the Resource Evaluation subactivity.

Workforce (+$142,000; +1 FTE): Funds of $142,000 are needed for an economist/economic modeler to design fiscal terms for leases, rights-of-way, and rights-of-use and easement. The FTE will develop leasing criteria (bidding systems, award criteria, lease terms and size, production fees and payments, and stipulations), and conduct economic assessments of project proposals.

Without the requested funding, MMS will be unable to ensure that adequate fiscal terms have been established and a full and thorough economic assessment of proposed projects has been accomplished.

Additional resources of $858,000 and no FTE are also being requested in the Leasing and Environmental Subactivity for planning and implementation of the alternative energy program.

Center for Marine Resources and Environmental Technology (-$886,000; -0 FTE): The Center for Marine Resources and Environmental Technology (CMRET) was reauthorized under the Marine Minerals Resources Research Act of 1996 and placed under oversight of the Department of the Interior. The MMS manages the program. The mission of the CMRET at the University of Mississippi is to conduct research on the exploration and extraction of minerals from the seabeds of the Gulf of Mexico. The CMRET in Mississippi was funded in the amount of $886,000 in FY 2008.

The MMS recognizes the importance of the investigations and technological development that this center pursues, particularly the longer-term research. However, MMS must focus on core objectives. Therefore, MMS is proposing to eliminate the Congressionally earmarked CMRET funding in FY 2009.

Travel and Performance Contracting (-$70,000; -0 FTE): A programmatic reduction of $70,000 will result from reductions in travel and from savings realized through performance-based contracting. These reductions are part of a Department-wide effort to reduce costs. Please refer to the General Statement for additional information.

PROGRAM OVERVIEW

Resource Evaluation (RE) activities support all Offshore Energy and Minerals Management (OEMM) program areas, both energy and non-energy, by conducting critical technical and economic analyses needed to support program decision making. RE activities identify areas of the OCS that are most promising for oil and gas development (including sulphur and methane hydrates) through the acquisition and analysis of geological and geophysical (G&G) data; estimate the potential quantities of undiscovered technically and economically recoverable resources that may exist and the volume of reserves discovered and likely to be produced; forecast future industry activity levels; and determine the adequacy of high bids received for individual tracts offered for lease. Economic and statistical analyses are performed that incorporate RE program data and information into overall MMS and DOI leasing policies and program decisions, such as the design of financial terms for lease sales, and fiscal and administrative incentive programs for encouraging drilling and production in targeted areas. International activities provide MMS the opportunity to become involved in initiatives that promote better integration of safety and environmental concerns into offshore development decision-making.

PERFORMANCE OVERVIEW

Principal indicators of performance for RE include the Fair Market Value (FMV) ratio, which serves as a measure of the effectiveness of OEMM tract valuation and bid adequacy procedures. The MMS evaluates the high bid received on each tract in relation to estimated hydrocarbon potential and related economic, cost, and engineering factors to determine if the bid is adequate.

The evaluation of a high bid is based on a two-phase process. Phase 1 is conducted on a tract-by-tract basis and is normally completed within a short time following the opening of bids. This analysis is designed to accept those high bids where competitive market forces can be relied upon to assure receipt of FMV.

High bids not accepted in Phase 1 receive further evaluation in Phase 2. MMS geoscientists, engineers, and economists conduct detailed analyses and develop possible scenarios for oil and gas production from these tracts. RE staff integrate G&G, engineering, cost, and economic data in a complex computer model called MONTCAR to derive estimates of tract values. The MONTCAR model provides a means of handling a series of results for such variables as the timing of development and production activities, lease terms and conditions, project costs, reservoir performance, price forecasts and other subjective factors such as geologic risk. The model performs a discounted cash flow analysis, resulting in a resource economic value that is the mean of the range of values from more than 10,000 trials. Industry bids are primarily compared to MMS estimates of net present value in conjunction with market criteria to determine if they are acceptable. If the bid does not meet MMS FMV requirements, the bid is rejected and the tract is returned to the inventory for possible leasing in the area's subsequent lease sale. PART data indicate that, over the 5-year period from 2002 to 2006, which includes 2002 lease sales from both the 1997-2002 and the 2002-2007 5-Year Programs, more than half of the tracts with bids rejected through these procedures did receive acceptable high bids when re-offered in a subsequent sale, for a net gain of $149 million. The success of these efforts is also attested to by the program's continued success at achieving its annual GPRA FMV Ratio target. For each program year, the MMS expects competitive factors to sustain a premium ratio of about 1.8 to 1 (+/- 0.4) when comparing industry high bids to the MMS estimate. The number of tracts evaluated is tracked on a quarterly basis in the bureau's ABC system. Data indicate that over the period from 1997 through 2006 tracts with high bids initially rejected, when re-offered in a subsequent sale, received high bids representing a net gain of $373 million, an increase of 311 percent over the original bids.

Bid Procedures Lead to Higher Returns

MMS bid adequacy procedures have consistently resulted in higher returns in subsequent sales for tracts that have had bids rejected on fair market value grounds in previous sales. Since 1984, MMS has rejected total high bids of $564.6 million in the Gulf of Mexico. Subsequently, the same blocks were re-offered and drew high bids of $1.442 billion, for a total net gain of $877.7 million. A net gain of $19.6 million was realized in the 2006 lease sales for 11 tracts with previously-rejected bids.

Within its Activity-Based Costing system, OEMM tracks the number of tracts assessed or evaluated as an end output, providing the ability to assign the full cost of resource evaluation activities, as well as proportional shares of program support and general administrative costs.

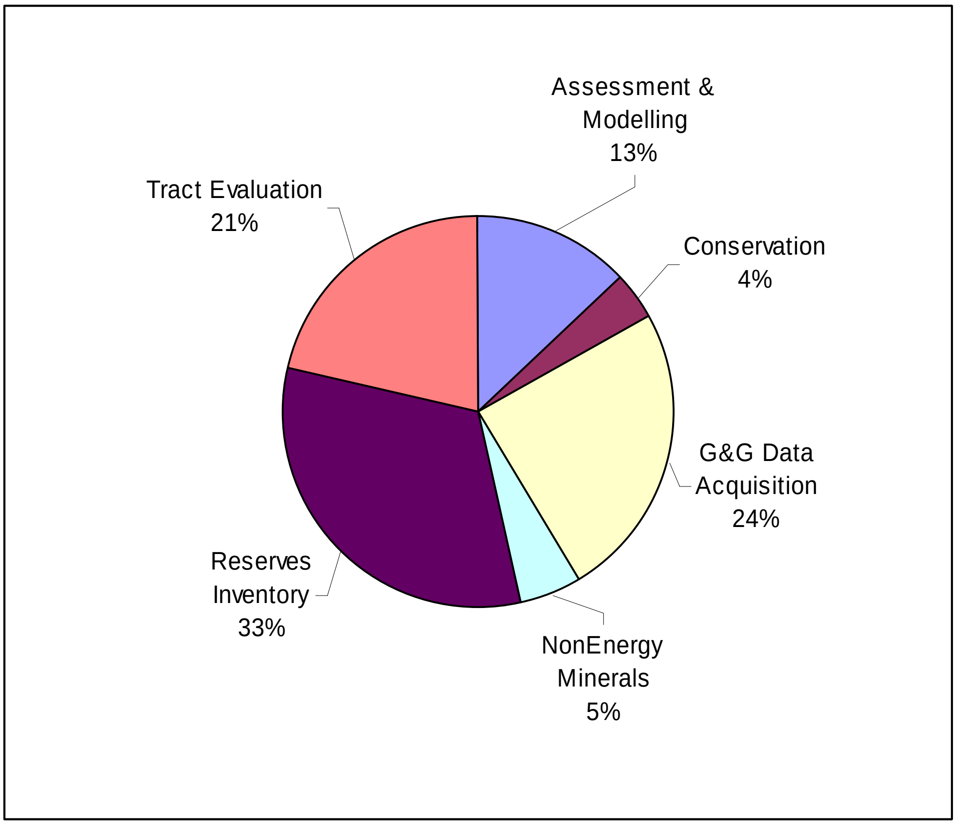

Figure 9. Estimated FY 2007 Resource Evaluation Spending Profile

Geological & Geophysical Data Acquisition: The MMS develops regulations governing the collection of G&G data related to mineral exploration on the OCS. Permits are issued to industry for the acquisition of data that include stipulations that ensure exploration and research activities are conducted in an environmentally safe manner and will not interfere with other activities occurring in the area. The MMS inspects the data collected by industry and others and selectively acquires portions, as needed, to support the Bureau's resource modeling and evaluation efforts. Interpretations of G&G data are used to prepare updated resource assessments, to determine the adequacy of bids submitted for leases, and to support decisions related to operator plans and activities, as well as a variety of studies related to the OCS.

The use of three-dimensional (3-D) seismic data has become standard in the Gulf of Mexico and elsewhere for exploration as well as development activities. The use of 3-D reflection techniques not only portrays subsurface structure and stratigraphy but also reveals information about fluids within the subsurface. A sophisticated computer processing technique, called pre-stack depth migration, has recently revolutionized hydrocarbon exploration in the Gulf of Mexico. This reprocessing technique allows geoscientists to properly image salt bodies and the sediment strata beneath the salt, opening these areas to lower risk exploration. The MMS has in its inventory approximately two million line-miles of 2-D seismic information covering all portions of the OCS. Since 1993, MMS has acquired, primarily in the Gulf of Mexico, about 500,000 square-miles of 3-D seismic data.

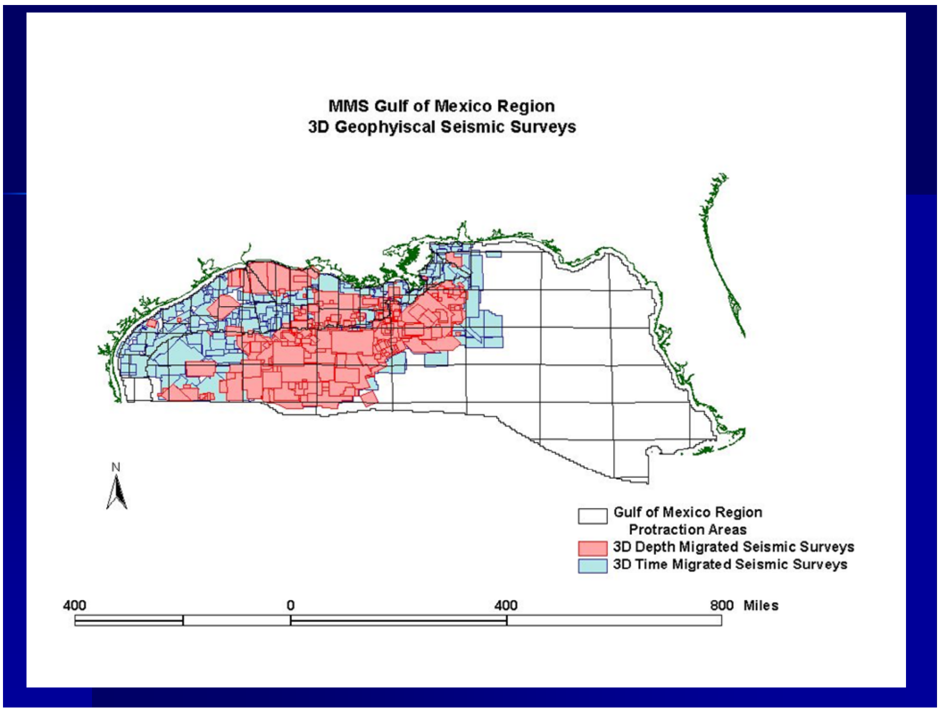

Figure 10: Existing MMS 3-D Seismic Data Inventory, Gulf of Mexico (through FY 2007)

Resource Modeling and Assessment: Another component of the RE subactivity is Resource Modeling and Assessment, which addresses resource assessment, tract evaluation, field reserves inventories, and various economic and policy analysis needs. Since the mid-1980s, MMS has conducted assessments of the hydrocarbon resources throughout the OCS for the purpose of developing knowledge concerning the potential occurrence of mineral resources and their characteristics, i.e., location, type, accumulation sizes, and potential for commercial recovery. The MMS assesses the hydrocarbon potential and estimates the value of OCS lands through the use of complex computer models and methodologies that incorporate specific G&G information, stochastic mathematical and statistical concepts, risk analysis, geoscientific models, and a variety of assumptions pertaining to economic, exploration, and development scenarios and costs. These resource assessments provide valuable information for policy decision makers throughout the leasing process. Information acquired through MMS resource assessment activities has been instrumental in the development of the OCS 5-Year Program (the determination of what planning areas to offer, and creation of exploration and development scenarios); oil spill analyses; the formulation and analysis of numerous legislative proposals and policy alternatives; NEPA analyses; and conservation-related decisions. Further, the oil and gas industry and the investment community often use MMS reports and data in their own assessments.

The number of OCS blocks assessed is tracked on a quarterly basis in the bureau’s ABC system. Comparing the PART measures for acreage and resources offered illustrates that the RE program identifies, and the leasing program offers access to, geologic plays on the OCS that offer the highest potential for development of oil and natural gas. Non-energy mineral resources, such as sand and gravel, are also evaluated through regional geologic studies. The MMS also estimates the amounts of oil and natural gas likely to be discovered and produced as a result of leasing, and generates potential scenarios of the future industrial activities associated with exploration, development, and production. Resource estimates, and exploration and development scenarios, provide an important basis for the Bureau’s environmental impact statements (EIS’s) and other technical studies and policy analyses.

Field Reserves Inventories: The MMS develops independent estimates of economically recoverable amounts of oil and natural gas contained within discovered fields by conducting field reserve studies. The reserve estimates are revised periodically to reflect new information obtained from development and production activities. Reserve studies are critical inputs to resource assessments, the review and approval of royalty relief applications, as analogs for bid adequacy determinations, and in the review of industry plans and requests. The geologic and engineering information also support other OCS program activities, Minerals Revenue Management functions, and cooperative efforts with the Department of Energy and the Energy Information Administration.

Economic Analysis: The economic analysis expertise within the RE Program is often called upon to analyze regulatory and legislative proposals affecting OCS leasing, exploration, development, and production activities. Ad hoc studies address specific policies and compilations of data needed to analyze overall OCS program activities. Specific examples include:

- Conducting economic analysis to support policies for lease terms, conditions, and bidding systems for individual lease sales and the 5-year program;
- Developing, updating, and reviewing procedures to ensure receipt of fair market value;
- Designing royalty relief policies and reviewing requests for royalty relief;
- Developing and maintaining economic models/databases in support of sale design, resource evaluation, and post-sale operational activities;
- Designing policies and conducting analysis for implementation of fiduciary requirements of the Energy Policy Act of 2005 (EPAct 2005) as it relates to the Coastal Impact Assistance and Alternative Energy/Alternate Use provisions, and the Gulf of Mexico Energy Security Act of 2006 as it relates to revenue sharing and credits for certain relinquished leases offshore Florida; and
- Providing economic analysis and fiscal forecasts on minerals leasing policies, legal and legislative alternatives, and national energy strategies to the MMS Director, DOI, Office of Management and Budget, the Department of Justice, the Council of Economic Advisors, the General Accounting Office, and Congress.

International Activities: While primarily responsible for managing mineral resources located on the Nation’s OCS in an environmentally sound and safe manner, MMS finds itself regulating an industry that has global operations. The offshore oil and gas industry routinely moves equipment, rigs and personnel from one part of the world to another in pursuit of investment opportunities. A company’s investment dollars will go where the resources are and where the regulatory regime is favorable. The MMS takes an active approach to identify and become involved in international initiatives that promote better integration of safety and environmental concerns into offshore development decision-making. International activities include:

- Providing technical advice to the Department of State;
- Benefiting domestic activities through exchange of appropriate scientific information with other nations that have offshore programs; and
- Providing cost reimbursable technical assistance to other nations in support of U.S. foreign policy.

The Resource Evaluation Subactivity Performance Overview Table is shown on the following page.

Table 24: Performance Overview - Resource Evaluation

Performance Overview - Resource Evaluation								
Note: Performance and Cost data may be attributable to multiple activities and subactivities. Therefore, measure costs may not equal totals shown in subactivity tables.								
End Outcome Goal 1.1 Resource Use (energy): Manage or influence resource use to enhance public benefit, responsible development, and economic value.								
Measure	**2004 Actual**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2009 President's Budget**	**Change from 2008 Plan to 2009**	**Long-term Target 2012**
Intermediate Outcome Strategy 1: Effectively manage and provide for efficient access and development								
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures								
Percent of leases drilled for 1st time - 5 Year Leases (PART)(CY measure)	8.4% (129/1,531)	7.1% (132/1,858)	5.9% (119/2,023)	4.8% (86/1,778)	6.1%	6.1%	No Change	6.1%
Percent of leases drilled for 1st time - 8/10 Year Leases (PART)(CY measure)	1.2% (43/3,531)	1.1% (42/3,918)	1.1% (43/3,774)	1.2% (42/3,536)	1.4%	1.4%	No Change	1.5%
Comments	*OCS operators continued to dedicate resources to re-establish production and repair/replace the damaged infrastructure during 2006. Some drilling rigs and ships previously used to drill exploratory wells are dedicated to developmental and appraisal drilling due to damages sustained by the drilling platforms and a backlog of recent deepwater discoveries. Presently there are 7 new ultra-deepwater rigs under construction and 2 additional ultra-deepwater rig upgrades with contracts to work in the Gulf of Mexico. These additional rigs are expected to be added to the GOM rig fleet between 2008 and 2010. Additionally, many shallow water jack-up drilling rigs have left the Gulf of Mexico for international work as the number of leases held by industry remains steady or is increasing. A recent industry report states that the number of rigs drilling in the shallow-water Gulf has fallen to 47 from 84 a year ago. The jack-up rigs leaving the GOM usually get 3 to 5 year contracts overseas compared with well-to-well contracts in the GOM.*							

Performance Overview - Resource Evaluation (Continued)								
Measure	**2004 Actual**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2009 President's Budget**	**Change from 2008 Plan to 2009**	**Long-term Target 2012**
Intermediate Outcome Strategy 3: Appropriate value through effective lease and permit management								
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures								
Percent of high bids accepted or rejected within 60 days (PART)	63% (572/906)	78% (612/786)	68% (530/785)	69% (259/374)	40%	50%	+10%	TBD
Total Actual/Projected Cost ($M)	14.4	15.5	15.6	13.3	14.2	15.4	+1.2	--
Comments	*The 60-day target was originally set for lease sales with fewer than 600 tracts receiving bids in the Gulf of Mexico Region or 90 tracts in the Alaska Region. The 2007-2012 Five-year Program, with its 5-expanded program areas, will result in far more and labor-intensive, block/tract evaluation units. A 500 percent expansion of acreage for Alaska and a 10 percent increase in the Gulf of Mexico will increase the number of tracts receiving bids. Additionally, in the Gulf of Mexico deep water, currently leased tracts with 10 year lease terms will be relinquished, then made available. This additional acreage will almost certainly place 2008-2009 sales over and above the baseline 600 tracts receiving bids and will lower the percentage of bids MMS is able to evaluate and accept or reject within 60 days.*							
Percent of tracts with high bids rejected in the previous lease-sale receiving acceptable high bids at the planning area's next lease-sale (PART)	57% (12/21)	83% (15/18)	39% (9/23)	33% (1/3)	50%	50%	No Change	50%
Comments	*MMS bid adequacy procedures resulted in a net gain of $19.6 million in the 2006 lease sales. However, MMS does not appear to be receiving the same interest in previously rejected tracts that was evident in the past. In recent sales, there has not been much interest in some of the lower-valued rejected tracts on re-offering. A 10-year table of rejected bids is displayed in the Resource Evaluation Initiative write-up.*							

Performance Overview - Resource Evaluation (Continued)

Measure	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 President's Budget	Change from 2008 Plan to 2009	Long-term Target 2012
Blocks/Tracts Evaluated (ABC)	8,140	8,177	10,996*	18,645**	9,300	9,300	No Change	9,300
Total Actual/Projected Cost ($M)	43.3	46.6	47.4	44.8	47.8	49.9	+ 2.1	--
Actual/Projected Cost per Unit ($thousands)	5.3	5.7	4.3	2.4	5.1	5.4	+ .3	--
Comments	*It is anticipated that the Final 2007-2012 5-year program, with its 5-expanded program areas will result in far more, labor-intensive, block/tract evaluation units. Additionally expansion into frontier areas as the North Aleutian basin and expanded 181 Area will require decades old data in analog format be digitized so it can be analyzed in GIT-based work flows. Data, system and workflow upgrades are urgently needed for fair market value and resource assessment reviews. *Of the 10,996 blocks/tracts evaluated in FY 2006, 3,003 were Atlantic tracts. New geologic information was evaluated for the Proposed 2007-2012 5-Year Oil and Gas Leasing Program. This evaluation in the Atlantic was a special occurrence. **Results for FY2007 are increased due to a special evaluation in the Atlantic Region for hydrates.*								

FY 2009 PERFORMANCE BUDGET REQUEST
Offshore Energy and Minerals Management
Regulatory Subactivity

Table 25: OEMM Regulatory Subactivity Budget Summary

		2007 Actual	2008 Enacted	FY 2009 Fixed Costs & Related Changes (+/-)	FY 2009 Program Changes (+/-)	FY 2009 Budget Request	Change from 2008 (+/-)
Regulation of Operations	($000)	51,744	54,269	+731	+663	55,663	1,394
	FTE	319	317		+4	321	4
Technical Assessment and Research	($000)	885	1,500	0	0	1,500	0
	FTE	0	0		0	0	0
Regulatory Subactivity	**($000)**	**52,629**	**55,769**	**731**	**663**	**57,163**	**1,394**
	FTE	**319**	**317**	**0**	**4**	**321**	**4**
Other Major Resources							
None	($000)	0	0	0	0	0	0

SUMMARY OF FY 2009 PROGRAM CHANGES

Request Component	**($000)**	**FTE**
<u>Program Changes</u>		
• OCS 5-Year Leasing Program	+768	+4
• Travel and Performance Contracting	-105	0
Total, Program Changes	**+663**	**+4**

JUSTIFICATION OF 2009 PROGRAM CHANGES

The FY 2009 budget request for the Regulatory Subactivity is $57,163,000 and 321 FTE, a net increase of $1,394,000 and four FTE from the FY 2008 enacted level.

OCS 5-Year Oil and Gas Leasing Program (+$768,000; +4 FTE): The OCS Oil and Gas Leasing Program 2007-2012 (5-Year Program 2007-2012) significantly expands the area offered for leasing and moves into areas that are new and considered frontier. This includes an 80 percent expansion of acreage for planning areas in Alaska when comparing planning areas that experienced lease sale work in the 2002-2007 Program to areas available for leasing in the 5-Year Program 2007-2012; a 10 percent expansion in the Gulf of Mexico; and 2.9 million acres off Virginia in the Atlantic for the first time since the 1980s. No resources are requested for a Virginia sale but may be needed in the future if potential activity there becomes more definitive. In FY 2009, a total increase of $8,500,000 and 12 FTE are required in three subactivities for

MMS to effectively administer the Secretary's proposed program. A table showing total requested resources can be found in the OEMM Overview tab.

Of the total request, $768,000 and four FTE are needed in the Regulatory (RG) Subactivity as depicted in the following table.

Table 26: Summary of OCS 5-Year O&G Leasing Program Needs - Regulatory Subactivity

	($000)	FTE	Short Description
Alaska	***484***	***2***	
Workforce	284	2	Petroleum engineers - production & development
Native Alaskan Conflict Avoidance	200		Environmental compliance assistance on subsistence issues
Gulf of Mexico	***284***	***2***	
Workforce	284	2	GOMESA implementation - petroleum engineer & inspector
Five-Year Program Needs (RG)	***768***	***4***	

Alaska OCS Region (+$484,000; +2 FTE)

Workforce (+$284,000; +2 FTE): Two new FTE with petroleum engineering skills in development and production are needed. At least three new start development projects (the Liberty and Sivulliq development projects in the Beaufort Sea, and the Cosmopolitan development project in Lower Cook Inlet) and several exploration programs are projected over the next five years in the MMS Alaska OSC Region. Each represents technical and program milestones for the Alaska OCS Region program. Liberty will involve world record ultra extended reach wells. Sivulliq will be the first development project in the Alaska OCS arctic. Cosmopolitan will be the first OCS development in the Cook Inlet and will also involve extended reach wells. New start development will involve expanded responsibilities, skill sets, and administrative functions including platforms, pipelines, production rates, and unitization that cannot be accommodated by the existing staff, which is already taxed to accommodate increasing exploration activities.

Without the requested resources, new start development projects risk delay, inadequate technical and program reviews, and MMS regulatory decisions will be based on the best reviews that can be accomplished with staff that may not have the full complement of desired specific technical expertise.

Native Alaskan Conflict Avoidance (+$200,000; +0 FTE): As part of the Secretary's Alaska Initiative, MMS proposes to contract with Alaska Native organizations and tribes for environmental compliance assistance on subsistence issues. Successful permitting of new exploration and development projects is critical to maintaining industry financial and business commitment to the OCS program in Alaska and to the administration of MMS safety, pollution prevention and conservation of resource obligations. Ensuring that OCS activity does not unreasonably affect subsistence hunts is critical.

All Alaska exploration and development plans must be coordinated with subsistence users. Alaska Native organizations and tribes have the ability to track subsistence uses and coordinate activities with industry. They have the ability to act as local liaisons among subsistence users, industry, and MMS when actual industry activity is planned and occurs. The MMS proposes to contract with the Alaska Eskimo Whaling Commission (AEWC) and several North Slope villages to act as liaisons with the subsistence communities. The AEWC would coordinate the development of Conflict Avoidance Agreements, or other vehicles, for subsistence whaling activities. The MMS would develop pilot programs with Native Villages that would be directly affected by OCS activities in the Beaufort or Chukchi Seas to act as liaisons with other subsistence users in their villages and have the ability to communicate in their native languages.

Gulf of Mexico OCS Region (+$284,000/+2 FTE): The Gulf of Mexico Energy Security Act (GOMESA), enacted on December 20, 2006, added about 10 percent to the acreage available for leasing in the Gulf of Mexico and will generate lease sales starting in FY 2007 through 2009 and thereafter. This has expanded the existing program and commensurate resources are needed. The anticipated increase in leased acreage from the 5-Year Program 2007-2012, including GOMESA acreage, is expected to result immediately in increased plan and permit submissions. This acreage is in deepwater which will require thorough reviews for this frontier area. The new plans and permits are expected to be submitted in FY 2008 and continue throughout the remainder of the 5-Year Program 2007-2012. The resultant activity from these permit actions will require additional inspector resources.

Workforce (+$284,000; +2 FTE): Two additional FTE are required. A petroleum engineer is needed to review an increase in drilling plans, and an additional inspector is necessary due to the need for increased inspections due to expected leasing and filing of drilling plans.

The requested increase in funding will allow the program to meet all current regulatory safety and environmental compliance performance measures. Without the increase, FTE resources will need to be diverted from other mandated activities such as accident investigations and inspections of fixed facilities conducted on the behalf of the United States Coast Guard. In the case of plans and permits, timelines on approval actions will be delayed.

If the requested funding is not received, MMS will be unable to make necessary inspections to facilities located in the new Central Gulf acreage. If these inspections are not made, the integrity of the inspection program in the Gulf of Mexico will be compromised.

Additional resources of $6,172,000 and three FTE are also being requested in the LE Subactivity to support the OCS 5-Year Oil and Gas Leasing Program, and $1,560,000 and five FTE are being requested in the RE Subactivity.

Travel and Performance Contracting (-$105,000; -0 FTE): A programmatic reduction of $105,000 will result from reductions in travel and from savings realized through performance-based contracting. These reductions are part of a Department-wide effort to reduce costs. Please refer to the General Statement for additional information.

PROGRAM OVERVIEW

On behalf of the nation, MMS regulates about 3,900 offshore production platforms and manages more than 7,500 active oil and gas leases on approximately 40 million acres of the OCS. Recent noteworthy events concerning oil and gas production in the Gulf of Mexico include:

- In July 2007, the Independence Hub platform began production of natural gas and is consistently producing over 900 million cubic feet per day (MMCFD). This accounts for approximately 10% of the Gulf of Mexico's gas production. The platform is located over 123 miles off the coast of Mississippi in approximately 8,000 feet of water.

- In October 2007, the BP Atlantis platform began production of both oil and natural gas. Current oil production is 110,000 barrels of oil per day (bopd) and current gas production is 62 million standard cubic feet per day. Six wells are currently on line, with a seventh well scheduled to be placed on line shortly. Production is expected to increase to 150,000 bopd when the seventh well begins producing.

The MMS Offshore Program works to assure that energy and mineral development activities are conducted in a safe and environmentally sound manner, with safety being a prerequisite of all activity on the OCS. The MMS continually seeks operational improvements that will reduce the risks to offshore personnel and to the environment, and continually evaluates procedures and regulations to stay abreast of technological advances that will ensure safe and clean operations and conserve the Nation's natural resources.

The Regulatory subactivity funds two program elements that work to assure safe and clean operations on the OCS: 1) Regulation of Operations and 2) Technology Assessment and Research (TA&R). The Regulation of Operations program oversees all aspects of offshore activities, from exploration and development to production and decommissioning. Key activities include the review of industry plans and permit requests; completion of compliance inspections and incident investigations; monitoring of operator safety and environmental performance; management of reservoirs to maximize ultimate recovery of mineral resources; and verification of oil and gas production levels to help ensure the public receives a fair return. The TA&R program supports research associated with operational safety and pollution prevention, working with academia, private firms, and government agencies to assess safety-related technologies and to perform applied research specific to operations in the OCS environment**.**

In FY 2005, MMS achieved the top rating of "Effective" in its *OCS Regulatory and Compliance* program PART review. The assessment concludes that:

> "The program is well managed and effectively balances the need for access to mineral resources with environmental protection goals. MMS uses both regulatory and non-regulatory means to minimize risk to the public and the environment and to avoid uncompensated resource loss."

2009 PROGRAM PERFORMANCE

The full range of regulatory activities are critical elements of MMS's overall success and contributed to the achievement of the top rating of "Effective" in the 2005 PART review of the *OCS Regulatory and Compliance* program.

In addition to safety and pollution prevention, the OCS Lands Act (OCSLA) charges the Secretary of the Interior with the authority to require that OCS operators avoid loss, prevent waste, and ensure the ultimate recovery of mineral resources.

> *For fiscal years 2002-2007, MMS conservation management efforts are estimated to have increased ultimate recovery by 192.7 million barrels of oil (or equivalent volumes of natural gas).*

To promote these conservation objectives, MMS uses its regulatory authorities to require certain actions by operators to accelerate or increase production while protecting the ultimate recovery of minerals from a lease, and has developed a PART measure to reflect the rate of return for key conservation management activities.

The Regulatory subactivity primarily supports the approval of OCS plans and permits, regulatory compliance and conservation resources. The following graph displays the approximate funding distribution as derived from the Bureau's ABC system.

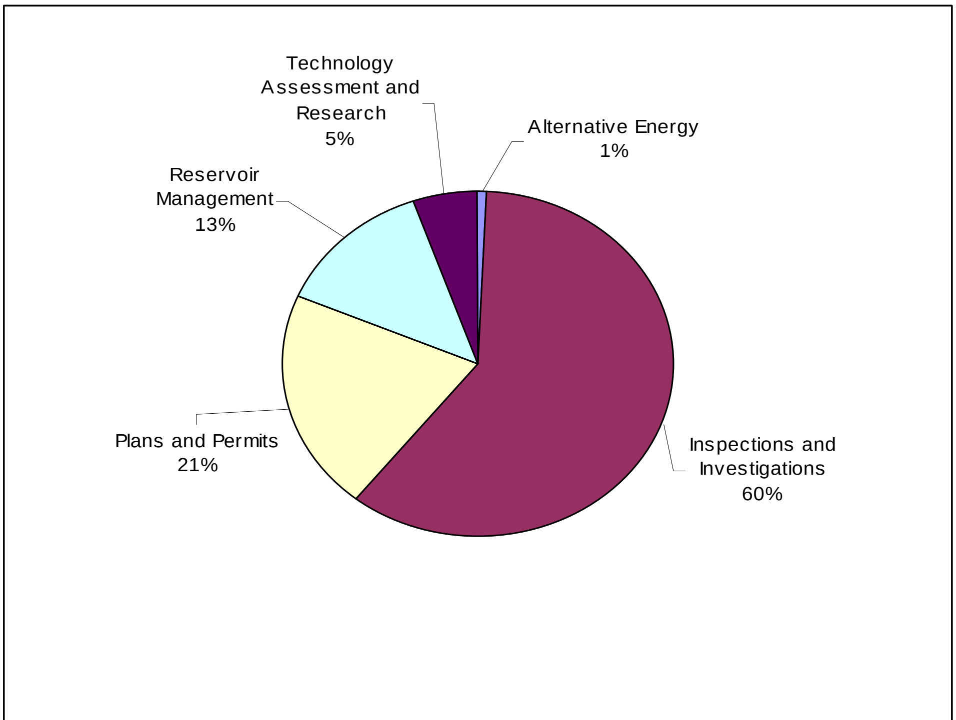

Figure 11. Estimated FY 2007 Regulatory Spending Profile

The MMS's Offshore Steering Committee recently issued OEMM's strategic plan that identifies specific objectives and initiatives OEMM plans to implement over the five-year period between 2007 and 2012. Several initiatives included in the plan address Regulatory program priorities and fall under the strategic goal of "Ensure Safe and Sound Operations." The two strategic objectives supporting this goal are:

- **Maintain effective regulations and verify compliance** by requiring operators to employ safety and environmental management systems, updating regulations to incorporate best practices and technological advances, and updating standards to reflect new information and hurricane knowledge.

- **Manage high-risk operations** by focusing a comprehensive inspection strategy on facilities with the highest risk, addressing safety and pollution prevention-related permitting issues in frontier areas, and participating in research and standards development for high pressure, high temperature, deepwater, and Artic operations.

Recent regulatory-related initiatives include—

- *Review MMS Programs to Assure Safe and Environmentally Sound Operations in the OCS Ultra-Deepwater.* Industry's push into ultra-deepwater (greater than 5,000 feet deep) in search of oil and gas means new, constantly evolving technologies. The MMS will evaluate the adequacy of funding, standards, and environmental and technological information base for reviews of industry plans in ultra-deepwater, and propose solutions to fill any information or other gaps.

- *Identify and Implement Lessons Learned from Post-Hurricane Studies and Assessments.* The MMS is studying the impact of hurricanes on the oil and gas infrastructure. Studies will analyze and assess consequential damage to structures and pipelines; determine the effectiveness of current design standards, metocean criteria, pollution prevention systems, and Mobile Offshore Drilling Unit mooring standards; and develop recommendations for changes to industry standards and MMS regulations, if needed.

- *Develop and Implement an Aging Infrastructure Plan.* To ensure offshore infrastructure components (wells, platforms, and pipelines) remain in safe and useful condition, MMS will establish mechanisms for assessing and maintaining DOI-regulated infrastructure on the OCS.

- *Establish a Comprehensive and Efficient Pipeline Safety Program*. The MMS manages over 33,000 miles of undersea pipelines that provide the means to service and transport approximately 27 percent of our nation's domestically produced oil and 15 percent of our natural gas from offshore wells to onshore refineries. The oil and gas pipelines on the OCS have not experienced catastrophic accidents or failures; however, MMS has concerns about the integrity of some older offshore pipeline systems and about ocean pollution from third party-related pipeline accidents. Additionally, as industry moves into deeper water and, potentially, into Arctic areas, there is a continued need to focus on the technology and management practices needed to design, build, and maintain safe and reliable pipelines suitable to these extreme environments and conditions. The MMS will review and update pipeline safety requirements under Subpart J of the regulations, continue to promote safety research, encourage cooperation between government agencies that share jurisdiction, and investigate possible new program initiatives toward the establishment of a comprehensive Pipeline Safety Program with the long-term goal of developing and implementing a proactive and comprehensive regulatory program that promotes the continued integrity of offshore pipelines; further reduces the potential for pipeline leaks and failures; and further protects sensitive environmental resources.

- *Improve Operator Safety and Environmental Performance*. The MMS will work with industry to reduce the number and severity of accidents on the OCS and to correct the performance of operators whose safety and environmental record have risen above targeted limits. The MMS will consider regulatory options for requiring operators to incorporate new procedures in their safety and environmental management practices to meet the shared goal of enhancing the safety of OCS operations.

2009 PROGRAM PERFORMANCE – REGULATION OF OPERATIONS

The MMS's comprehensive management program of mineral operations on the OCS ensures that mineral operations on the OCS are conducted in a safe and environmentally sound manner. The foundation of this program is a set of regulations that govern all aspects of offshore mineral activities, from engineering specifications for offshore facilities to training requirements for OCS workers. The MMS continually reviews these regulations to update and revise them, ensuring that they include the most effective requirements for safety and environmental protection on the OCS.

Review of OCS Plans and Permits: Reviews of plans and permits help to ensure that all OCS operators comply with regulatory standards and specific lease stipulations. The MMS performs detailed technical and environmental reviews of plans and permits for exploration, development, and production on OCS lands, as well as permits for other activities such as the installation of pipelines. The ongoing effort by MMS to develop performance-based operating regulations is expected to generate an increasing number of operator requests for approval of alternative compliance programs. Prior to making approval decisions on alternative compliance, MMS must assess the alternatives to ensure they provide equal or greater protection than the regulatory requirements they would replace. The MMS will be required to commit a substantial and increasing amount of resources to these assessments in order to evaluate an operator's proposed alternative, verify adherence to approved plans, and determine effectiveness of technologies and procedures employed.

Inspections and Investigations: The OCSLA amendments mandate that annual inspections be performed on each permanent structure and drilling rig that conducts drilling, completion, or workover operations. Safety is a priority for both MMS staff and for the operations that occur under MMS licenses, and onsite facility inspections and enforcement actions are important components of MMS's safety program. The Bureau has established ambitious GPRA, PART, and Activity Based Costing (ABC) targets for the conduct of thousands of inspections of OCS facilities and operations, including coverage of tens of thousands of safety and pollution prevention components each year to prevent offshore accidents and spills, and to ensure a safe working environment. Inspections of all oil and gas operations on the OCS are performed annually to examine safety equipment designed to prevent blowouts, fires, spills, and other major accidents. In 2007, MMS inspectors completed approximately 20,500 inspections.

The MMS inspects drilling and production facilities on the OCS using both scheduled and unannounced inspections. Annual inspections are conducted on all platforms, but more frequent inspections may be conducted to focus on operators with a poor performance record, follow-up on previous inspection findings, and foster a climate of safe operations. The MMS has developed a sampling program that allows inspectors to conduct an inspection using a random statistical sampling of facility equipment resulting in a 95 percent probability that the entire facility complies with the regulations, with the goal of preventing accidents on the OCS.

When incidents do occur, MMS closely monitors and analyzes incident-related data to understand the causes and contributing factors. Examination of long-term trends indicates that the safety and environmental record of the offshore industry has dramatically improved over the last 50 years. Regulations currently require operators to notify MMS of fatalities, serious injuries, fires, explosions, and losses of well control associated with mineral operations on an OCS lease. The MMS and other agencies, such as the USCG, investigate accidents that result in loss of life, serious injuries, major fires, damage to facilities, and major spillages in order to identify causes and prevent future similar incidents. In 2006, MMS investigated 96 incidents to determine causes and analyze regulatory performance. Though ABC data indicate that these investigations account for less than three percent of Regulatory spending, they provide important information for MMS and industry. The major incident investigation reports are published on MMS Regional websites, and MMS advises operators and lessees of identified safety concerns through the publication of Safety Alerts. Final incident data are used as a consideration for evaluating the performance of individual companies and the industry as a whole. Where appropriate, Federal agencies, including MMS, pursue civil and criminal penalty actions against those in violation of Federal regulations, especially when such violations result in injuries, loss of life, or damage to environmental resources.

Safety and Environmental Management: Most offshore oil and gas incidents can be traced to human error or poorly organized operations. The MMS encourages OCS operators to use a companywide Safety and Environmental Management Program (SEMP) plan to organize their activities to minimize risks to workers and the environment.

The SEMP is a performance-oriented approach for integrating and managing OCS operations to effectively address such important safety factors as:

- conducting safety and environmental reviews;
- assuring the quality and integrity of critical equipment;
- establishing safe work practices;
- training workers; and
- responding to emergencies.

Performance data indicate that more than half of OCS facilities are covered under this voluntary program, with some indications that the safety and environmental performance outcomes of SEMP participants are better than industry performance as a whole. Additionally, in response to the 2005 PART assessment, MMS has drafted and is preparing to issue proposed regulations for safety and environmental management systems.

Operator Performance Reviews**:** The MMS conducts Annual Performance Reviews (APR) of each operator. The APR process captures compliance and accident information gathered through the OCS Inspection Program and weights that information to arrive at a final Operator Performance Index, as well as composite indices that are used as PART performance indicators for the OCS Regulatory and Compliance program. The bureau meets with those operators performing at the highest levels to solicit ideas for best operating practices. With the operator's concurrence, MMS shares these success stories with others through workshops, conferences, and other safety-related meetings. Additionally, MMS focuses compliance efforts on those operators whose performance does not meet certain targets.

Civil Penalties and Operator Disqualification: The MMS, where appropriate, will pursue civil and criminal penalty actions against those in violation of federal regulations, especially when such violations result in injuries, loss of life, or damage to environmental resources. If an operator exhibits excessively poor, dangerous, or threatening performance, MMS can assess a civil penalty. The MMS OCS Civil Penalties Program encourages compliance with OCS statutes and regulations through the pursuit, assessment, and collection of civil penalties (and referrals for the consideration of criminal penalties where warranted). Violations that cause or pose a threat of serious, irreparable, or immediate harm to human life, property, or the environment are reviewed for potential civil penalty.

The cost of administering the Civil Penalties Program is monitored in the bureau's ABC system. Though less than one percent of Regulatory spending, the Civil Penalties Program is an important tool for enforcing compliance on the OCS. However, should the operator continue to perform poorly, MMS may place an operator on probation or disqualify a company from operating a specific facility, or all facilities, on the OCS. The disqualification process provides a structured means to remove operators that pose a threat to the safety of life and the OCS environment.

Conservation Management: As steward of the nation's OCS mineral resources, MMS must provide for conservation by avoiding loss, preventing waste, and ensuring ultimate recovery of the resources. Conservation of oil and gas resources is an integral part of the nation's energy policy and a primary objective for the MMS Regulatory program. To promote conservation, MMS monitors development and production activities on the OCS and uses its regulatory authority to require certain actions by operators to maximize the ultimate recovery of OCS minerals once access has been granted. Information gained from these activities also supports other MMS requirements, such as resources assessment.

2009 PROGRAM PERFORMANCE – TECHNOLOGY ASSESSMENT & RESEARCH

The Technology and Assessment Research (TA&R) program addresses technological issues associated with oil and gas operations, ranging from the drilling of exploratory wells in search of new reserves to the removal of platforms and related production facilities once reserves have been depleted. Although MMS research efforts may involve any aspect of oil and gas operations, particular attention is given to drilling, workover, production, completions, structures, pipelines, decommissioning, human factors/risk assessment, and measurement operations. Under the TA&R Program, MMS performs applied research in regulatory technologies to ensure safe, pollution-free operations and conducts applied research in the prevention of oil pollution and the improvement of oil spill response and clean-up (see Oil Spill Research budget subactivity).

Participation in joint projects is one of the most effective and efficient means to leverage available funds and disseminate research findings. Therefore, participation in jointly funded projects with industry, other federal and state agencies, academia, and international regulatory organizations has become an important mechanism for TA&R. In 2007, the TA&R program co-funded ten projects with other organizations. In 2008, the TA&R program expects to co-fund six projects with other organizations. Due to the many benefits that MMS has experienced through co-funded research, the TA&R program will continue to seek opportunities to leverage research dollars through joint projects for new engineering studies and conservation research.

The expansion of industry operations into the deepwater areas of the Gulf of Mexico presents significant technological challenges to industry and MMS. Industry is focused upon the development of new concepts, operational procedures, production facilities, and transportation facilities to meet the physical and economic challenges created by the operating environments of water depths between 3,000 to 10,000 feet. In many cases, custom designs are being developed that employ new materials and unique operating characteristics, all of which need to be independently verified by MMS to ensure safety of operations and protection of the environment. The first commercial development of oil discoveries on the federal portions of the Beaufort Sea offshore Alaska also present special challenges to the TA&R program – particularly the forces that sea ice applies to surface structures (i.e., drilling or production facilities) and pipelines.

Meanwhile, existing platforms and pipelines continue to age, and MMS is increasingly concerned with ensuring the integrity of these older facilities. If not properly maintained, offshore facilities and components will age at an accelerated rate both externally, due to the corrosive salt-water environment, and internally, due to the acidic/caustic nature of some produced well fluids. In order to manage offshore infrastructure in a safe and fully functional condition, it is important to properly protect and maintain wells, platforms, and pipelines through sound engineering standards and rigorous inspection. The MMS sponsors research to identify and correct specific problems associated with aging and is working closely with industry to ensure the continued safety of OCS facilities, workers, and the environment.

As platforms and associated production facilities reach the end of their useful lives – as is currently happening in the Gulf of Mexico and offshore Southern California – decommissioning and removal are required. The MMS and industry are jointly funding multi-year research projects to assess the optimal means of decommissioning and removing these facilities.

The Performance Overview Tables for the Regulatory Subactivity are shown on the following pages.

Table 27: Performance Overview – Regulatory

Performance Overview - Regulatory

Note: Performance and Cost data may be attributable to multiple activities and subactivities. Therefore, measure costs may not equal totals shown in subactivity tables.

End Outcome Goal 1.1 Resource Use (energy): Manage or influence resource use to enhance public benefit, responsible development, and economic value.

Measure	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 President's Budget	Change from 2008 Plan to 2009	Long-term Target 2012
Intermediate Outcome Strategy 2: Enhance responsible use management practices								
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures								
Amount (in barrels) of offshore oil spilled per million barrels produced (SP/PART)	8.2 (4,769/580.6 million)	24.7 (13,299/537.9 million)	3.0 (1,382/466.9 million)	2.2 (1,134/508.9 million)	5	5	No Change	5
Total Actual/Projected Cost ($M)	60.6	62.9	63.8	64	68.2	69.6	+1.4	--
Comments	*Since Hurricane Katrina in 2005, oil spill rates in recent years have been very good. Petroleum spillage resulting from offshore oil and gas activities in FY 2007 was small enough to bring this metric in at approximately half the goal. Historical data indicates that MMS is typically able to meet the current 5 barrel target level when no Major spills occur and when Medium spills total to less than 2,500 barrels. In FY2007, there were no major hurricanes and the largest oil spill, which is still under investigation, is projected to be approximately 600 barrels. The combination of MMS' continuous inspection of operator components to ensure safety and a low occurrence of external incidents led to the final results.*							
Process X% of exploration plans in less than 30 days (BUR)	100% (350/350)	99% (367/371)	75% * (259/345)	99.6% (276/277)	100%	100%	No Change	100%
Total Actual/Projected Cost ($M)	6.1	6.7	6.5	6.5	6.9	7.5	+.6	--
Process X% of development plans in less than 120 days (BUR)	100% (314/314)	100% (258/258)	94% * (293/313)	99.6% (478/480)	100%	100%	No Change	100%
Total Actual/Projected Cost ($M)	8.1	8.9	8.7	8.6	9.2	9.8	+.6	--
Comments	** The 2006 actual reflects the closure of MMS Gulf of Mexico Region and some associated District offices for as much as 62 days immediately prior to and following Hurricanes Katrina, Rita, and Wilma.*							
Process X% of right-of-way pipeline applications within 140 days (BUR)	98% (133/136)	93% (144/155)	97% (133/137)	99% (120/122)	90%	100%	+10%	100%
Total Actual/Projected Cost ($M)	4.1	4.5	4.3	4.3	4.6	4.7	+.1	--
Comments	*2009 will lead to increased development and exploration activity offshore Alaska and the Gulf of Mexico.*							

Performance Overview - Regulatory (continued)

Measure	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 President's Budget	Change from 2008 Plan to 2009	Long-term Target 2012
Total Number of Compliance Inspections Completed (PART)	24,938	23,115	19,961	20,567	20,000	20,000	No Change	20,000
Total Actual/Projected Cost ($M)	38.5	38.2	39.8	40.3	43	44	+1.0	--
Actual/Projected Cost per Unit ($)	1,544	1,687	1,990	1,959	2,150	2,200	+50	--
Comments	*MMS has changed its inspection strategy to a more risk-based approach versus quantity of inspection. This strategy change means MMS is conducting more component sampling and performance based inspections which focus on higher risk facilities.*							
Composite accident severity ratio (SP/PART)	0.08	0.03	0.10	0.075 (5,208/ 69,241)	<0.10	<0.10	No Change	TBD
Maintain an annual composite operator performance index of X or less (PART)	0.17	0.11	0.15	0.15	0.20	0.20	No Change	0.20
Total Actual/Projected Cost ($M)	40.2	40.5	42.1	42.4	45.3	46.7	+1.4	--
Comments	*MMS remains committed to safety and environmental protection as top priorities. The composite operator performance index sums two ratios that are normalized for OCS operator activity. The first ratio measures operator compliance using a weighted INC (incident of non-compliance) value. The second ratio measures operator safety by assigning values for accidents.*							

Performance Overview - Regulatory (continued)

Measure	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 President's Budget	Change from 2008 Plan to 2009	Long-term Target 2012
Reduce number of fatalities among workers in DOI permitted or contracted activities (PART)	3	6	9	3	6	<6	-	<
Reduce number of serious injuries among workers in DOI permitted or contracted activities (PART)	29	23	29	32	27	<27	-	<
Comments	*True targets for the fatalities, injuries, and environmental incidents are zero. The 2008 levels are based on the five year average of fatalities and serious injuries.*							
Intermediate Outcome Strategy 3: Appropriate value through effective lease and permit management								
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures								
Reserves recovered per dollar of funding for the conservation management component of the program (PART)	6.8 BOE	3.5 BOE	20.4 BOE	62.7 BOE	5.2 BOE	5.2 BOE	No Change	5.2 BOE
Comments	*For fiscal years 2002-2006, MMS conservation management efforts are estimated to have increased ultimate recovery by 84.4 million barrels of oil (or equivalent volumes of natural gas). This measure captures how many barrels of oil (or equivalent volumes of natural gas) reserves are estimated to be made available for each dollar MMS invests in conservation management activities. Through the review of Conservation Information Documents (CIDs), MMS analyzes reservoirs that an operator has proposed to bypass. MMS has made operators commit to develop zones that the operator had proposed to bypass. The price of oil increased significantly in 2006 and 2007. This made reservoirs that may have previously been uneconomic, economic to produce. Because of higher prices, industry may choose to not submit CIDs and opt to produce reservoirs making this measure difficult to target.*							

FY 2009 PERFORMANCE BUDGET REQUEST
Offshore Energy and Minerals Management
Information Management Program Subactivity

Table 28: OMM Information Management Program Subactivity Budget Summary

		2007 Actual	2008 Enacted	FY 2009 Fixed Costs & Related Changes (+/-)	FY 2009 Program Changes (+/-)	FY 2009 Budget Request	Change from 2008 (+/-)
Information Management Subactivity	($000)	29,998	28,757	143	-8,651	20,249	-8,508
	FTE	70	70		-7	63	-7

SUMMARY OF FY 2009 PROGRAM CHANGES

Request Component	**($000)**	**FTE**
<u>Program Changes</u>		
• OCS Connect	-8,630	-7
• Travel and Performance Contracting	-21	-0
Total, Program Changes	**-8,651**	**-7**

JUSTIFICATION OF FY 2009 PROGRAM CHANGES

The FY 2009 budget request for the Information Management Program (IMP) Subactivity is $20,249,000 and 63 FTE, a net decrease of $8,508,000 and seven FTE from the FY 2008 enacted level.

OCS Connect (-$8,630,000; -7 FTE): Originally, the Development, Modernization, and Enhancement (DME) phase of the OCS Connect project was scheduled to be completed by FY 2009. We now anticipate that the DME phase will continue beyond 2009 as some work has been postponed to allow MMS the opportunity to review and evaluate its original approach to the project. MMS will complete the DME phase with dollars made available by funding appropriated through 2008. MMS anticipates the total cost of the project to remain unchanged.

At its inception, the OCS Connect project was authorized to be staffed at 12 positions, with the majority of those being term appointments. The requested funding will provide for funding of $710,000 for the five permanent staff members as well as $4,937,000 for continued operations and maintenance of the system once the DME phase is completed.

Further discussion on this project can be found in the 2009 Program Performance section below.

Travel and Performance Contracting (-$21,000; -0 FTE): A programmatic reduction of $21,000 will result from reductions in travel and from savings realized through performance-based contracting. These reductions are part of a Department-wide effort to reduce costs. Please refer to the General Statement for additional information.

PROGRAM OVERVIEW

The IMP provides a central foundation to manage the large volume of information and data used in the scientific, engineering, and management activities of the MMS's OEMM program. The OEMM has a sophisticated and valuable Information Technology (IT) infrastructure that supports data management and internal and external communications. Principal systems include the Technical Information Management System (TIMS) and OCS Connect. The TIMS is the corporate database for OEMM programs and uses relational database technology to bring diverse offshore information into one central system. TIMS enables OEMM's regions and headquarters to share and combine data; standardize processes, forms, reports, and maps; enforce data integrity; promote the electronic submission of data; and reduce costs by eliminating the need for duplicate information storage and retrieval systems. The OCS Connect, OEMM's e-Gov initiative, is a multi-year endeavor to reform and streamline business processes across OEMM functions and phases of offshore operations. The OEMM is also responsible for operating and maintaining a significant portion of the MMS network.

2009 PROGRAM PERFORMANCE

Strategic Initiatives

The MMS's Offshore Steering Committee has developed strategic initiatives that will serve as direction for the Offshore Program. These initiatives describe issues, outline desired outcomes, and lay out strategic and tactical plans that include transitioning OCS Connect into the OEMM operating environment. Past initiatives focused on obtaining certification and accreditation (C&A) for all IT systems, and implementing an IT security strategy. The MMS completed full C&A for all IT systems in May of 2004. Re-accreditation of all OEMM systems, required every three years, was completed in June 2007. Annual Internal Control Reviews (ICR) for all OEMM systems have been performed each year. The Bureau is compliant with the Federal Information Security Management Act (FISMA), IT-related management control reviews have found no material weaknesses, and all systems received and maintain certification and accreditation. Security work continues to be a critical focus with the tasks of implementing FISMA, maintaining C&A, and re-accrediting systems with major changes.

The OEMM maintains a complex scientific computing environment that directly supports many programmatic benefits including increased lease revenues, environmental monitoring, and engineering oversight. The rapid pace of technology improvements, particularly within the oil and gas industry, demands that IT systems be routinely replaced and refreshed. The OEMM has successfully maintained a technology management and replacement program for many years.

Each of OEMM's major applications, local area networks, and Enterprise systems require a high level of security to meet all federal requirements. For each system, OEMM maintains up to date

Asset Valuations, System Security Plans, Security Architectures, Rules of Behavior, Continuity of Operation Plans, and Configuration Management plans in support of mandatory system Certification and Accreditation. The OEMM provides annual training for general users and expanded training for systems administrators, security managers, and OEMM managers. The OEMM security program complies with the FISMA, OMB policy and National Institute of Standards and Technology (NIST) guidance, and is responsive to the President's initiatives by preventing unauthorized access to our systems. Increased security scrutiny, internal and external to OEMM and MMS, results in tighter and improved security as well as increased costs.

Within the IMP, OEMM is responsible for maintaining its share of the bureau-wide IT shared services. Currently this portion of the budget supports the Exchange (e-mail) infrastructure, the master domain infrastructure, the Systems Management Server (SMS), enterprise desktop licenses, and other enterprise-wide systems.

To ensure that the IMP provides the necessary infrastructure and services, an information management governance structure has been established that advises the Associate Director and includes members from program headquarters and regional offices, regularly examines offshore IT needs, recommends reprioritization of needs based on new circumstances, and collectively recommends the most effective distribution of limited IMP resources.

Headquarters IT staff (located in Herndon, Virginia and New Orleans, Louisiana) provide single-point management, coordination, and standardization of OEMM IT activities, resulting in an efficient centralized operation. The Gulf of Mexico Region IT operations are centralized into the HQ structure to provide consolidated integration and operations. Some of the many responsibilities of this staff include:

- Coordination with DOI's and MMS's Chief Information Officers, and adherence to Departmental Enterprise Architecture, Departmental Capital Planning and Investment Control process, and Departmental IT Security;
- Leadership in the design, development, implementation, and support of the OEMM corporate database and application systems;
- Coordination of OEMM information security activities and coordination with MMS and Department-wide security functions;
- Leadership in design, development, integration, implementation, and support of OEMM and MMS architecture infrastructure;
- Coordination of OEMM-wide area network activities and bureau-wide technology integration;
- Acquisition management of all service contracts in OEMM in support of software development, help desk support, IT consulting, and Geoscientific Interpretive Tools to assist the geoscientists with the evaluation of OEMM leases and management of operations and environmental concerns on the OCS;
- Leadership in the evaluation and integration of new IT solutions; and
- Supporting and providing transition services for the OCS Connect project.

The IT units in the other two MMS OCS Regions (Alaska and Pacific) provide onsite IT support to program staff in those localities.

The IMP subactivity funds IT personnel, systems, hardware, software, training, shared services, security activities, maintenance, and technical support, as well as the business process re-engineering and systems integration activities of the OCS Connect project. For both energy and non-energy resources, the IMP supports DOI's End Outcome Goal to "Manage or Influence Resource Use to Enhance Public Benefit, Responsible Development, and Economic Value." Within the Activity-Based Costing system, MMS generally assigns IM activities to specified DOI Common Work Activities, recognizing that program-specific IT systems are developed and maintained to support mission processes. IT security costs are separately identified as program support.

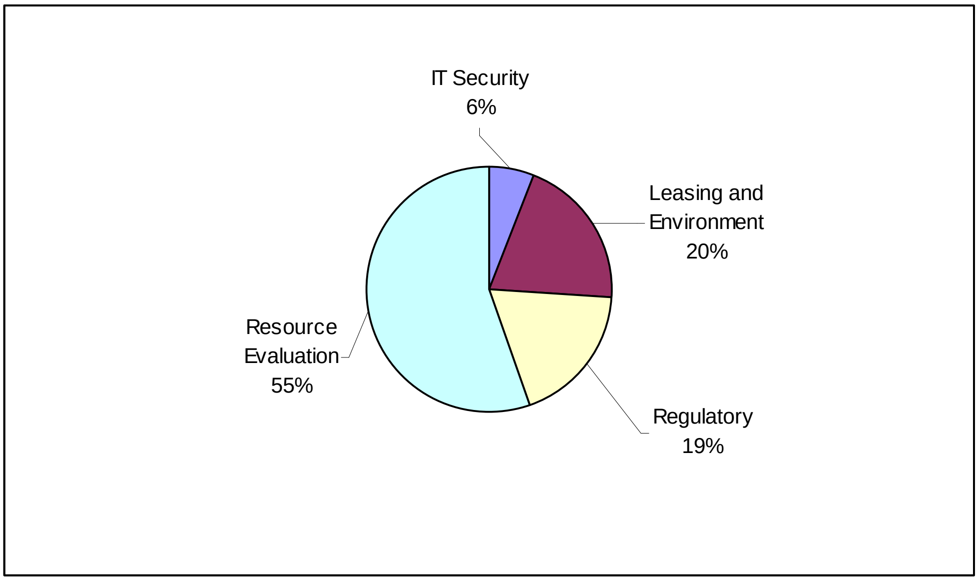

Figure 12. Estimated FY 2007 Information Management Spending Profile

eWell

In May 2004, eWell was launched as a pilot program to streamline the permitting and reporting process for the 20,000 permit applications submitted annually. As of February 2007, approximately 98% of all requests for offshore permits were submitted via eWell. MMS analysis shows that the eWell system, developed with in-house resources, reduces processing time for these applications by as much as 50%. Additionally, MMS is revising the requirements under MMS Form-132, "Hurricane and Tropical Storm Evacuation and Production Curtailment Statistics Gulf of Mexico OCS Region (GOMR)," and incorporating them into the eWell system. This should provide the operators with easier access to report their evacuations, lost production figures, and damage incidents following a storm event.

OCS Connect

The OEMM completed preparations and planning for the OCS Connect project in 2003. The Project Management Office, in conjunction with OEMM management, identified and prioritized eight clusters of business processes to maximize benefits expected from this investment. By December 2005, OEMM successfully completed the Business Process Reengineering (BPR) of its first five process clusters – "Manage and Administer the Leasing Program," "Protect Environmental Resources," "Analyze and Coordinate Geological and Geophysical Reviews and Interpretations," "Manage Plan Submittals," and "Manage Permit Requests." BPR allows organizations to look at their business processes and determine how they can best construct these processes to improve how they conduct business. The goals of the BPR are to streamline and improve the performance of OEMM business processes, improve the manner in which OEMM executes its mission and serves its constituencies, and ensure that OEMM processes are compatible with the oil and gas industry that it regulates.

Another project success is the 2003 development and 2004 deployment of a public commenting system that provides secure online access to the regulatory programs of the OEMM program. This system improves citizen access to OCS-related information and enables the public to find, view, and submit comments on MMS's proposed regulations, lease sale notices, environmental reports, and other related documents.

With the BPR completed and following the contractor's system development lifecycle of requirements, design, development and deployment, OEMM began system development work for the first process cluster identified above, and began gathering requirements for the second through fifth process clusters.

The OCS Connect project was severely impacted when Hurricanes Katrina and Rita hit the Gulf Coast area in August and September 2005. The project resources, located in New Orleans, LA, were temporarily relocated to Houston, TX to continue work and keep to the project plan. Approximately 25 percent of the system integration contractor's (SIC) employees resigned from the project. Efforts to replace those resources were not as fruitful as needed to maintain the project schedule. Prospective new hires were unwilling to join the contractor's team because of the project's planned return to New Orleans.

With several clusters' development lifecycle progressing in parallel, the inability to maintain resource levels affected all work. To maximize use of available resources, OEMM stopped all contractor work on Clusters 2 through 5 and focused these resources on Cluster 1. Work on the remaining Clusters (6-8) was also postponed. Additionally, OEMM established seven workstations in their Herndon, VA office for the SIC to mitigate the problems they had with recruiting in the New Orleans area. These efforts were designed to allow the SIC to focus all their efforts on delivering Cluster 1.

The SIC delivered Cluster 1 source code in February 2007. However, it did not include all of the specified functionality, and OEMM was not able to successfully deploy any of it to staging. OEMM then descoped all remaining work with the SIC. In October 2007, OEMM Managers provided process priorities to determine the schedule of future work. OEMM also began working with vendors on two Proofs of Concept.

OEMM is currently finalizing their new project plan to deliver OCS Connect functionality with the remaining funds and a revised schedule. MMS has engaged a third party to review the proposed approach and provide unbiased and informed recommendations.

2009 PERFORMANCE BUDGET REQUEST

Offshore and Energy Minerals Management

Coastal Impact Assistance Program

Section 384, Energy Policy Act of 2005

PROGRAM OVERVIEW

The Energy Policy Act of 2005 (Public Law 109-58) authorizes disbursement of $250 million from OCS oil and gas revenues in each of the fiscal years 2007 through 2010 to producing states (Alabama, Alaska, California, Louisiana, Mississippi, and Texas) and coastal political subdivisions (CPS) (counties, parishes, or boroughs) for a variety of uses, with an emphasis on approved coastal restoration and conservation. Congress subsequently approved a 3 percent appropriation of the Coastal Impact Assistance Program (CIAP) funds to be used by MMS to administer the CIAP program.

Pursuant to the Act, eligible recipients shall use all amounts received under this section for one or more of the following purposes:

- Projects and activities for the conservation, protection, or restoration of coastal areas, including wetlands;
- Mitigation of damage to fish, wildlife, or natural resources;
- Planning assistance and the administrative costs of complying with Section 384 of the Act;
- Implementation of a federally-approved marine, coastal or comprehensive conservation management plan; and
- Mitigation of the Outer Continental Shelf activities by funding onshore infrastructure projects and public service needs.

Although not required, states are encouraged to submit a draft plan, which enables MMS and states to identify and address concerns and issues prior to the submittal of the state's final plan. A final plan or a letter stating good intent to submit a plan, for at least the first year's funds must be submitted to MMS for approval not later than July 1, 2008. The MMS Director must approve each plan before states can submit grant applications for funds. The MMS will begin accepting grant applications from each state and CPS after the state plan is approved.

Amounts that states are eligible to receive are determined by several factors. In the first two years of the program, 2007 and 2008, allotments were based on 2006 Qualified Outer Continental Shelf Revenues, U.S. Census population, and coastline length. These allotments were announced on April 17, 2007. In 2009 and 2010, the allotment amounts will be calculated with the same methodology, using, if available, updated revenue, population, and coastline length information.

Administration of the Program

The MMS consulted with a number of other federal grant program managers in order to determine the level of resources that would be needed to implement and administer a grant program of this nature. This included the U.S. Fish and Wildlife Service, and the National Oceanographic and Atmospheric Administration's (NOAA) Coastal Programs Division. The NOAA administered a smaller version of the same program in 2001-2002, and its $150 million one-year CIAP program funded over 600 projects. Based on those discussions, the MMS CIAP budget reflects a conservative estimate of the technical staff required to review state plans and amendments, manage fund allocation and disbursement, and monitor program performance. On February 15, 2007, Congress approved via a Joint Resolution, a 3 percent appropriation of the CIAP funds to be used by MMS to administer the CIAP program.

It is important to note that the MMS CIAP grant management and monitoring functions will extend far beyond the 2007-2010 disbursement period. Grant guidelines require oversight throughout completion of a project. It is projected that the installments of retained funds will be needed to fund the grants management and oversight through FY 2014.

During the four years of the Program, new projects will be submitted every year and ongoing projects may be amended or modified, requiring additional technical review. The MMS will require a number of specialized staff to manage the CIAP grant process. Among them are Regional Project Officers, Grant Officers, and Fiscal Administrators. Another significant effort is the economic analysis and modeling required to allocate authorized revenues to the eligible states. In addition to interpreting the complex allocation formula, a significant amount of input data is required, such as Submerged Lands Act baseline point files, coastal political subdivision perimeter point files, geographic center of leased tract calculations (latitude/longitude coordinates of the centroid of each defined block), and great circle distance calculations.

In addition to staffing needs, administration funds will also be used for program support needs, such as travel and training and audit costs. The following chart provides the anticipated spending plan for the period of program management, FY 2007-2014, for the Offshore Energy and Minerals Management program and the Administration and Budget program.

Table 29: Budget for Multi-Year CIAP Expenses

Dollars in thousands

FY --->	2007	2008	2009	2010	2011	2012	2013	2014+		Total
OEMM	941	2,905	3,092	3,156	3,187	2,779	2,697	2,374		21,131
A&B	405	1,367	1,359	1,400	1,039	1,069	1,100	1,130		8,869
Total - MMS	1,346	4,272	4,451	4,556	4,226	3,848	3,797	3,504		30,000

PERFORMANCE OVERVIEW

Major milestones to date include:

- Final Guidelines Published - September 29, 2006.
- Draft Environmental Assessment (EA) Published – December 2006.
- Able to accept draft/final state Plans – February 16, 2007.
- Allotment amounts – Notice of Availability published in Federal Register April 17, 2007 (see below table for state allotments amounts).
- Final EA – available on MMS website (http://www.mms.gov/offshore/CIAPmain.htm - Program Documents) June 5, 2007.
- Approved Louisiana State Plan – November 29, 2007.
- Received first grant application (from Louisiana) – November 30, 2007.

Key milestones established to implement the CIAP program were based on the availability of funds requested in the FY 2007 President's Budget Request. Development and implementation of the program assumed that funds would be made available for this purpose early in the fiscal year. As a series of Continuing Resolutions were passed, it became increasingly apparent that the milestones would be delayed or possibly missed altogether as needed implementation funds were unavailable. Realizing the potentially serious impact to states should the program suffer a significant setback, Congress made available to MMS in the February 15, 2007, Joint Appropriations Resolution, provisions for MMS to retain 3% of the amounts disbursed under section 31(b)(1) of the CIAP program for administrative costs.

While the delay in receiving administrative funding affected MMS's original target dates for receiving plans, completing the EA, and readying the agency to accept grant applications, steady progress has been made to posture the agency to disburse state grant funding in a timely manner.

	Original Target Date	Actual Date
Receive State Plans	October 2, 2006	February 16, 2007
Complete Final EA	December 31, 2006	June 5, 2007
Accept Grant Applications	Early May 2007	November 29, 2007

MMS has developed internal performance measures to evaluate the timeliness of approving State Plans, grant applications, and related amendments. External measures will be evaluated after additional State plans have been received and valid metrics can be identified.

As discussed above, the following allocations to the states and coastal political subdivisions were announced on April 17, 2007.

Table 30: CIAP Annual Allocations to States and Coastal Political Subdivisions (CPS)

Coastal Impact Assistance Program
Fiscal Year 2007 and Fiscal Year 2008 Allocations

Producing State	% Allocation	Total Allocation	Amount Direct to States	Amount Direct to CPSs
Alaska	1.00%	$2,425,000	$1,576,250	$848,750
California	3.07%	$7,444,442	$4,838,887	$2,605,555
Alabama	10.54%	$25,551,607	$16,608,545	$8,943,062
Louisiana	52.60%	$127,547,899	$82,906,134	$44,641,765
Mississippi	12.76%	$30,939,851	$20,110,903	$10,828,948
Texas	20.04%	$48,591,202	$31,584,281	$17,006,921
Total All 6 States	100.00%	$242,500,000	$157,625,000	$84,875,000

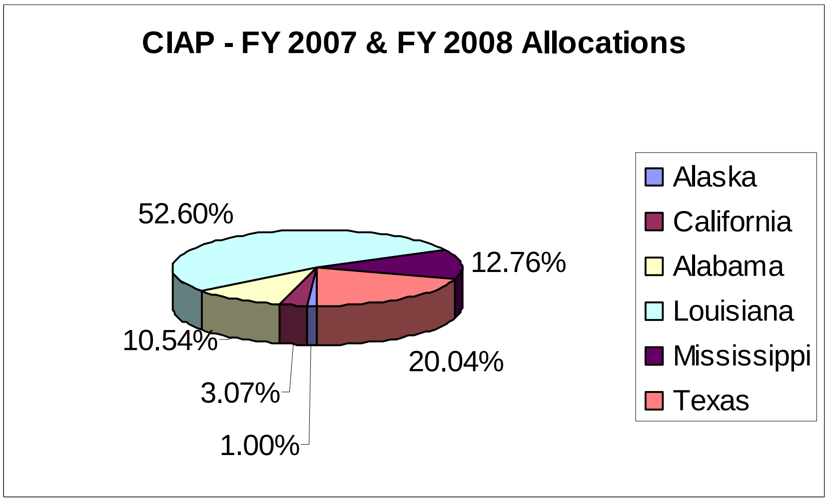

Figure 13: CIAP FY 2007 & 2008 Allocations

FY 2009 PERFORMANCE BUDGET REQUEST

Offshore Energy and Minerals Management

Oil Spill Research Appropriation

Table 31: OMM Oil Spill Research Appropriation Budget Summary

				FY 2009			
		2007 Actual	2008 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2008 (+/-)
Oil Spill Research	($000)	6,903	6,303	0	-180	6,123	-180
	FTE	18	18	0	0	18	0

SUMMARY OF FY 2009 PROGRAM CHANGES

Request Component	($000)	FTE
Program Changes		
• Organizational Efficiencies	-180	0

JUSTIFICATION OF FY 2009 PROGRAM CHANGES

The FY 2009 budget request for the Oil Spill Research appropriation is $6,123,000 and 18 FTE, a decrease of $180,000 and no FTE from the FY 2008 enacted level.

Organizational Efficiencies (-$180,000; -0 FTE): In FY 2009, MMS will continue to focus on the highest priority research and will increase efficiencies within the Oil Spill Research program.

PROGRAM OVERVIEW

The Oil Spill Research (OSR) appropriation funds oil spill response research, the National Oil Spill Response Test Facility (Ohmsett), oil spill prevention and response planning, and regulation of oil spill financial responsibility to support the DOI strategy of enhancing responsible use management practices in the energy sector.

Funding for OSR activities is appropriated from the Oil Spill Liability Trust Fund (OSLTF). The OSLTF was initially funded through a tax of five cents per barrel of oil, collected from industry. Subsequent funding for the OSLTF is derived from:

- **Barrel Tax**. The largest source of revenue has been a 5-cent-per-barrel tax, collected from the oil industry on petroleum produced in or imported to the United States. The tax was suspended in July 1993 because the Fund reached its statutory limit. It was reinstated in July 1994 when the balance declined below $1 billion, but expired at the end of 1994 because of the sunset provision in the law. The 2005 Energy Policy Act again reinstated the tax, effective April 2006.

- **Transfers**. A second major source of revenue has been transfers from other existing pollution funds. Total transfers into the Fund since 1990 have exceeded $550 million. No additional funds remain to be transferred to the OSLTF.
- **Interest**. Interest on the Fund principal from U.S. Treasury investments generates additional revenue. Interest income on the OSLTF in 2007 was $24.9 million.
- **Cost Recoveries**. Another source is cost recoveries from responsible parties; those responsible for oil incidents are liable for costs and damages. The National Pollution Funds Center bills responsible parties to recover costs expended by the Fund. As these monies are recovered, they are deposited into the Fund.
- **Penalties**. In addition to paying for clean-up costs, responsible parties may incur fines and civil penalties under the Oil Pollution Act, the Federal Water Pollution Control Act, the Deepwater Port Act, and the Trans-Alaska Pipeline Authorization Act. Penalty deposits into the OSLTF are generally between $4 million and $7 million per year.

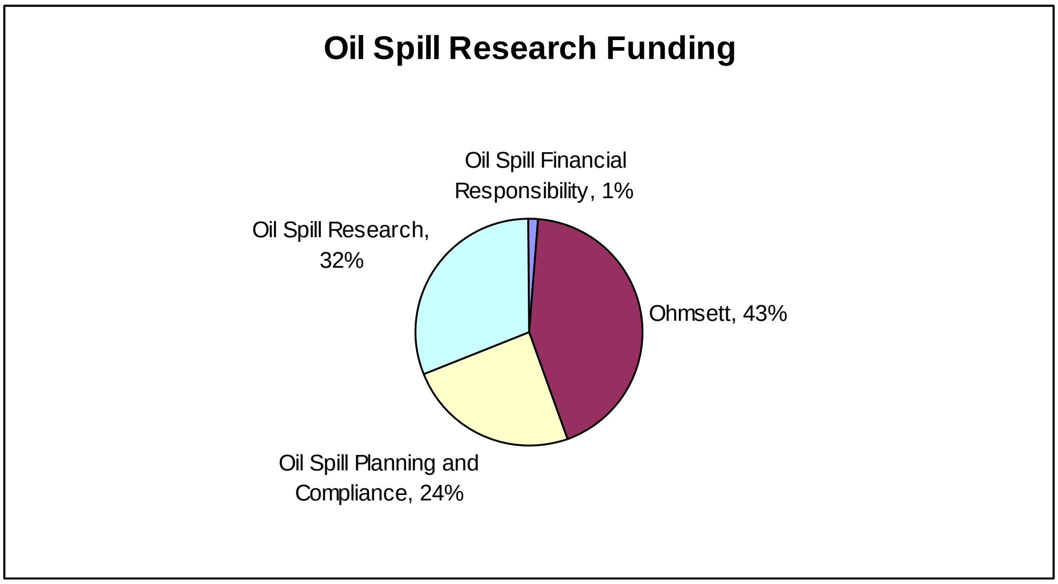

Figure 14: Oil Spill Research Funding

As intended by the Oil Pollution Act of 1990, the companies that produce and transport oil are supporting research to improve oil spill response capabilities.

The OSR activities are critical elements of MMS's overall success and contribute to the achievement of the top rating of "Effective" in the Administration's Program Assessment Rating Tool (PART) review of the *OCS Regulatory and Compliance* program.

In 2002, the National Academy of Sciences reported in its *Oil in the Sea: Inputs, Fates, and Effects*, that far more oil enters the ocean from natural, underwater seeps than from offshore exploration and production activities. The report states that "only one percent of the oil discharged in North American waters is related to the extraction of petroleum." The MMS's goal is not to exceed spillage of five barrels of oil for every million barrels produced. Recent (estimated) results have been impressive. Petroleum spillage resulting from offshore oil and gas activities in FY 2007 was small enough to bring this metric in at approximately half the goal.

PERFORMANCE OVERVIEW

Oil Spill Response Research (OSRR): The MMS is the principal federal agency funding offshore oil spill response research. Managed in conjunction with the bureau's Technology Assessment and Research Program (see OEMM - Regulatory Subactivity section), the OSRR program supports research to improve the capabilities for detecting and responding to oil spills in the marine environment. Information derived from the OSRR program is directly integrated into MMS's operations and is used in making regulatory decisions pertaining to permit and plan approvals, safety and pollution prevention inspections, enforcement actions, and training requirements. The OSRR projects cover a wide spectrum of oil spill response issues, such as remote sensing and detection, mechanical containment and recovery, physical and chemical properties of crude oil, chemical treating and dispersants, in situ burning, and deepwater operations. Since its inception, this program has expanded capabilities to respond to an oil spill in the marine environment.

Conducting an effective OSRR program means that the best available response technologies are identified, developed, and made available to combat spills, if and when they occur. Response technologies identified by the OSRR program focus on preventing spills from offshore operations reaching more sensitive coastal environments. The program is cooperative in nature, bringing together funding and expertise from research partners in government agencies, the oil industry, and the international community through cooperative research arrangements and participation in concurrent research and development projects. Many of these projects are Joint Industry Projects, where MMS partners with other stakeholders to maximize research dollars. Recent examples include an International Oil in Ice Workshop held in October 2007 and an Upgrade of a Dispersant Effectiveness Monitoring Protocol. In 2008, MMS anticipates having partners for projects concerning responding to oil in broken ice and using chemical treating agents to respond to oil spills.

Ohmsett - The National Oil Spill Response Test Facility: Ohmsett (an acronym for Oil and Hazardous Materials Environmental Test Tank) is the world's largest tow/wave tank designed to test and evaluate full scale equipment to detect, contain and cleanup oil spills. No other agency operates a facility like Ohmsett; in fact, major Federal clients such as the United States Coast Guard and the United States Navy rely on Ohmsett for their training needs. The diverse private client base of Ohmsett varies from major oil industry firms such as Exxon Corporation and Marine Spill Response Corporation to academic research institutions like the University of New Hampshire, University of Rhode Island, and the University of Miami.

Ohmsett is the only facility where oil spill response testing, training, and research can be conducted with a variety of crude oils and refined products in varying wave conditions. Ohmsett is located at Naval Weapons Station Earle in Leonardo, NJ about one hour drive south of New York City. The heart of Ohmsett is a large outdoor, above ground concrete test tank that is 667 feet long, 65 feet wide, 11 feet deep and filled with 2.6 million gallons of crystal clear saltwater.

Ohmsett plays an important role in developing the most effective response technologies, as well as preparing responders with the most realistic training available. The facility provides testing and research capabilities to help the government fulfill its regulatory requirements and meet its goal of clean and safe operations.

Many of today's commercially available oil spill cleanup products have been tested at Ohmsett and a considerable body of performance data and information on mechanical response equipment has been obtained there. This information can be used by response planners in reviewing and approving facility contingency plans. Ohmsett is also the premier training site for oil spill response personnel. Government agencies including the USCG and USN as well as private industry and oil spill response organizations train their emergency response personnel in real oil with their own full-scale equipment. Testing activities for 2007 included Cold Weather Dispersant Testing, Oil Recovery Methods after Dispersant Application, and Naval Undersea Warfare Center (NUWC) Mast Wake Mitigation. Testing activities for 2008 include ExxonMobil Dispersants tests, Undersea Warfare Center (NUWC) Mast Wake Mitigation, USCG Sunken Oil Detection, Calm Sea Dispersant Application and Wash out, and skimmer testing. Information on Ohmsett can be found at www.ohmsett.com.

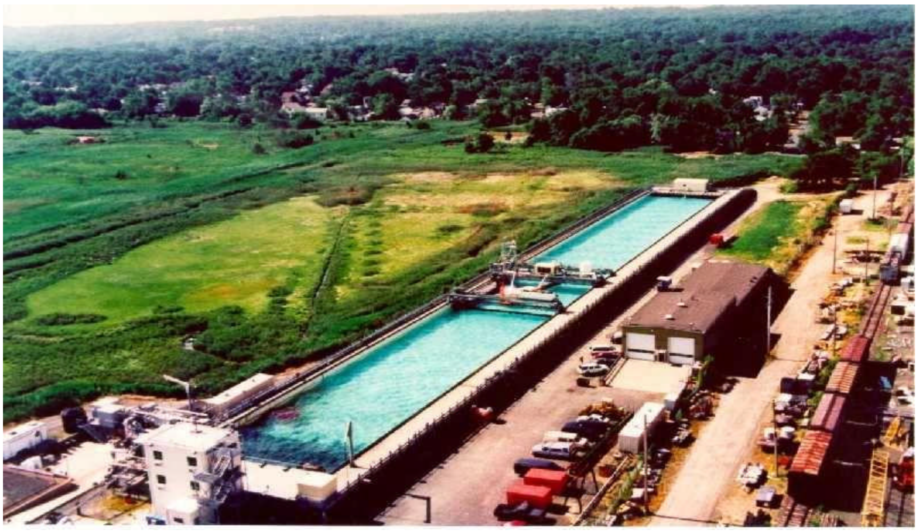

Figure 15: Ohmsett Facility in New Jersey

Oil Spill Response and Planning: The MMS is responsible for planning, preparedness, and response-related activities related to oil and gas exploration, development, and production seaward of the coastline. Oil spill preparedness and response activities include unannounced drills, equipment inspections, review of Oil Spill Response Plans, participation in tabletop exercises, and providing support to the Federal On-Scene Coordinator during spill events.

The bureau has established requirements for the preparation of Oil Spill Response Plans that provide information on how an operator would respond to an oil spill. The MMS regulations also outline training requirements, alternative response techniques, sensitive resource identification, identification of pre-trained spill management team members, locations of pre-designated incident command posts, and other key elements. The MMS often collaborates with state response agencies to review and approve Oil Spill Response Plans for oil and gas facilities in state offshore waters. For the MMS, a major focus of activity is implementation of the DOI Emergency Preparedness & Response Strategy – Oil Discharges & Hazardous Substance Releases.

Oil Spill Financial Responsibility: The MMS is responsible for implementing the financial responsibility provisions of OCSLA and OPA, which require companies responsible for certain offshore oil and gas facilities, in both Federal and State waters, to demonstrate their ability to pay the costs of facility oil spill discharge removal and damages. Several methods may be used to demonstrate oil spill financial responsibility (OSFR), including insurance, bonds, self-insurance, and guarantee. The amount of OSFR needed is based on facility location and the volume of the worst-case oil spill discharge that could occur. Extensive coordination and exchange of lease data takes place with affected states to ensure that the public is insulated from fiscal risk by ensuring that each offshore operator maintains the ability to pay for damages resulting from worst-case oil spill scenarios.

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2009 PERFORMANCE BUDGET REQUEST
Minerals Revenue Management

Table 32: MRM Summary of Budget Request

Minerals Revenue Management		2007 Actual	2008 Enacted	2009 Fixed Costs & Related Changes (+/-)	2009 Program Changes (+/-)	2009 Budget Request	Change from 2008 (+/-)
Compliance and Asset Management	($000)	43,034	45,055	830	1,462	47,347	2,292
	FTE	357	361	0	4	365	4
Revenue and Operations	($000)	37,069	36,632	387	1,644	38,663	2,031
	FTE	170	170	0	0	170	0
Total	**($000)**	**80,103**	**81,687**	**1,217**	**3,106**	**86,010**	**4,323**
	FTE	**527**	**531**	**0**	**4**	**535**	**4**
Other Major Resources							
RIK Revenue Receipts for RIK/SPR Program Admin.	($000)	20,000	20,100				
RIK Revenue Receipts for RIK/SPR Transportation	($000)	78,248	80,000				

The MMS is entrusted with an important fiduciary role by and for all Americans. Through its Minerals Revenue Management (MRM) Program, MMS works to efficiently and effectively utilize its financial systems and human resources to collect, account for, substantiate, and disburse revenues associated with mineral production from leased Federal and Indian lands. Every American benefits from the revenues generated from mineral resources, either directly through payments to Tribes and individual Indian mineral owners (IIMOs), or indirectly through contributions to the Historic Preservation Fund, the Land and Water Conservation Fund, the Reclamation Fund, States and the U.S. Treasury.

BUDGET OVERVIEW

Since MMS's formation in 1982, the energy industry has undergone significant changes, and MMS has demonstrated its ability to successfully adapt to these industry changes while becoming more operationally efficient. The Energy Policy Act of 2005 changed the MMS operating environment. The greatest immediate impact for MRM came from new royalty collection provisions that required major modifications to the MRM support system (MRMSS). The MRM is in the process of completing those system changes to ensure the timely and effective implementation of all the provisions of the Act for which we have responsibility.

2009 Budget Estimate

The 2009 Budget Request includes funding for the following key MRM initiatives:

Request Component	Subactivity	Amount	FTE
Improve Automated Interest Billing to Companies	Revenue and Operations	+$1,700,000	0
Travel and Performance Contracting		-$56,000	0
Implement OIG Compliance and Audit Recommendations	Compliance and Asset Management	+2,000,000	+4
Adjustment Line Monitoring		-420,000	0
Travel and Performance Contracting		-$118,000	0
Total Program Changes		**+$3,106,000**	**+4**

Improve Automated Interest Billing to Companies: This initiative continues MRM's commitment begun in 2007 and 2008 to improve the timeliness and efficiency of the interest assessment to payors by implementing system enhancements to the MRMSS interest module.

Implement OIG Compliance and Audit Recommendations: This proposal ensures MRM's ability to address recommendations by the Office of Inspector General (OIG) in its December 2006 report regarding MRM's Compliance Review activities. The requested funding will allow MMS to develop and implement a risk-based automated compliance tool for use in targeting compliance resources and increase the audit staff by 4 FTE to expand company and property compliance coverage.

As a result of MMS's analysis of base resources, the budget request includes the following funding reductions within MRM for 2009:

Adjustment Line Monitoring System Modifications: The system modifications to MRM's adjustment line monitoring process are fully funded in 2008 and further expenditures in this area are not needed in FY 2009.

Reduction for Travel and Performance Contracting: A programmatic reduction of $174,000 will result from reductions on travel and from savings realized through performance-based contracting. These reductions are part of a Department-wide effort to reduce costs. Please refer to the General Statement for additional information.

PROGRAM OVERVIEW

Revenues collected by MMS are one of the largest sources of non-tax revenue to the Federal Government. In FY 2007, MMS disbursed $11.7 billion in mineral revenues to states, the Office of the Special Trustee for American Indians (OST) for distribution to Indian Tribes and individual owners, other Federal agencies, and U.S. Treasury accounts (see text box below).

Additionally, MMS delivered oil to the Department of Energy for the Strategic Petroleum Reserve valued at an estimated $306 million in FY 2007.

Who Benefited from MMS Mineral Revenues
Disbursements in FY 2007

- ***Conservation and Recreation Programs — $899 Million***
MMS transfers nearly $900 million annually to the Land and Water Conservation Fund, although spending from the account is subject to appropriation. In recent years, this fund has been used to purchase or acquire through exchange about 4.5 million acres throughout America for conservation purposes and recreational use.

- ***American Indian Tribes and Indian Mineral Owners — $464.9 Million***
Monies collected from mineral leases on Indian lands are distributed regularly to Tribal governments or Individual Indian Mineral Owners (IIMOs). These funds provide direct and tangible benefits to thousands within the American Indian community, often as a major source of primary income.

- ***State Infrastructure — $2 Billion***
Mineral revenues disbursed to states are, in some states, a significant element of a state's financial resource picture, providing funding for local schools, roads, libraries, public buildings, and general operations as the states deem necessary.

- ***Western Water Users — $1.5 Billion***
Mineral revenue receipts fund a significant portion of the U.S. Bureau of Reclamation's water resource development and maintenance work in the western United States.

- ***Preservation — $150 Million***
MMS transferred $150 million to the National Historic Preservation Fund. This fund is administered to help save the historic buildings, neighborhoods, and landscapes that form our communities and enrich our lives.

- ***U.S. Taxpayers — $6.7 Billion***
Mineral leasing revenues are one of the Federal Government's greatest sources of non-tax receipts funding various government functions and programs through the General Fund of the U.S. Treasury.

Through the continuation of MRM's base programs and implementation of the 2009 initiatives, MMS will ensure the effective management of the Federal oil and gas royalty asset stream, optimize returns for the American public, and at the same time, increase efficiencies and reduce administrative costs.

The MMS is a leader in securing economic value for America by managing the revenues generated from the natural resources on Federal and Indian lands. Through its core business processes, Compliance and Asset Management (CAM) and Financial Management (FM), MRM ensures optimal value for America's mineral resources, benefiting the American people, States, Indian Tribes, and IIMOs.

Royalty Policy Subcommittee
Report on Royalty Management

On December 17, 2007 the Royalty Policy Subcommittee on Royalty Management issued a draft report entitled, *Mineral Revenue Collection from Federal and Indian Lands and the Outer Continental Shelf*.

> "*In general, the Subcommittee concludes that the Minerals Management Service is an effective steward of the Minerals Revenue Management program, and that MMS employees are genuinely concerned with fostering continued program improvements. The Subcommittee members unanimously agree that that MMS is the Federal agency best suited to fulfill the stewardship responsibilities for Federal and Indian leases... However, a number of aspects of royalty management activities administered by MMS and the Bureau of Land Management require prompt, and in some cases, significant management attention to ensure public confidence.*"

The report contained 110 recommendations to improve royalty management. On January 25, Secretary Kempthorne ordered immediate implementation of recommended mineral management reforms that can be carried out administratively. Many of the recommendations require coordination with multiple Department of Interior agencies including MMS, the Bureau of Land Management, the Bureau of Indian Affairs, and the DOI Solicitor's Office. A joint Action Plan to implement the Report's recommendations is under development. The Assistant Secretary for Land and Minerals Management will establish a coordination Committee with representatives from BLM and MMS to coordinate cross-cutting recommendations.

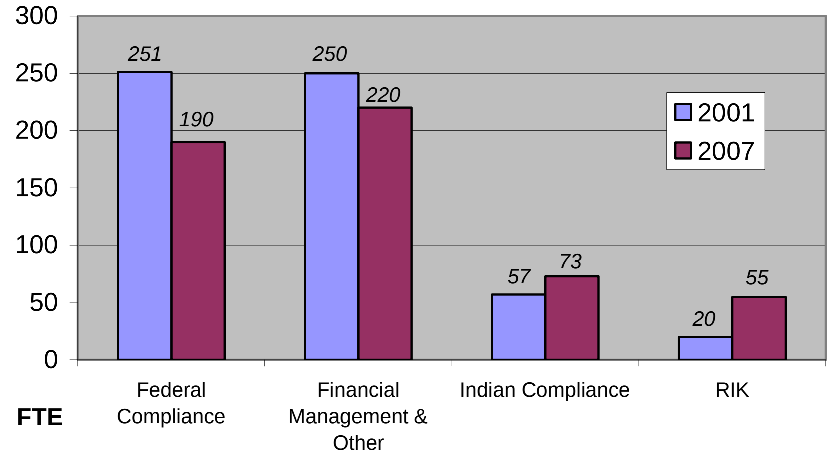
The 2009 President's Request supports the implementation of the Report's recommendations. Funds to implement the Office of Inspector General compliance and audit recommendations and to improve automated interest billing to companies are particularly important for effective implementation of the Subcommittee's recommendations. These funds are requested in the Compliance and Asset Management and the Revenue and Operations sections of this budget.

The report is available at www.mrm.mms.gov/Laws_R_D/RoyPC/PDFDocs/RPCRMS1207.pdf

MRM Efficiencies Realized:
$24.9 Million in MRM Payroll Cost Avoidance

Since 2001, MRM has captured significant efficiency gains resulting from reengineering and RIK. From 2001 to 2007, MRM reduced Federal onshore and offshore compliance FTE by 60 and Financial Management and other FTE by 31. Total reductions in these areas equal 90 FTE, of which 51 were redeployed – 16 to focus on Indian compliance activities and 35 to expand RIK activities. Audit and compliance performance metrics showed improvements as a result of efficiency gains.

Figure 16: MRM FTE Change by Function FY 2001 to 2007



The remaining 40 FTE were eliminated through attrition, reducing overall MRM FTE by about seven percent from 2001 levels, allowing MRM to fund increased pay and other fixed costs.

Figure 17: MRM FTE (2001 - 2007)

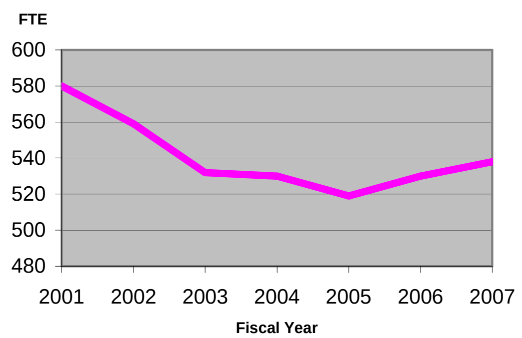
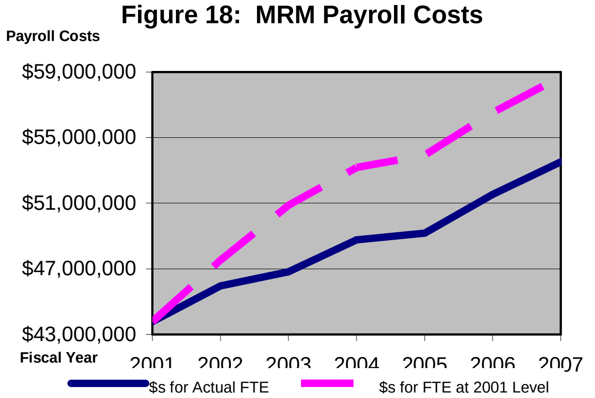


Figure 18: MRM Payroll Costs



If MRM FTE had remained at 2001 levels, program payroll costs would have been more than $5 million higher in 2007 and cumulative 2001 through 2007 payroll costs would have been $24.9 million higher.

STRATEGIC PLANNING

The MRM executive managers completed their most recent planning initiative, and published the MRM program-wide Strategic Business Plan in December 2005. This strategic guidance for future program operations was developed in close consultation with MRM employees and stakeholders, and the Plan will guide continuous MRM improvement processes through 2012. The Plan positions MRM to meet future mission challenges and achieve the Program's vision of excellence in mineral revenue services. This Plan provides for development and implementation of operational business plans by the end of FY 2008, aligned with four primary MRM program mission areas (Asset Management, Financial Management, Compliance, and Indian Trust) and the Resource and Information Management business processes. These operational business plans will be designed to:

- Improve, modernize, and fully integrate the MRM mineral revenue business processes and systems;
- Introduce new and ambitious longer-term performance measures with strong internal controls; and
- Efficiently and effectively utilize available human resources and information technology.

As a part of the Asset Management mission area, MRM has already completed and is implementing a Five Year RIK Business Plan for FY 2005-2009.

Outreach and stakeholder involvement plays a vital role in successful implementation of the MRM 2007-2012 Strategic Business Plan. The MRM has made significant progress in implementing a comprehensive Outreach and Communications Plan to promote full and open communications with internal and external stakeholders. The MRM has engaged business partners in the implementation process and held several outreach sessions in 2007. During FY 2007, MRM held formal consultation sessions with Indian tribes and individual Indian mineral owners in Oklahoma City, Oklahoma; Denver, Colorado; Billings, Montana; and Albuquerque, New Mexico, in addition to in-reach sessions for MRM employees. The purpose of these sessions was to provide status updates and to solicit concerns and feedback on the focus areas included in the "Blueprint" phase of the Business Planning. MRM managers, employees and program partners will be fully engaged in all aspects of the operational business planning. When completed, the operational business plans will provide strategies and improvement actions by mission area, to be implemented through 2012.

These plans will draw on the results of the MRM Enterprise-Wide Risk Management initiative, which MRM initiated in FY 2005, and for which MRM issued an action plan to mitigate risks and enhance internal controls. As part of this initiative, MRM evaluated its processes against the control elements and risk principles of the Council on Sponsoring Organizations of the Treadway Committee, a recognized, leading authority in the internal control and risk management field. As part of the annual OMB Circular A-123, Management's Responsibility for Internal Controls and the CFO Councils Implementation Guide, MRM conducts ongoing program evaluations of the internal controls over operations and financial reporting. Based on the results of these evaluations, MMS provided reasonable assurance that the internal controls over program operations were suitably designed and operating effectively as of June 30, 2007. No material weaknesses were found in the design or operation of the internal controls over program operations or financial reporting. During FY 2008, MRM will continue these evaluations and implement changes identified in updated DOI guidance.

Integrating Budget and Performance

The work of MRM supports the DOI Strategic Plan goal to "manage or influence resource use to enhance public benefit, responsible development, and economic value." In support of the President's Management Agenda, MRM continues to improve on integrating budget and performance data and is collecting, reviewing, and analyzing Activity-Based Cost (ABC) data to analyze resource use and outputs with the objective of identifying opportunities for future improvements to operations.

The MRM reports performance results quarterly, in a timely and consistent manner, and MRM managers review quarterly ABC/performance data to make decisions on resource allocation and to enhance short-term and long-term strategic planning. For example, MRM successfully used ABC data to project RIK budget costs for future fiscal years, account for RIK administrative costs, and compare costs between the RIK and RIV approach. The RIK/RIV comparative cost evaluations, and the result of the enhanced RIK revenue metric, combine to enable MMS to manage by focusing on enhancing net return to the government.

To ensure accountability, MMS utilizes a performance appraisal system that includes responsibility for achievement of annual strategic goals and other mission objectives, in all of MMS's SES manager's performance standards. Performance responsibility cascades down to 100 percent of MRM managers and staff. Responsible MRM Managers provide quarterly certification that they have reviewed performance and workload results, and that reported data, internal controls, and support documentation provide reasonable assurance of accuracy.

Program Assessment Rating Tool (PART)

In 2003, the Administration completed a PART review for the entire MRM program. The PART demonstrated that MRM had a clear purpose but lacked in areas of strategic planning and outcome measures to guide the future management and improvement of the program. The MMS has implemented all action items resulting from the 2003 PART, by:

- Developing new performance metrics to measure:
  a) RIK revenue uplift: the RIK revenue increment above the fair market value benchmarks that measures the expected revenue that would have been received if collected under RIV, and
  b) Compliance effectiveness: the ratio of actual payments compared to expected payments;
- Developing baseline data and targets for these new measures;
- Implementing all of the Inspector General's 2003 recommendations, including completion of an external quality control peer review in 2004 on MRM audit activities;
- Preparing a comprehensive Audit Quality Improvement Action Plan and implementing all 39 actions, to improve MRM's compliance and audit activities and related internal controls;

- Completing an external peer review in 2005 of MRM audit activities, resulting in an Unqualified Opinion with no material weaknesses or reportable conditions;
- Using the newly developed performance goals, collect the data and use it to better manage and report on program results; and
- Monitoring the internal accounting activities to ensure that the implemented Inspector General's audit recommendations are being adhered to.

More recently, the Inspector General conducted an audit at the request of the U.S. Senate Committee on Energy and Natural Resources. The audit, dated December 6, 2006, addresses concerns raised by the news media and the State and Tribal Audit Committee about MMS's increasing use of compliance reviews as part of its CAM program. Specifically, the audit determined that compliance reviews are an effective part of the CAM program but found "some weaknesses that may prevent MMS from maximizing the benefits of the compliance reviews". The Inspector General report offered recommendations toward improving management of the compliance review process. Please refer to the MRM – CAM tab, Compliance Assurance Program Performance section, "Compliance Strategy – Office of the Inspector General's Report" subsection for a more complete description of the 2006 audit and the Bureau's response.

The Administration completed a Re-PART of the MRM Program during FY 2007, and the program received a rating of Moderately Effective. This is a significant improvement over the 2003 rating, and reflects the program's commitment and focus on improvement in all areas of the MRM program. The 2007 PART Improvement Plan contains five recommendations related to improving compliance information, establishing a risk-based compliance strategy and measures, and implementing geothermal royalty actions.

2009 PERFORMANCE BUDGET REQUEST

Minerals Revenue Management

Compliance and Asset Management Subactivity

Table 33: MRM Compliance and Asset Management Subactivity Budget Request

		2007 Actual	2008 Enacted	2009 Fixed Costs & Related Changes	2009 Program Changes	2009 Budget Request	Change from 2008
Compliance and Asset Management Subactivity	**($000)**	**43,034**	**45,055**	**830**	**1,462**	**47,347**	**2,292**
	FTE	**357**	**361**	**0**	**4**	**365**	**4**
Other Major Resources							
RIK Revenue Receipts for RIK Program Administration	($000)	20,000	20,100				
RIK Receipts for RIK Transportation	($000)	78,248	80,000				

SUMMARY OF 2009 PROGRAM CHANGES

Request Components	**Amount**	**FTE**
• Implement OIG Compliance and Audit Recommendations	+$2,000,000	+4
• Adjustment Line Monitoring Initiative	-420,000	0
• Travel and Performance Contracting	-118,000	0
Total Program Changes	**+$1,462,000**	**+4**

JUSTIFICATION OF 2009 PROGRAM CHANGES

The 2009 Budget Estimate for the Compliance and Asset Management (CAM) Subactivity is $47,347,000 and 365 FTE, with a program change of $1,462,000 and 4 FTE from 2008. The budget includes staffing increases and system modifications to help implement a risk-based compliance approach and expand MRM's compliance presence.

Implement OIG Compliance and Audit Recommendations (+$2,000,000; +4 FTE)

Justification: This proposal ensures MRM's ability to address recommendations by the Office of Inspector General (OIG) in its December 2006 report regarding MRM's Compliance Review activities. In addition, in early 2006, MRM began examining a risk-based compliance approach as a part of its strategic business planning initiative, which is consistent with OIG recommendations. In response to the OIG Report, on December 28, 2006, MRM formally submitted an "Action Plan to Strengthen Minerals Management Service Compliance Program Operations."

The requested funding will allow MMS to:

- Develop and implement a risk-based automated compliance tool for use in targeting audit and compliance resources ***($1.520 million, 0 FTE)***, and
- Increase the audit staff by 4 FTE to expand company and property compliance coverage ***($0.480 million, 4 FTE)***

Risk-based Automated Compliance Tool – The OIG recommended that MMS's selection process to identify properties for compliance reviews or audits take into account the highest risk for underpaid royalties. Development of the risk-based automated compliance tool will ensure that MRM can focus on OIG's recommendation to increase property and company compliance coverage, while focusing on the highest risk. This tool will also provide MRM the basis to improve its performance measures, as required by the OIG. Since 2002, MMS has focused primarily on revenue risk by conducting compliance reviews on companies with the highest volumes. While the revenue approach was appropriate during the transition to a 3-year compliance cycle, as part of the MRM strategic business planning initiative, MMS is expanding to a more dynamic risk-based compliance approach to include coverage of a greater number of companies and properties. While moving to the new risk-based strategy in FY 2008, MMS will maintain a significant focus on revenue coverage, ensuring reasonable compliance of about 60 percent of royalties received.

In order to expand the compliance strategy to include property and company risk (meaning that a larger number of companies and properties, regardless of the size of the companies or properties, will be reviewed), we are currently using a very manually-intensive interim approach; however, we are not able to capture the data at the detailed and refined level needed to ensure meaningful risk-based targeting. Further, the current approach does not provide the required level of internal control. The requested $1,520,000 in additional funding will allow for development and implementation of a robust, automated risk-based compliance tool. It is anticipated that this tool will provide the detail to identify properties or companies where audits or compliance reviews are warranted. The MMS is completing implementation of a pilot during 2008, and the risk-based automated compliance tool will be implemented based on MRM's expertise developed during this pilot phase. If this request is not funded, MRM will be required to rely on a less-robust and extremely manual risk assessment analysis to determine the best known mix of revenues, properties, and companies.

Increased Audit Staff - The OIG recommended that MMS "consider modifying its CAM program strategy to ensure appropriate coverage of properties and companies within a reasonable timeframe even if this results in a reduction of the overall percentage of dollars covered." Increasing audit staff will provide the necessary manpower to perform increased property and company audits, focusing primarily toward onshore Federal properties, where most of the higher risk properties and companies exist, while maintaining appropriate revenue coverage levels. The FTE increase will allow MRM to perform an estimated 7 additional audits annually. The additional FTE will assist MRM in addressing increased compliance requirements created by significant increases in new onshore leasing and production starts. The MRM anticipates that additional audits will focus primarily toward onshore Federal properties, where most of the properties and companies exist. The OIG reported that while MMS had completed compliance work on a significant percentage of revenues from Federal and Indian leases in FY 2006, this resulted in the bureau examining only 9 percent of all properties and 20 percent of all companies. If this request is not funded, MRM will be required to increase property and company compliance coverage by reducing revenue coverage. Reduced coverage of revenues – an area known to be of high risk – would most likely result in reduced compliance collections. From FY 2004 through 2006, MMS averaged \$5.01 and \$3.56 collected for each \$1 spent on compliance reviews and audits respectively.

MRM Reduction Request

As a result of MMS's analysis of base resources, the Budget Estimates include the following funding reductions within MRM for 2009:

Adjustment Line Monitoring Initiative (-\$420,000; -0 FTE)

Justification: MRM requested \$420,000 to make system modifications to its adjustment line monitoring processes in 2008. These modifications are fully funded in 2008 and further expenditures in this area will not be needed in FY 2009.

Reduction for Travel and Performance Contracting (-\$118,000; -0 FTE)

Justification: A programmatic reduction of \$118,000 will result from reductions on travel and from savings realized through performance-based contracting. These reductions are part of a Department-wide effort to reduce costs. Please refer to the General Statement for additional information.

PROGRAM OVERVIEW

Through MRM, MMS ensures that the Nation's Federal and Indian mineral revenues, whether received through in-kind or in-value royalties, are accurately reported and paid in compliance with laws, regulations, and lease terms. Integral to this process is the asset management and analysis decision to take royalties in-kind (RIK) or in-value (RIV), and when RIK is selected, managing the sale of the energy commodity in competitive sales. In addition, MMS serves as a steward of the royalty asset from Indian trust properties and serves as an advocate for the interests of Indian mineral owners, ensuring fulfillment of our Indian trust responsibility.

The CAM process includes two major components:

- *Compliance Assurance,* funded through appropriations in the CAM Subactivity. The MMS Federal and Indian compliance assurance activities represent a large and critical part of the operational strategy, ensuring that the Government is realizing fair market value, and that companies are in compliance with applicable laws, regulations, and lease terms, whether royalties are received in-kind or in-value.

- *Royalty in Kind Program,* funded with RIK receipts. The MMS collects royalties in-kind if there is economic advantage to the Government. These advantages may include: revenue enhancement, reduced administrative costs, conflict avoidance, and earlier receipt of royalty revenues. The product is sold in the marketplace and resulting revenues are disbursed as prescribed by law. Alternatively, resources can be transferred to fill the Nation's Strategic Petroleum Reserve (SPR), when directed.

Through the CAM process, MMS's people and processes support DOI's End Outcome Goals to "Manage or Influence Resource Use to Enhance Public Benefit, Responsible Development, and Economic Value (energy)." The MMS's strategic goals focus on the Bureau's ability to ensure that the Nation receives appropriate value for Federal and Indian mineral resources.

The MMS promotes realization of appropriate value through the asset analysis process. Key to this process is the capability to understand the production and marketing environment so that MMS can make asset management decisions regarding whether to collect the Government's royalty share in-kind or in-value. The MMS employs an asset management approach, with selective use of RIK and RIV in tandem, based on systematic, deliberate analysis of the Federal oil and gas royalty portfolio, with consideration given to administrative costs and revenue impacts to the Treasury.

The MMS serves American Indian Tribes and individual Indian mineral owners (IIMOs) by ensuring that they receive accurate returns for mineral production on Indian trust land. While working to protect American Indian mineral interests, MMS also emphasizes American Indian empowerment.

PERFORMANCE OVERVIEW

In FY 2007, MMS reviewed and/or audited 65 percent of all Federal and Indian royalty revenues within three years from the date of receipt of payment.

In early 2005, MRM completed a program-wide risk management initiative, identifying the most significant areas within our control environments to place or enhance internal control. In December 2005, the MRM published its Strategic Business Plan for 2007-2012, charting the course and direction of the future MRM program, aligned with the DOI Strategic Plan.

Based on these efforts, MMS made a preliminary determination that while it is important to continue the focus on the three-year compliance cycle, royalty dollars should not be the only focus of this measure. It is also important to address compliance coverage for companies and properties that might be at a high risk of non-compliance. The Office of Inspector General's (OIG) recently completed an audit of MRM's Compliance Review process, and in its final report dated December 2006, the OIG concurred, stating: "MMS should consider modifying its CAM Program strategy to ensure appropriate coverage of properties and companies within a reasonable timeframe even if this results in a reduction in the overall percentage of dollars covered."

In early 2006, as part of MRM's strategic planning initiative, MMS began pursuing the development of a risk-based strategy for compliance. The MMS sought expert contract support to provide assistance in developing this strategy. It is anticipated that this strategy will provide the detail to identify properties or companies where audits or compliance reviews are warranted.

The MMS is completing implementation of a pilot during 2008 to further develop and implement these risk strategies. By the end of FY 2008, MRM will establish a new risk-based strategy and measure(s), based on the results of the pilot project. MRM will implement this strategy in FY 2009 utilizing interim targeting tools. Following the development and implementation of automated risk-based targeting tools, as described in MRM's FY 2009 funding request, MRM plans to fully implement this initiative by FY 2010.

UPDATES TO 2008 PROGRAM PERFORMANCE TARGETS

Percent compliance work completed within the 3-year compliance cycle. Because we anticipate continued increases in risk-based property and company coverage as recommended by the OIG, MMS has reduced its revenue coverage target for FY 2008. Actual coverage will depend on the specific set of properties selected for compliance reviews and/or audits.

Estimated net return to the government through RIK. The FY 2006 cumulative result of $67.1 million exceeded the initial FY 2007 target of $51.8 million. The RIK program consequently revised its targets for FY 2007 and beyond. The current targets are based on prior year trend data, known RIK oil volumes required for SPR fill during FY 2007-2012, and projected RIK gas expansion in the Gulf and Wyoming. Targets are based on cumulative progress made FY 2005 and forward in reaching the long-term goal. The current cumulative targets for FY 2008 and FY2009 are $105 million and $125 million respectively.

COMPLIANCE ASSURANCE PROGRAM PERFORMANCE

The MMS Federal and Indian compliance activities have yielded significant additional revenues to States, Tribes, IIMOs, and the Federal Treasury. Since 1982, MMS's additional collections of royalties and interest attributable to its compliance activities totaled over $3.1 billion. The MMS compliance assurance activities represent a large and critical part of MMS's operational strategy. Compliance assurance is performed on all types of royalties due, whether received as royalties in-value or in-kind. The MMS's goal is to ensure that the Government is realizing fair market value and that companies are in compliance with applicable laws, regulations, and lease terms. The MMS has established a three-year compliance cycle focusing on the largest producing properties (both RIK and RIV) with a more detailed strategy for Indian leases.

To complete compliance work for both RIV and RIK properties in the three-year compliance strategy, MMS performs compliance reviews and audits. The MMS compliance reviews are designed to determine if the royalties received are in reasonable compliance with the laws, lease terms and regulations. The MMS has developed two different compliance review processes:

- For royalties paid in-value, compliance reviews apply a series of tests to the volume, royalty rate, value, and allowances for transportation and processing costs to determine if the royalty payment is reasonable on a property basis.

- For royalties received in-kind (RIK), MMS applies a series of tests designed to assure that it has received the proper royalty volume for the contract and that any transportation charges taken by the producer are reasonable. (MRM uses market indices and other market data to measure net value return through RIK.)

For these compliance reviews, MMS develops underpayment issues at the property or contract level, aggregates issues from several properties or contracts, and then presents findings to companies. The MMS creates efficiencies by resolving issues across properties and by gaining extensive property-based knowledge over time.

The MMS, States, and Tribes also perform audits, in accordance with Generally Accepted Government Auditing Standards. Audits are performed on specifically targeted companies or properties, often resulting from a compliance review. However, audits are not generally required for RIK properties, due to contract certainty. The MMS also randomly selects companies targeted for audit. Audits can also include gas plants, transportation systems, and issue-based audits.

Program Performance: Past Accomplishments & Future Goals

Audit and Compliance Activities: During FY 2007, MRM closed 304 audits. In addition, MRM completed 856 full-scope compliance reviews, and 676 RIK compliance reviews. In doing so, MRM provided compliance coverage of 65 percent of the CY 2004 royalty revenues, compared to a 65 percent target. State and Tribal partners report regularly on their compliance completion results, and those results are incorporated into the results of this measure.

The OIG conducted an audit at the request of the U.S. Senate Committee on Energy and Natural Resources. The audit, dated December 6, 2006, concluded that compliance reviews can be an effective part of MMS' CAM program. However, the audit "disclosed some weaknesses that may prevent MMS from maximizing the benefits of the compliance reviews." In addition, the OIG audit found that while MMS had audited and or reviewed 72.5 percent of all revenues from Federal and Indian leases in FY 2006, this meant that the bureau examined only 9 percent of all properties and 20 percent of all companies. The OIG recommended that MMS "consider modifying its CAM program strategy to ensure appropriate coverage of properties and companies within a reasonable timeframe *even if this results in a reduction of the overall percentage of dollars covered*." Italics added.

MMS's audit program receives clean audit opinion
In October 2005, MMS's audit program received a clean audit opinion from an independent certified public accounting firm. The accounting firm stated: "In our opinion, the system of quality control for the Federal Audit Function of MMS in effect for the two-year period ending December 31, 2004, has been designed to meet the requirements of the quality control standards established by the Comptroller General of the United States for a Federal Government audit organization and was complied with during the two-year period ending December 31, 2004, to provide MMS with reasonable assurance of conforming with applicable auditing standards, policies, and procedures."

In response, on December 28, 2006, MRM formally submitted an *"Action Plan to Strengthen Minerals Management Service Compliance Program Operations."* The Action Plan documents the improvement actions taken and planned to fully and effectively implement the OIG recommendations:

- o MMS will provide reliable data for managing and reporting on CAM program operations; strengthen the compliance review process; and improve performance measures to better reflect CAM program operations.

- o MMS will pursue a more dynamic, risk-based approach to compliance. As part of the transition to the new risk-based strategy and the focus on increasing property and company coverage, in FY 2007, coverage of mineral revenues decreased from 72.5 percent to 65 percent. In FY 2008, MMS has established a revenue coverage target of 60 percent, to ensure that MRM achieves further increases in property and company coverage. This additional reduction was approved by OMB during MRM PART discussions. Actual coverage will depend on the specific set of properties selected for compliance reviews and/or audits.

The Action Plan requires extensive oversight and frequent implementation status reporting by MMS CAM managers and senior executives. Each improvement action has a target completion date and a designated MMS official with implementation responsibility. MRM has completed 11 of the 23 improvement actions, with 6 more scheduled to be completed by September 2007. The remaining improvement actions are on track to be completed by February 2008, as targeted in the action plan.

Additional Focus on Indian Trust Compliance: The MMS assesses 100 percent of the Indian trust mineral revenue for industry compliance with specific provisions contained in Indian gas leases within three years. The January 2000 Indian gas valuation regulations require the use of published index prices for valuing gas produced from many of the American Indian leases. For leases in these index areas, MRM ensures that companies pay royalties based upon the proper index prices.

Delegated and Cooperative Compliance Agreements with States and Tribes: The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA), as amended, Sections 202 and 205, authorized the Secretary to develop delegated and cooperative agreements with States and Tribes to carry out certain inspection, auditing, investigation, or enforcement activities for leases in their jurisdiction. Currently, the MMS has agreements with 11 States and 7 Tribes. The States and Tribes are working partners and an integral aspect of the overall compliance efforts, especially offshore. Tribes are now self-empowered to perform audits on tribal mineral royalties within their reservation and the States perform audits on Federal leases within their boundaries. MMS conducts compliance reviews and audits to provide compliance coverage over properties not covered by the States and Tribes.

In fiscal year 2007 MMS allocated approximately $9.4 million to the States and Tribes in the 202/205 program. In fiscal 2008, a total of $10.2 million was allocated including $1.1 million which remained as carryover of 202/205 funds not expended in prior years. MMS allocates its available budget resources for the Section 205 State Delegated Agreement Program and Section 202 Tribal Cooperative Agreement Program by analyzing cost, workload, and risk data to apply "best business case" criteria to the funding of this program. The mineral revenues at risk and number of producing leases are used to target "best business case" funding allocations among States and Tribes.

Communication and Consultation with American Indians: In addition to the Section 202 Tribal Cooperative Agreement Program, MMS also conducts Indian outreach sessions. The MMS uses several outreach methods, such as Navajo radio broadcasts and attending pow-wows, to reach the American Indian constituents. This reflects MMS's goal to fulfill the Secretary of the Interior's trust responsibility to American Indians. These outreach sessions enable MMS to listen to their concerns and suggestions for royalty accounting improvements, answer questions, identify and resolve mineral-related problems in partnership with BIA, BLM, and the Office of Special Trustee. The MMS's goal is to enhance trust responsibility and foster a positive working relationship with the Indian community. During 2007, MMS held 81 outreach sessions with American Indian constituents and resolved 4,136 royalty-related inquiries. The MMS plans to continue these efforts in 2008 and beyond.

Working in partnership with our sister agencies, Bureau of Land Management (BLM), Bureau of Indian Affairs (BIA), Office of the Special Trustee for American Indians (OST), and the U.S. Geological Survey (USGS), MMS is leading an effort to expand the number of Indian outreach sessions provided by developing Indian oil and gas training that covers all aspects of trust management including land ownership, leasing, drilling, production verification, lease inspection, royalty reporting, compliance, royalty disbursement, and financial trust accounts. The new training is tailored for tribes and IIMOs in the various regions where outreach is conducted as well as for Department employees who are involved in Indian oil and gas activities. The additional outreach sessions and the joint agency training program will provide Indian communities and DOI employees with opportunities to gain more knowledge of the full spectrum of Indian mineral resources.

Revised Regulations: In an effort to streamline the MMS geothermal regulations, the MMS Royalty Policy Committee (RPC), a Federal Advisory Committee, formed the Geothermal Valuation Subcommittee (Subcommittee), on October 28, 2004. The Subcommittee was comprised of members from one industry association, several geothermal producers, two of the major states affected, and MMS employees. A representative of BLM served as technical advisor to the Subcommittee. The RPC requested that the Subcommittee work together to simplify the regulations, reduce administrative costs to the geothermal industry, and develop more efficient royalty valuation methods that will ensure a fair return to the Federal Government as well as encourage geothermal development. The Subcommittee prepared a report and submitted it to the RPC; and on May 26, 2005, the RPC accepted the Subcommittee's recommendations.

On July 21, 2006, MMS published a proposed geothermal valuation rule to implement the new royalty provisions of the EPAct in a manner that streamlines and simplifies the rules while achieving the same general level of revenues for both electrical generation and direct use. The new regulations address the payment of royalty on geothermal resources produced from Federal leases and the payment of direct use fees in lieu of royalties. In addition, the regulations address the procedures and requirements for the MMS audits of payments. MMS published a final rule in May 2007.

In addition, MMS proposed to amend its regulations governing the valuation of oil produced from Indian leases for royalty purposes. In March 2005, MMS held three public workshops to gather comments and conduct preliminary consultation concerning the valuation of crude oil produced from American Indian mineral leases. MMS published the Indian Oil Valuation Proposed Rule in February 2006, and the comment period closed on April 14, 2006. After evaluating the comments received from tribes, industry trade associations, industry producers, and an individual, a decision was made to:

1) Make technical corrections to the current 1988 Indian Oil Valuation Rule; and
2) Establish a negotiated rulemaking committee to address issues regarding oil major portion for Indian leases and non-arm's-length Indian oil transportation allowances.

MMS published the technical corrections to the current Rule on December 17, 2007. MMS will address issues regarding the "major portion" calculation for oil produced from Indian leases in a negotiated rulemaking committee. The negotiated rulemaking committee will convene after membership nominations have been submitted and selections made.

On April 7, 2006, MMS published the Reporting and Paying Royalties on Federal Leases on Takes or Entitlements Basis Advance Notice of Proposed Rulemaking (ANPR). The ANPR requested comments on reporting and payment of royalties when oil and gas production is commingled upstream of the point of royalty measurement. The public meeting was held May 10, 2006 in Denver. In 2008, MMS plans to publish a proposed Takes vs. Entitlements Rule.

ROYALTY IN KIND PROGRAM PERFORMANCE

The RIK program provides MMS the opportunity to reduce administrative costs, reduce disputes on royalty valuation and increase revenues to the Treasury, states, and special purpose funds. This can include selling the received product in the marketplace and then disbursing revenues as prescribed by law, or transferring resources to the Department of Energy to fill the Nation's

Strategic Petroleum Reserve (SPR). The MMS collects royalties in-kind if there is economic advantage to the Government.

The strategic use of both the RIK and RIV options defines the royalty asset management strategy that is employed by MMS. The RIK program not only creates opportunities to realize additional royalty revenues relative to RIV, but the program also has established that RIK is often a more cost-effective business process than RIV.

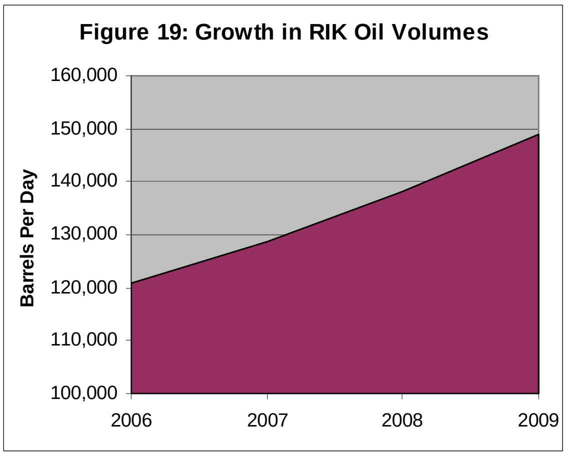
MMS analysis suggests that market conditions and RIK's competitive position at specific locations have resulted in greater revenues for the American public than from the RIV calculated revenues. As such, the option to utilize either RIK or RIV allows for a systematic and deliberate analysis of the federal royalty portfolio to selectively apply each of these methods to optimize returns and efficiencies for the
American public.

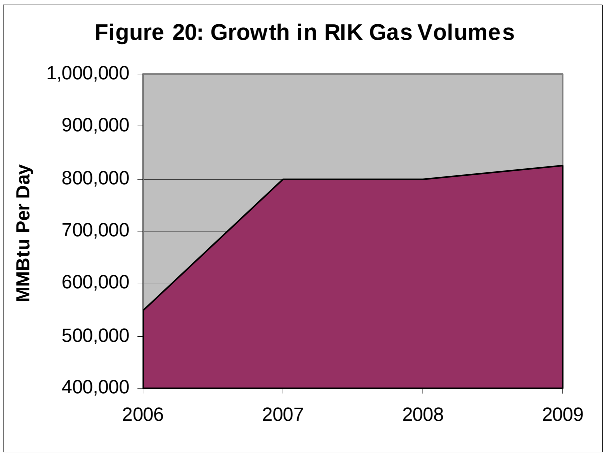
Royalty in Kind Generates Solid Results

In 2006, sales of royalty oil and gas through MMS's RIK program are estimated to have increased net return to the government by $31.1 million above what would have been received if the government had taken the oil and gas royalties in value, or as cash payments. The 2006 result of $31.1 million is a combined total of the following:

- *$26.2 million increased RIK incremental net revenue (additional revenues that would not have been generated under RIV),*
- *$2.6 million incremental interest revenue (positive time value of money by collecting RIK revenues within 25 days rather than 30 days for in-value royalties), and*
- *$2.3 million cost avoidance by collecting offshore oil and gas in kind (RIK) rather than in value (RIV).*

Cumulatively, for FY 2005 through FY 2006, RIK estimated net return has been $67.1 million.





The Five Year Royalty in Kind Business Plan outlines business principles, goals, objectives, and specific strategies to guide and evolve the Federal RIK program from 2005 through 2009. Implementing this plan will continue to enhance MMS's ability to assure the American public of proper collection of royalty receipts. It also ensures MMS's ability to track, analyze, control, and manage the significant portfolio of oil and gas royalties that are taken in kind.

RIK Program Funding

The 2006 Interior, Environment and Related Agencies Appropriation Act, and the Energy Policy Act of 2005 both include permanent authority, allowing MMS to fund RIK administrative costs and RIK transportation and processing costs with RIK receipts.

Estimates of future costs of transporting crude oil and transporting and processing natural gas are dependent on a wide variety of factors, many of which are not known until after the product has been produced. These factors include actual volumes produced, the absolute prices of natural gas and natural gas liquids (determines costs of processing and gas transportation), properties actually converted to in-kind status or to in-value status, and effects of severe weather events. Several factors accounting for increasing RIK transportation and processing costs include:

- In FY 2009, MMS expects a 24 percent increase in oil RIK volumes and a 50 percent increase in gas RIK volumes from 2006 levels:
    - Expected oil volumes climb from 44.2 million barrels annually in 2006 to 54.7 million barrels annually in 2009 as several new large offshore properties come online. This would be an increase from approximately 121,000 barrels/day in 2006 to approximately 149,000 barrels/day in 2009.
    - Gas volumes in the RIK program are also expected to increase from 2006 levels of 200 million MMBtu annually in 2006 to 301 million MMBtu annually in 2009. This would be an increase from approximately 548,000 MMBtu/day in 2006 to 825,000 MMBtu/day in 2009.

- As the RIK gas program expands, it requires an increase in the volumes of gas that need to be processed. Processing increases MMS RIK costs, but those costs should be more than recouped upon the sale of the product due to the value added. The net effect is an expected increase in total revenues to Treasury.

- Processing costs continue to be higher than pre-hurricane levels as a result of reduced capacity and increased fuel costs incurred by processing plants. However, it is important to note that market factors that affect MMS transportation and processing costs have similar impacts on private industry costs, and by extension, on the comparable deductions from royalty payments that would otherwise be made if royalties were taken through RIV payments.

Estimated 2006 and 2007 funding levels are shown in the following table.

Table 34: FY 2007 and Estimated 2008 RIK/SPR Costs
(in thousands)

	2007 Authority	2007 Actual	2008 Authority
Transportation and Processing			
Gas Processing & Transport 1/	n/a	$ 12,238	$ 35,000
Oil Transport and Quality Bank 2/	n/a	20,501	45,000
Total Transportation & Processing	**$ 78,248**	**$ 32,739**	**$ 80,000**
Administrative Costs	20,000	18,885	20,100
Total RIK/SPR Costs	**$ 98,248**	**$ 51,624**	**$ 100,100**

Notes:
1/ Increases in processing are based on the midpoint between the historical and current WTI-NGL price relationship to determine future processing costs.

2/ Increase in transport is based on historical tariff rate increases and increases and planned new property additions.

Program Performance: Past Accomplishments & Future Goals

2009 RIK Program Costs: The preliminary 2009 estimate for RIK transportation and processing costs is in a range of between $60 million and $130 million dollars.

Transportation and processing costs are incurred whether the government takes the product in value (RIV) or in kind (RIK). Under RIV, these costs are paid by lessees and then deducted from royalty payments, reducing net payment to the Treasury. Under RIK, MMS pays for the transportation and processing because it can secure favorable pricing based on the large volumes represented by the RIK program. Purchasers then pay MMS for the full transported and processed value of the product.

Although RIK volumes are expanding, MMS anticipates that the administrative costs will remain relatively flat. In 2008, RIK authority for administrative costs is $20.1 million, an increase of only $100,000 over the 2007 budget of $20 million. RIK resulted in administrative cost avoidance when compared to RIV primarily due to decreased audit, compliance, and litigation costs.

RIK Risk Metrics: MMS is developing system capability and methodologies to measure risks of not achieving fair market value, including exposures and probabilities. A prototype was developed in 2006 and tested in 2006 and 2007. System completion in 2008 will significantly enhance MRM's capability to measure and report on risks to be encountered, at the same time providing crucial information to inform decisions. Because of the unique performance measures for RIK compared to a private sector marketing organization, RIK risk metrics will employ somewhat unique methodologies. The RIK program is thoroughly testing the model prior to operational deployment.

2008 and 2009 - RIK Expansion and Risk Management

During 2008 and 2009, the primary focus toward enhancing net revenue and diversifying market strategies will be on natural gas RIK expansion. Growth of RIK gas volumes is projected at an optimal level consistent with expectations of being equal to or exceeding appropriate fair market value (FMV) benchmarks. In 2006, the natural gas RIK business unit took more than 45 percent of Gulf of Mexico (GOM) natural gas royalties in kind; MMS expects this percentage to rise to 65 percent by 2009.

Though RIK volumes are expanding, MMS does not expect RIK administrative costs to expand commensurately. The Five Year RIK Business Plan targets a 10 percent (per BOE) reduction of RIK administrative expenses during the last 3 years of the Five-Year RIK Business Plan, FY 2007 to FY 2009. The MMS set the baseline of $0.063 per BOE for this measure, based on an average of FY 2004 – 2006 results.

MMS developed a Risk Procedures Manual in April 2006 as a guide to RIK staff in everyday implementation of the risk policy. The Manual aligns with MMS's RIK internal control and the performance and risk monitoring framework, established in 2005, to support the RIK operational program and MMS policy oversight functions. In August 2005, MMS released a RIK Risk Management Policy (based on two comprehensive risk assessments of the RIK Program) which identified and addressed the risks encountered in this energy commodity sales program. MMS is testing a new risk metrics program to quantitatively identify exposures and inform decision making within the RIK Program. The risk metrics are expected to be fully implemented in FY 2008.

The MMS has adopted a conservative business model, based on sound and widely-used practices, in itself a risk mitigation mechanism. All RIK decisions, including expansion of RIK volumes, will be made in accordance with this policy.

2008 and 2009 - Deliveries of RIK oil for the Strategic Petroleum Reserve
In July 2007, MMS began deliveries of royalty oil to the Department of Energy (DOE) at a rate of approximately 50,000 barrels per day (bpd), for the Strategic Petroleum Reserve (SPR). Beginning January 2008, MMS increased the delivery rate to approximately 70,000 bpd. The Budget assumes MMS will deliver approximately 27 million barrels of oil to DOE for the SPR during FY 2008 and FY 2009. Current SPR facilities have a capacity of 727 million barrels, and DOE is working to implement the Administration's policy to develop additional SPR capacity, which will be filled using additional MMS RIK deliveries to DOE in future years.

SUBACTIVITY SUMMARY

The MMS manages a substantial Federal monetary asset on behalf of the American public. Revenues from mineral leasing on public lands have averaged nearly $11 billion annually over the last 5 years. As such, MMS is entrusted with performing an important fiduciary role for the Nation.

The MMS exists in a dynamic environment, and its activities continuously evolve in response to industry changes. The MMS makes every effort to ensure that it continues to provide an unequaled government organization, measured by both performance and strict adherence to our fiduciary responsibilities. The full funding of the CAM 2009 Subactivity will ensure that MMS is able to perform its Federal and Indian compliance activities effectively.

The Compliance and Asset Management Performance Overview Tables are shown on the following pages.

Table 35: MRM Performance Overview – Compliance and Asset Management

Performance Overview - Compliance and Asset Management

Note: Performance and Cost data may be attributable to multiple activities and subactivities. Therefore, measure costs may not equal totals shown in subactivity tables.
n/a - Data not available

End Outcome Goal 1.1 Resource Use (energy): Manage or influence resource use to enhance public benefit, responsible development, and economic value.

Measure	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 President's Budget	Change from 2008 Plan to 2009	Long-term Target 2012
Intermediate Outcome Strategy 3: Appropriate value through effective lease and permit management								
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures								
Percent of Federal and Indian royalties compliance work completed within the 3-year compliance cycle (SP/PART)	69% of CY 2001 royalties ($4.763B / $6.865B)	71% of CY 2002 royalties ($4.289B / $6.000B)	73% of CY 2003 royalties ($5.827B / $8.035B)	65% of CY 2004 royalties ($5.832B / $9.008B)	60% of CY 2005 royalties *	62% of CY 2006 royalties *	+2%	TBD
Total Actual/Projected Cost ($M)	43.7	44.2	53.2	53.7	55.5	58.6	3.2	--
Comments	** MMS reduced royalty revenue coverage for 2007 and beyond to address the OIG's recommendation that we increase property/company coverage.*							
Compliance benefit/cost efficiencies * (PART)	N/A	N/A	1 : 2.63 (Baseline)	1 : 4.27	1 : 4.45	1 : 4.60	+ 0.15	TBD
Contributing Programs	MRM-Compliance and Asset Management							
Comments	*This is a ratio of costs to collections for compliance reviews and audits. In FY 2007, for every dollar spent on compliance reviews and audits we collected $4.27 in additional royalties. To mitigate variances in collections, thus providing better management information, this is measured as an average over the previous 3 years. MRM costs and collections, as well as those of state and Tribal auditors, are included in this measure.							

Performance Overview - Compliance and Asset Management (continued)

Measure	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 President's Budget	Change from 2008 Plan to 2009	Long-term Target 2012
Estimated net return (in dollars) to the government through Royalty in Kind (RIK) (SP/PART)	$19.7M	$36M (cum)	$67.1M (cum)	$86M (cum) *	$105M (cum) **	$125M (cum)**	+$20M *	$180M * (cum)
Total Actual/Projected Cost ($M)	n/a	n/a	17.3	20.0	20.1	--	--	--
Comments	**The FY 2007 target is $86M (cum). The final results will be available April 2008. ** The FY 2006 cumulative result of $67.1 million exceeded the initial FY 2007 target of $51.8 million. The RIK program consequently revised its targets for FY 2007 and beyond. The current targets are based on prior year trend data, known RIK oil volumes required for SPR fill during FY 2007-2012, and projected RIK gas expansion in the Gulf and Wyoming. Targets are based on cumulative progress made FY 2005 and forward in reaching the long-term goal. The current cumulative targets for FY 2008 and FY 2009 are $105 million, $125 million, respectively. Results are available in April of the succeeding year.*							
RIK administrative cost efficiencies (PART)	N/A	N/A	$0.063/BOE (Baseline)	Annual Measure - results available April 2008	-5% (Cum)	-10% (Cum)	-5% (Cum)	TBD
Comments	*The 2006 baseline is an average of the 2004 thru 2006 cost per BOE.*							
Ensure substantial compliance for X% of Indian gas properties within 3 years for Indian-specific major portion/index pricing terms. (BUR)	100% of CY 2001; (2,259 properties / 2,259 properties)	100% of CY 2002; (2,216 properties / 2,216 properties)	100% of CY 2003; (2,246 properties / 2,246 properties)	100% of CY 2004; (2,295 properties / 2,295 properties)	100% of CY 2005	100% of CY 2006	No Change	100% of CY 2009
Outputs								
RIK Barrels of Oil Equivalent (BOE) Sold	41.5 million	56.6 million	72.1 million	90.1 million [2]	81 million [2]	100 million	+ 7 million	TBD
Total Actual/Projected Cost ($M)	n/a	n/a	17.310	20.000	20.100	--	--	--
Actual/Projected Cost per Unit ($)	n/a	n/a	0.2401	0.2220	0.2481	--	--	--
Comments	*[2] Estimate for 2008 has been modified from the 2008 President's Budget. Previous projections did not incorporate assumptions about further deliveries of RIK oil to DOE for the SPR. Transfers to DOE were 2.9 million barrels in FY 2007. In order to calculate all RIK volumes for a year, MMS adds oil volumes to gas volumes, which have been converted to "Barrels of Oil Equivalent" (BOE) utilizing standard industry factors. MMS divides gas MMBtu volumes by a factor of 5.8 (the industry standard factor for converting MMBtu to BOE) to yield a gas BOE. MMS also converts Natural Gas Liquid (NGL) volumes to Mcf by dividing the liquid volumes by 15 (the industry standard factor) and then dividing this result by 5.8 to yield BOE.*							

Performance Overview - Compliance and Asset Management (continued)

Measure	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 President's Budget	Change from 2008 Plan to 2009	Long-term Target 2012
Compliance Reviews Completed	n/a	3,410	2,584	4,171	1,500	1,600	100	TBD
Total Actual/Projected Cost ($M)	26.7	26.0	32.1	29.8	30.8	32.5	1.7	--
Actual/Projected Cost per Unit ($000)	n/a	7.62	12.42	7.14	20.51	20.29	-0.22	--
Comments	*MRM is implementing additional procedural and process requirements recommended by the OIG, which will increase the time necessary to complete a compliance review. The implementation of the risk-based strategy will provide the tools to determine if a compliance review or audit should be performed based on the risk assessment.*							
Audits Completed	163	632*	144	304	155	162	7	TBD
Total Actual/Projected Cost ($M)	11.4	12.8	15.9	18.9	19.5	20.6	1.1	--
Actual/Projected Cost per Unit ($000)	70	20	110	62	126	127	1	--
Comments	** The increase in audits completed in 2005 is partially the result of an effort by MMS to close a significant number of old audits as a result of a recommendation from an external peer review of our audit activities. For many of these cases, the primary work had been completed in prior years, and in 2005, MMS ensured that final steps and documentation were taken to close the audit.*							
Indian Inquiries Serviced	5,736	5,247	4,366	4,136	6,000	6,000	0	TBD
Total Actual/Projected Cost ($M)	0.624	0.575	0.678	0.708	0.732	0.772	0.040	--
Actual/Projected Cost per Unit ($)	109	110	155	171	122	129	7	--
Conduct X Indian outreach sessions per year (BUR)	70	84	74	81	65	65	0	TBD
Total Actual/Projected Cost ($M)	0.309	0.381	0.391	0.389	0.403	0.425	0.022	--
Actual/Projected Cost per Unit ($000)	4.4	4.5	5.3	4.8	6.2	6.5	0.3	--

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2009 PERFORMANCE BUDGET REQUEST

Minerals Revenue Management

Revenue and Operations Subactivity

Table 36: MRM Revenue and Operations Subactivity Budget Summary

		2007 Actual	2008 Enacted	2009 Fixed Costs & Related Changes	2009 Program Changes	2009 Budget Request	Change from 2008
Revenue and Operations Subactivity	($000)	37,069	36,632	387	1,644	38,663	2,031
	FTE	170	170	0	0	170	0

SUMMARY OF 2009 PROGRAM CHANGES

Request Component	Amount	FTE
• Improve Automated Interest Billing to Companies	+$1,700,000	0
• Travel and Performance Contracting	-$56,000	0
Total Program Changes	**+$1,644,000**	**0**

JUSTIFICATION OF 2009 PROGRAM CHANGES

The 2009 Budget Estimate for the Revenue and Operations Subactivity is $38,663,000 and 170 FTE, with a program change of $1,644,000 to improve automated interest billing to companies and no change to FTE levels from 2008.

Improve Automated Interest Billing to Companies (+$1,700,000; +0 FTE)

Justification: MRM proposes to improve the timeliness and efficiency of the interest assessment to companies by implementing system enhancements to the MRMSS interest module. This initiative will fund the final phase of an improvement initiative begun within base funding in FY 2007, with the objective of transitioning from an extremely labor intensive process with significant backlogs to a highly effective and efficient business process. Currently, before invoices are finalized, automated draft invoices are manually verified and updated based on unique exceptions not programmed into the MRMSS system.

Resulting benefits of this initiative will allow MRM to:

- Streamline and expedite late and overpayment interest invoicing
- Enhance internal controls within the interest billing process
- Reduce manual intervention associated with interest billing
- Allow MMS to close audit cases (which must include interest) sooner
- Reduce FTE to be redirected to other high priority projects

Early phases of this project include:

- FY 2007 - Redirecting MRM staff to reduce interest billing backlogs, and implementing performance tuning of the interest billing module to increase processing capacity.
- FY 2008 – Developing and Implementing an interactive electronic billing process to allow MRM staff to efficiently access, sort, review and research billing actions online. At the end of 2008, this will still be a manually intensive process, but will electronically provide all of the tools employees need, reducing their paper burden and providing for faster processing of invoices.

During FY 2009, the requested funding will provide for enhancements to more fully automate the interest billing module within MRMSS to significantly reduce manual intervention requirements and greatly increase processing efficiencies. Options could include utilization of interface software or of fully-integrated import/export technology; however, other options will be explored during the design phase to determine the best alternative.

Upon full implementation of this initiative, not only will recipients receive interest revenues sooner, but MRM will be able to redirect some staff resources to other priority areas.

Reduction for travel and performance contracting (-$56,000; -0 FTE)

Justification: A programmatic reduction of $56,000 will result from reductions on travel and from savings realized through performance-based contracting. These reductions are part of a Department-wide effort to reduce costs. Please refer to the General Statement for additional information.

PROGRAM OVERVIEW

The Federal Government has been collecting revenues from mineral production on Federal onshore lands since 1920, from American Indian lands since 1925, and from Federal offshore lands since 1953. In 1982, MMS was created, establishing a comprehensive, consolidated system for the collection, accounting, and disbursement of these revenues. Since that time, the MRM program has provided approximately $176.6 billion to Federal, State, and Indian recipients. In addition, MMS has delivered oil to the Department of Energy for the Strategic Petroleum Reserve valued at an estimated $4.7 billion.

The MMS achieves optimal value by ensuring that all revenues, whether derived in-value or in-kind, from Federal and Indian leases are efficiently, effectively and accurately collected, accounted for, substantiated, and disbursed to recipients in a timely manner. The Financial Management process ensures the proper receipt and timely processing of Federal and Indian mineral revenues and information.

The Revenue and Operations Subactivity includes two major components which provide significant benefits to the American people:

- *Disbursement and Financial Reporting* – The MMS ensures that revenues collected annually from Federal and Indian mineral leases are properly disbursed to the appropriate recipients. Quarterly financial statements, fairly representing MMS financial transactions, ensure accurate and timely compliance with OMB and Treasury requirements.

- *Collection and Invoicing* – The MMS receives and processes more than 6 million lines of royalty and production report data each year. In addition, MMS researches and resolves erroneous reporting so that associated dollars can be distributed in a timely manner to proper recipients. Using automated exception processes, MMS also detects unmet financial obligations established in the lease, interest due on late payments, and violations of Indian recoupment limitations. Invoices not paid are subjected to a comprehensive debt collection process, ensuring that revenue recipients receive funds in a timely manner.

Through the MRM Financial Management process, MMS's people and processes within the Revenue and Operations Subactivity support DOI's End Outcome Goals to "Manage or Influence Resource Use to Enhance Public Benefit, Responsible Development, and Economic Value (energy)." The MMS strategic goals focus on the ability to ensure that the Nation receives appropriate value for its mineral resources.

PERFORMANCE OVERVIEW

The primary financial management measure is to ensure timely disbursement of revenues to ultimate recipients. When disbursements are not timely, MMS must pay late-disbursement interest. One of MMS's performance goals is to reduce interest payments related to late disbursements to states by 90 percent over five years. Interest costs during FY 2007 were about $1.7 million. The MMS pays late disbursement interest to states in large part because of problems tracking how industry payments should match their reports.

During 2008-2009, MMS will be implementing the interactive payment matching and billing initiative, and thus current manually-intensive processes will continue to be used to address unresolved accounts receivables and unmatched payments. Once completed in 2010, MMS anticipates a learning curve for companies during the first year, and then a much increased capability to reduce accounts receivable and accompanying late-disbursement interest. More current accounts receivable balances will provide for more timely disbursement of revenues to ultimate recipients.

In 2008 and 2009, MMS will be in the implementation phase of the Financial Management Business Planning initiative, and will implement strategies and performance measures, linked to the Department's Strategic Plan, as Management determines appropriate during Strategic Business Planning discussions.

DISBURSEMENT AND FINANCIAL REPORTING PROGRAM PERFORMANCE

The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA), as amended, requires monthly distribution and disbursement of payments to states and Indians for their share of mineral leasing revenues. Historically, the distribution and disbursement function within MRM has ensured that collections from Federal and Indian mineral leases are properly disbursed to the appropriate recipients including the U.S. Treasury, 5 Federal agencies, 38 states, and 41 Indian Tribes. Over the last five years, MMS has collected and distributed on average $10 billion in annual revenues for the Nation, States, and American Indians. These amounts are disbursed in accordance with legislated formulas.

The MMS has disbursed the following mineral leasing revenue amounts since 1982[1]:

- $107.8 billion to the U.S. Treasury and other Federal agencies
- $ 22.6 billion to the Land and Water Conservation Fund
- $ 22.3 billion to 38 states
- $ 14.7 billion to the Reclamation Fund
- $ 5.7 billion to 41 American Indian Tribes and 30,000 IIMOs
- $ 3.5 billion to the National Historic Preservation Fund

Approximately 60 percent of all annual collections go to the General Fund of the U.S. Treasury, 23 percent to special purpose funds that are subject to appropriation, 12 percent to states, and three percent to the American Indian community.

[1] In addition, MMS has delivered oil to the Department of Energy for the Strategic Petroleum Reserve valued at an estimated $4.7 billion.

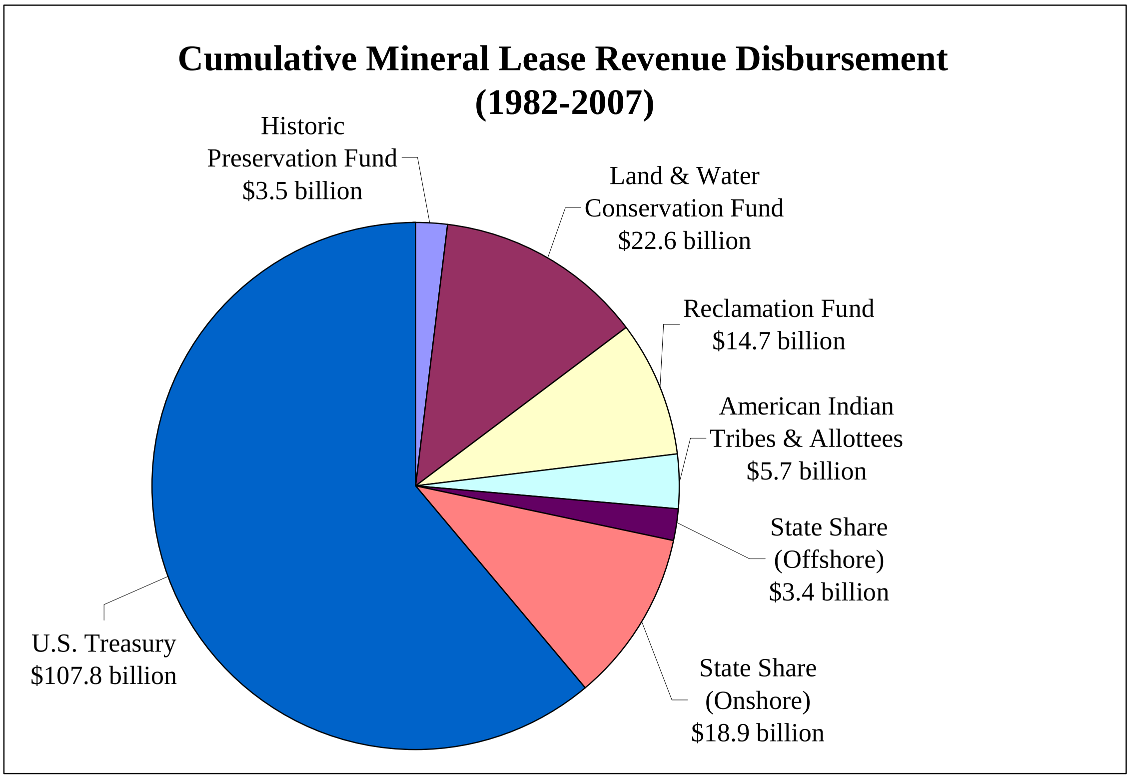


Figure 21: Cumulative Mineral Lease Revenue Disbursements (1982 – 2006)

Special purpose funds, including the Land and Water Conservation Fund (LWCF), the National Historic Preservation Fund, and the Reclamation Fund, have received more than $40 billion in MMS-collected mineral revenues since 1982. During the past decade, mineral revenues from the OCS have accounted for more than 95 percent of the deposits to the LWCF.

Program Performance: Past Accomplishments & Future Goals

Timely Revenue Disbursement: The MMS ensures that funds are disbursed to recipients by the end of the month following the month received, per statute. In 2005, MMS disbursed 98 percent of its revenues on a timely basis, per statute, exceeding its target of 96 percent. This increase resulted from a three-pronged effort of working directly with companies to increase reporting accuracy, increasing the accuracy of the financial system's payment matching process, and enhancing the edits of the electronic reporting process to reduce the number of rejected report lines. In FY 2006, MRM focused on reducing Accounts Receivable and unapplied payments. This resulted in the processing of several older payments, which lowered our timely disbursements result to 94.5 percent, compared to the 96.5 percent target. Following MRM's completion of this work, timely disbursements increased to 96.3 percent during FY 2007, against a 97 percent target. The targets for both 2008 and 2009 are 98 percent for this measure.

Additionally, in 2007 MMS transferred 100 percent of American Indian revenues it received to the OST within 24 hours of identification, against a 99.5 percent target. To ensure prompt payment of mineral revenue payments to American Indian Tribes and IIMOs, MMS immediately deposits Indian revenues into accounts administered by OST where they are invested and subsequently distributed by the Bureau of Indian Affairs (BIA) to American Indian Tribes and IIMOs. The target is 100 percent for 2008 and 2009.

The BIA requires Financial Distribution Report (FDR) information in order to distribute funds to individual Indian mineral owners. To better serve its American Indian constituents, MMS provides this lease distribution data to BIA twice each month. In 2007, MMS provided lease distribution data to BIA for 96 percent of royalties by the first semi-monthly distribution, against a 95 percent target. The target for 2008 is 96 percent, and in 2009, MMS has set the target at 96.5 percent.

Financial Accountability: The MMS's financial system has automated internal controls and accounting processes to reconcile subsidiary and control accounts and to ensure proper recording and reporting of revenues. The MMS records financial transactions with an account structure consistent with the U.S. Government Standard General Ledger (USSGL). It uses the USSGL accounts to prepare external reports to OMB and the U.S. Treasury and to prepare financial statements and the Annual Financial Report. In FY 2005, MMS met the new DOI financial reporting deadlines to upload financial data to DOI monthly instead of quarterly.

The Chief Financial Officer's Act requires annual audits of DOI financial statements that include a thorough review of MMS's financial activities and mineral revenue custodial accounts. These audits ensure that MMS financial statements fairly represent the transactions recorded within the MMS financial management system. To ensure accurate and timely compliance with all Federal requirements, MMS has instituted quarterly financial statements and has accelerated the end-of-year reporting through the elimination of off-line processes.

On November 13, 2007, the Office of the Inspector General (OIG) released the Independent Auditors' Report on the Department of the Interior Financial Statements for Fiscal Years (FY) 2007 and 2006. The Independent Auditors' Report concluded that "Interior's financial statements as of and for the years ended September 30, 2007 and 2006, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles." Their consideration of internal control over financial reporting resulted in the identification of seven significant deficiencies for the Department, but none of the significant deficiencies were believed to be material weaknesses and none applied to Minerals Revenue Management (MRM). In 2007, MMS conducted an evaluation of the internal control over financial reporting of the Minerals Revenue Management in effect as of June 30, 2007. This evaluation was conducted in accordance with OMB Circular A-123, Management's Responsibility for Internal Control and the CFO Councils Implementation Guide. Based on the results of the evaluation, MMS provides reasonable assurance that the internal controls over financial reporting were suitably designed and operating effectively as of June 30, 2007. In addition, in coordination with OST, MMS completed a risk assessment of its Indian processes to identify and test controls, which are designed to mitigate risk. For 2008 and beyond, the goal is continued unqualified audit opinions of MMS's financial statements.

Company Reporting Accuracy = MMS Revenue Disbursement Timeliness

The MMS monitors its performance in disbursing funds to recipients by the end of the month following the month received, per statute. Accurate reporting by companies is integral to the successful disbursing of funds in a timely manner.

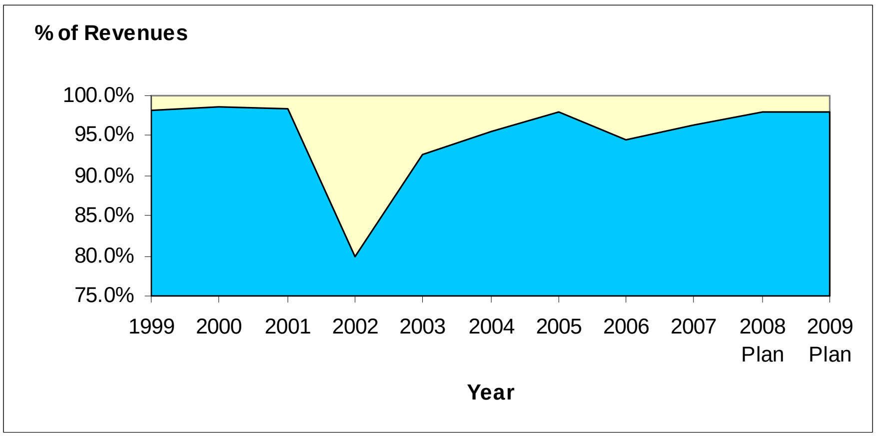


Figure 22: Percent of Revenues Disbursed On-Time

In 2002, after implementation of the new systems and a court-ordered internet shutdown, company reporting accuracy fell to 86 percent, and MMS disbursement timeliness dropped to 80 percent. Since that time, both metrics have improved due to MMS focusing its resources on error resolution, in consultation with companies, and providing additional training to companies. During 2006, MMS processed several older payments, which lowered our timely disbursements result to 94.5 percent, even though companies reported 97.4 percent accurately. MRM has completed the older processing work and timely disbursements increased during FY 2007 to 96.3 percent. During 2008 and 2009, MMS is targeting 98 percent disbursement timeliness and 98 percent reporting accuracy.

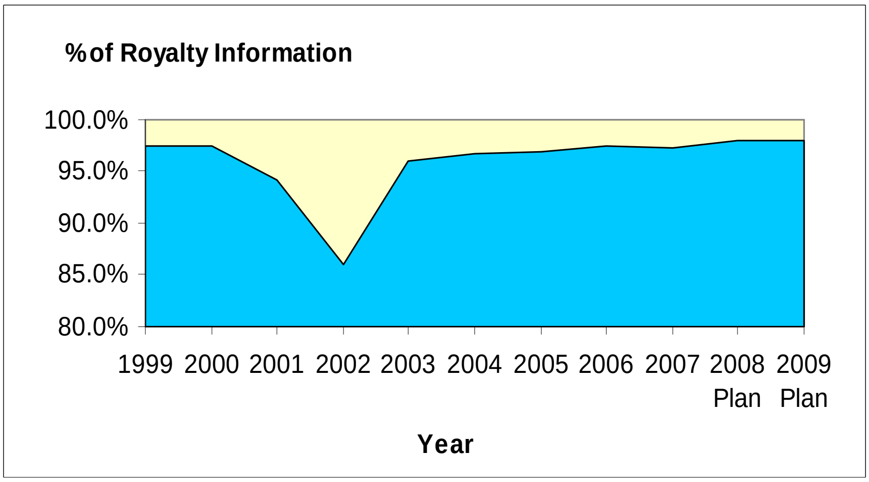


Figure 23: Percent of Royalty Information Reported Accurately

Energy Policy Act Implementation Project. The MRM program continues to move forward in implementing provisions of the Energy Policy Act of 2005 (EPAct). As of the end of FY 2007, MRM completed the following:

- Completed MRM Support System modifications for automated county-level geothermal royalty disbursements and disbursements to special accounts including accounts for the Naval Petroleum Reserve-Alaska, Ultra Deepwater Research, and the Coastal Impact Assistance Program (CIAP).

- Implemented system design and development changes required for three credit provisions in the EPAct. The Act authorizes limited or partial credits against royalties for:
  1. geothermal lessees for the value of electricity delivered in-kind to a state or county government;
  2. reimbursement of lessees for costs to reclaim orphaned, abandoned, or idled wells on leased or unleased Federal land;
  3. payments made by a lessee directly to a state under section 6004(c) of the Oil Pollution Act (primarily involving one lessee and old drainage issues with the State of Louisiana).

- Established numerous new Treasury accounts specified by the Act, including accounts for the Naval Petroleum Reserve-Alaska, the BLM Permit Processing Pilot Office, CIAP, Department of Energy Ultra Deepwater Research Fund and BLM geothermal activities. MRM now disburses mineral revenues to these accounts in accordance with terms of the EPAct to fund these programs.

- Submitted annual report on the RIK Program to Congress, as required by the EPAct. Topics include actions taken to develop business processes and automated systems to fully support the RIK program, and future RIK business operation plans and objectives.

- Published final geothermal valuation regulations in May 2007, in conjunction with BLM, to implement provisions and procedures for geothermal leasing, exploration, and development. These proposals are designed to streamline the geothermal valuation and payment process and encourage the development of new geothermal energy resources. The MMS has worked closely with the geothermal industry, affected States, and others in developing the regulations.

- Completed initial draft of proposed coal advanced royalty regulations required by EPAct, in conjunction with BLM.

Information Technology: Information systems and electronic government infrastructure play a critical role in MMS's collection and disbursement of the Nation's mineral revenues. The Minerals Revenue Management Support System (MRMSS) uses commercial off-the-shelf (COTS) software that has been modified for MRM requirements and is contractor-owned and operated. Through these efforts, MMS continues to ensure that its systems remain secure, interactive, in compliance with latest mandated accounting requirements and technologies, and

Web-based. In 2007, MRM implemented the latest version of PeopleSoft for its financial module as well as upgrade software versions for the RIK module. While the Web-based paradigm creates efficiencies and conforms to industry best practice, this approach creates a strong dependency on access to the internet.

The MRMSS is critical to the ability of MRM to account for, and disburse mineral revenues in a timely fashion to Treasury, States and Indians. Primary IT systems supporting the financial management process include the financial management system and the data warehouse.

- The Financial Management System accounts for all Federal and Indian minerals rents, royalties, bonuses, and their distribution/disbursement to the Treasury, states, and Indians. The system also issues bills for late or nonpayment of royalties.

- The data warehouse provides a repository of historical financial and production information for use by internal users, BLM, and other agencies, as well as State and tribal entities that, under contract for MRM, ensure compliance on leases within their jurisdiction. The warehouse also provides an electronic means for industry to get information back on the results of their royalty and production reports and for State and tribal revenue officials to get reports on revenues received and disbursed.

Two further critical subsystems of the MRMSS that are vital to the accomplishment of the MRM mission are the Compliance Asset Management (CAM) subsystem and the Royalty-in-Kind (RIK) subsystem:

- The CAM subsystem includes specialized tools for verifying companies' compliance with laws, lease terms, and regulations. Compliance activities yield significant additional revenues for recipients.

- The RIK subsystem uses a suite of tailored COTS applications that are integrated into the Financial Management subsystem. The RIK subsystem provides an automated system supporting internal controls to manage the transportation, processing, and sale of oil and natural gas taken in kind and sold by MRM in lieu of receiving in value payments.

Projected 2008 MRMSS costs total $17.3 million, comprised of $1.9 million for initiatives, $15.1 million for operations and support costs, and $0.3 million for FTE costs, as reported in the Exhibit 300; MMS-MRMSS (Revision 23). Budget year 2009 MRMSS projections total $21.3 million including $2.8 million for initiatives; however, operations, support, and FTE cost estimates may need to be adjusted upon completion of the operations and support contract recompete in late 2007.

COLLECTION AND INVOICING PROGRAM PERFORMANCE

The MMS collects annual rental revenues and reporting information on more than 37,000 non-producing leases and monthly royalty revenue and sales reports on more than 28,000 producing onshore and offshore Federal leases.

Generally, royalty payments are due from energy companies on the last day of the month following the month of production. Each month, MMS receives and processes approximately 34,000 reports containing more than half a million lines of data from over 2,100 energy companies. In the process, several forms of primary data are collected, electronically or by hard-copy transmission, and maintained by MMS:

- Property data, including information on mineral leases, mineral-producing or revenue-paying companies, and commodity purchasers;
- Mineral revenue and production data, consisting of monthly-required report and payment data related to rents, mineral royalties, mineral production volumes; and
- Market and sales data used in managing the RIK program.

Additionally, MMS maintains non-revenue data related to leases and agreements, including the supporting legal information essential to execute royalty processing functions. When new leases or agreements are established, or when changes occur on a lease, MRM receives information from the Bureau of Land Management or from MMS's Offshore Minerals Management and must update MRM's automated reference data files attributable to Federal and Indian mineral leases and agreements to ensure that company reports process smoothly and to verify accurate payment.

To ensure that the proper revenues on the Federal and Indian royalty share are collected, MRM performs automated and manual error correction of royalty and production reports, coordinating reporting and payment matters with industry, state governments, Indian Tribes, other Federal agencies, and other MMS offices.

Each month MRM runs automated exception detection processes to ensure that industry customers follow Federal laws, regulations, and lease terms in their financial reporting to MRM. The automated exception detection processes pay customers interest for overpayments and over-sufficient estimates on Federal leases. Payments are based on the IRS overpayment rate. These processes also bill customers for:

- Late payment interest on Federal, Indian, solid mineral, and geothermal leases. Payments are due at the end of the month following the month of production. If payments are late, an assessment is made based on the IRS underpayment rate.

- Insufficient estimates on Federal, Indian, solid mineral, and geothermal leases. An estimate allows customers to pay royalties sixty days following the end of the month of production versus thirty days without an estimate. However, if the estimate is not sufficient to cover production for that month, an assessment at the IRS underpayment rate is made for the calendar month or to the payment date, whichever comes first.

- Over-recoupments on Indian leases. Recoupments are limited to 50 percent of monthly revenues for allotted leases and 100 percent of monthly revenues for tribal leases; and

- Rental, minimum royalty, deferred bonus, rights-of-way, and other financial term exceptions.

Receiving proper payments also includes ensuring that delinquent invoices are pursued in accordance with the Debt Collection Act. This is achieved through calls and letters to customers, demands to payors, notices to lessees/operating rights owners, demands to surety, referrals to the Justice Department for litigation or to the U.S. Treasury for collection, and if required, write-off of debt.

Program Performance: Past Accomplishments & Future Goals

Company reporting accuracy is key to ensuring that MMS achieves timely disbursement. In 2007, Companies reported 97.3 percent of royalties accurately, thus, requiring MMS intervention to resolve royalty errors on only 2.7 percent of all royalties reported and paid. In 2008 and 2009, the target is 98 percent for this measure.

SUBACTIVITY SUMMARY

In summation, the MMS manages a substantial Federal monetary asset on behalf of the American public. Over the last five years, MMS has collected and distributed on average $10 billion in annual revenues for the Nation, States, and American Indians. As such, MMS is entrusted with performing an important fiduciary role for the Nation.

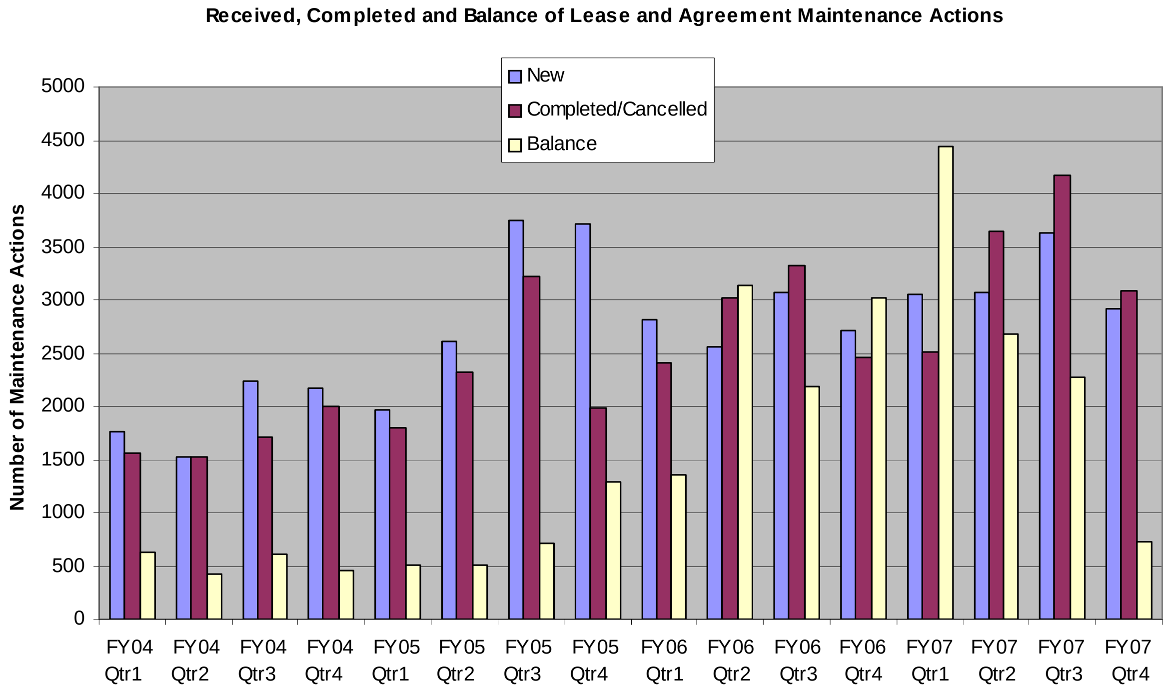
The MMS exists in a dynamic environment, and its activities continuously evolve in response to industry changes. The MMS makes every effort to ensure that it continues to provide an unequaled government service to the American people, measured by both performance and strict adherence to our fiduciary responsibilities. The full funding of the Revenue and Operations request will provide the resources necessary for MMS to continue to ensure the proper receipt and timely processing of Federal and Indian mineral revenues and information.

Figure 24: Received and Completed Lease and Agreement Maintenance Actions

Using Performance and ABC Data

Performance and cost data continues to support key management decisions that are instrumental in maintaining the increased number of completed lease and agreement maintenance actions. The timely completion of lease and agreement maintenance actions is required to ensure the timely and accurate distribution of funds and the ability of MRM to provide accurate data to external customers.

MRM increased the number of completed maintenance actions by 50 percent - from 9,766 completed actions in 2004 to 14,613 completed actions in 2006. This was a significant accomplishment during a timeframe when the number of lease and agreement maintenance items received by MRM increased by 45 percent. The number of completed maintenance items continued to increase slightly during 2007 to 15,396 completed actions. The increase in lease and agreement maintenance actions is the result of a number of BLM actions related to coal bed methane leases.



MRM costs to complete a maintenance action were therefore reduced by 28 percent; from $98 to $70 per unit, between 2004 and 2005. Though workload volumes continue to increase, total costs of the function remained stable from 2005 through 2007. Key to this success is ongoing outreach and communication with other Federal agencies and improved training and mentoring of employees – both new and seasoned – to increase efficiencies and share best practices.

The Revenue and Operation Subactivity Performance Overview Tables are shown below.

Table 37: MRM Performance Overview – Revenue and Operations

Performance Overview - Revenue and Operations								
Note: Performance and Cost data may be attributable to multiple activities and subactivities. Therefore, measure costs may not equal totals shown in subactivity tables. n/a - Data not available								
End Outcome Goal 1.1 Resource Use (energy): Manage or influence resource use to enhance public benefit, responsible development, and economic value.								
Measure	**2004 Actual**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2009 President's Budget**	**Change from 2008 Plan to 2009**	**Long-term Target 2012**
GPRA End Outcome Measures								
Percent of Federal and Indian revenues disbursed on a timely basis per statute (SP/PART)	95.5% ($1.344B / $1.407B)	98.4% ($1.978B / $2.011B)	94.5% ($2.505B / $2.650B)	96.3% ($2.251B / $2.336B)	98%	98%	No Change	99%
Total Actual/Projected Cost ($M)	41.9	42.3	43.7	45.8	45.2	47.8	2.7	--
Comments	*In FY 2006, MRM focused on reducing accounts receivable and unapplied payments. This resulted in the processing of several older payments, which lowered our timely disbursements result to 95%, compared to 98% in FY 2005. Following the clearance of these older payments, timely disbursements increased in FY 2007. During FY 2008 and 2009, MRM will implement a 2-year FY 2008 budget initiative for interactive payment and billing. System enhancements will provide secure access for industry reporters to play a more interactive role in matching payments to the appropriate receivables. After the initial FY 2010 implementation year, MMS anticipates that more accurate company reporting will increase MMS disbursement timeliness to 99% by FY 2012.*							
Intermediate Outcome Strategy 3: Appropriate value through effective lease and permit management								
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures								
Percent of companies' royalty information reported accurately the first time (PART/BUR)	96.7% (2.575M lines / 2.663M lines)	96.9% (3.025M lines / 3.121M lines)	97.4% (3.084M lines / 3.167M lines)	97.3% (3.094M lines / 3.180M lines)	98%	98%	No Change	TBD
Late disbursement interest costs (PART)	N/A	N/A	Baseline $1.851M	- 9.5% - $0.176M	-40% (Cum) -$0.740M	-60% (Cum) -$1.111M	-20% -$0.370M	-90% (Cum) -$1.666M
Comments	*This measure supports a focus on process and systems improvement to increase MRM's overall efficiency.*							

Performance Overview - Revenue and Operations (continued)								
Measure	**2004 Actual**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2009 President's Budget**	**Change from 2008 Plan to 2009**	**Long-term Target 2012**
Percent of late disbursements (SP)	0.77% ($0.063B / $8.300B)	0.34% ($0.033B / $9.939B)	1.13% * ($0.145B / $12.831B)	0.74% * ($0.086B / $11.671B)	1% *	0.9% *	- 0.1%	1%
Comments	** Please see comments to "Percent of Federal and Indian revenues disbursed on a timely basis per statute" measure above. Estimated FY 2007 late disbursements to States and Indian recipients, when compared to total FY 2007 disbursements, were far below the FY 2007 target. As a result, MMS' targets for FY 2008 and FY 2009 have been adjusted.*							
Transfer X percent of revenue to OST within 24 hours of receipt (BUR)	100% ($92.4M/ $92.4M)	100% ($113.4M/ $113.4M)	100% ($157.1M/ $157.1M)	100% ($124.3M/ $124.3M)	100%	100%	No Change	TBD
Percent of royalties for which lease data provided to BIA by first semi-monthly distribution (PART)	84% ($64.9M / $77.3M)	92% ($95.8M / $103.2M)	94.7% ($130.0M / $137.3M)	96% ($126.8M / $132.1M)	96%	96.5%	+0.5%	98%
Outputs								
Federal disbursements	12	12	12	12	12	12	No Change	12
Total Actual/Projected Cost ($M)	17.1	15.4	19.6	20.3	20.0	21.2	1.2	--
Actual/Projected Cost per Unit ($M)	1.4	1.3	1.6	1.7	1.7	1.8	0.1	--
Indian Revenue Distribution Transactions	24	24	24	24	24	24	No Change	24
Total Actual/Projected Cost ($M)	9.1	8.3	7.1	7.1	7.0	7.4	0.4	--
Actual/Projected Cost per Unit ($M)	0.379	0.347	0.296	0.295	0.292	0.308	0.016	--
Errors & exceptions resolved	786,923	2,978,743	3,973,267	3,136,895	2,800,000	2,800,000	0	2,800,000
Total Actual/Projected Cost ($M)	4.0	5.3	4.6	5.2	5.1	5.4	0.3	--
Actual/Projected Cost per Unit ($)	5.05	1.77	1.15	1.65	1.83	1.93	0.11	--
Comments	*Continuous process improvements, efficiency enhancements, and efforts in educating companies are anticipated to reduce workload.*							

Performance Overview - Revenue and Operations (continued)

Measure	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2009 President's Budget	Change from 2008 Plan to 2009	Long-term Target 2012
Invoices processed	4,878	6,210	7,958	25,034	4,500	10,000	5,500	10,000
Total Actual/Projected Cost ($M)	3.0	1.5	2.0	2.4	2.4	2.5	0.1	--
Actual/Projected Cost per Unit ($)	621	239	254	96	528	252	-276	--
Comments	*Continuous process improvements, efficiency enhancements, and efforts in educating companies are anticipated to reduce workload.*							
Lease & well agreement actions completed	113,001	104,564	120,478	132,174	120,000	120,000	0	120,000
Total Actual/Projected Cost ($M)	2.4	2.9	2.7	3.0	2.9	3.1	0.2	--
Actual/Projected Cost per Unit ($)	22	28	22	22	24	26	1	--
Checks & documents processed	88,385	85,715	86,484	86,027	86,700	86,000	-700	82,000
Total Actual/Projected Cost ($M)	0.819	1.063	0.972	1.069	1.054	1.117	0.063	--
Actual/Projected Cost per Unit ($)	9.27	12.40	11.24	12.43	12.16	12.99	0.83	--
Comments	*Smaller oil and gas companies continue to be taken over by larger companies that already report and pay electronically. Existing companies are also converting to electronic reports and payments as they become aware of the inherent efficiencies.*							
Account Reconciliation Actions	23,084	23,521	23,648	30,254	20,000	20,000	0	20,000
Total Actual/Projected Cost ($M)	5.1	7.7	6.5	6.5	6.4	6.8	0.4	--
Actual/Projected Cost per Unit ($)	222	329	274	216	322	341	19	--

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2009 PERFORMANCE BUDGET REQUEST
General Administration

Table 38: General Administration Summary of Budget Request

General Administration		2007 Actual	2008 Enacted	2009 Fixed Costs & Related Changes (+/-)	2009 Program Changes (+/-)	2009 Budget Request	Change from 2008 (+/-)
Executive Direction	($000)	2,691	2,590	+59	-8	2,641	51
	FTE	27	26			26	0
Policy and Management Improvement	($000)	4,374	4,165	+71	-10	4,226	61
	FTE	33	31			31	0
Administrative Operations	($000)	17,987	17,310	+344	-48	17,606	+296
	FTE	160	151			151	0
General Support Services	($000)	23,398	23,392	+3,197	-98	26,491	+3,099
	FTE	0	0			0	0
Total, General Administration	**($000)**	**48,450**	**47,457**	**+3,671**	**-164**	**50,964**	**+3,507**
	FTE	**220**	**208**			**208**	**0**

BUDGET OVERVIEW

General Administration programs support the OMM and MRM program activities, and the proposed changes to General Administration are Bureauwide issues relating to FBMS funding, Departmental Working Capital Fund charges, and other fixed costs expected to be funded through the General Administration program. A total of $50,964,000 is requested for General Administration for FY 2009, an increase of $3,507,000 from the 2008 President's Request.

Request Component	Subactivity	Amount	FTE
Program Changes			
• IDEAS Redirect to FBMS Hosting	**Total**	**-98,000**	**+0**
	General Support Services	-98,000	+0
• Reduction for travel and performance contracting	**Total**	**-66,000**	**+0**
	General Support Services	-66,000	+0
• **Total, Program Changes**		**-164,000**	**+0**

Fixed Costs and Related Changes

For 2009, an increase of $6,781,000 for fixed costs is requested for all of MMS, which covers anticipated increases in pay, benefits and other costs. If these increases are not funded, MMS's mission critical programs may suffer since unfunded fixed costs must be absorbed and existing resources may have to be redirected from programmatic needs to pay for fixed costs.

The Bureauwide requested fixed cost increase, has been spread across subactivities based on personnel costs and other factors, and is composed of the following (actual dollars shown):

January 2008 annual pay adjustments (3.5%)	+$1,199,000
January 2009 annual pay adjustments (2.9%)	+$2,782,000
One less pay day in 2009 (versus 2008)	-$610,000
Employer Share – Health Benefits	+$213,000
GSA/Non-GSA Space Rental	+$2,728,000
Workers' compensation	+ $49,000
Increase – Department Working Capital Fund	+$420,000
Total requested Fixed Cost Increases	**+$6,781,000**

PROGRAM OVERVIEW

The MMS General Administration Activity consists of four subactivities:

- **Executive Direction**, which provides bureauwide leadership, direction, management, coordination, communications strategies, and outreach;
- **Policy and Management Improvement**, which coordinates the Bureau's policy management, administrative appeals and strategic planning efforts;
- **Administrative Operations**, which includes budget, finance, human resources, procurement, facilities, information management, and equal employment services; and
- **General Support Services**, which ensures infrastructure support to the Minerals Management Service including support for the Offshore Minerals Management and Minerals Revenue Management programs.

The General Administration function provides the administrative, management and policy support, and services that the entire MMS organization needs to carry out its primary mission of resource and revenue management. In support of the two major programs, Minerals Revenue Management and Offshore Minerals Management, the administrative arm of MMS provides leadership and direction in overall management of the organization, planning and performance, budget, finance, human resources, information technology, and other services that support the DOI Resource Use and Serving Communities goal areas. Centralization of these administrative functions leverages resources and contributes to efficient, effective operations across the MMS organization.

The four subactivities within General Administration are described in the following pages.

A programmatic reduction of $66,000 will result from reductions on travel and from savings realized through performance-based contracting. These reductions are part of a Department-wide effort to reduce costs. Please refer to the General Statement for additional information.

Performance

General Administration does not have performance measures specifically for its activities; rather, the efforts within General Administration feed into the performance measures for the functional programs (Offshore Energy and Minerals Management and Minerals Revenue Management).

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2009 PERFORMANCE BUDGET REQUEST
General Administration
Executive Direction

Table 39: Executive Direction Subactivity Budget Request

		2007 Actual	2008 Enacted	2009 Fixed Costs & Related Changes (+/-)	2009 Program Changes (+/-)	2009 Budget Request	Change from 2008 (+/-)
Executive Direction	**($000)**	**2,691**	**2,590**	**59**	**-8**	**2,641**	**51**
	FTE	**27**	**26**	**0**	**0**	**26**	**0**

SUMMARY OF 2009 PROGRAM CHANGES

Program Change	Amount	FTE
• Reduction for travel and performance contracting	-$8,000	+0
Total Program Changes	**-$8,000**	**+0**

PROGRAM OVERVIEW

The Executive Direction Subactivity comprises the Office of the Director, the Office of Public Affairs, and the Office of Congressional Affairs.

Office of the Director (OD)

The Office of the Director includes the Director, the Deputy Directors, and their immediate staff. This office is responsible for providing general policy guidance and overall leadership within the MMS organization, as well as managing all of the official documents of the Office of the Director.

Office of Public Affairs (OPA)

The OPA is responsible for MMS's communication strategies and outreach. The goal of OPA is to inform the public, ensure coordinated communication, consistent messages, and the effective exchange of information with all customers and stakeholders. The OPA coordinates the implementation of an effective and inclusive outreach program to numerous target audiences, including state and local governments, the energy industry, related trade associations, the environmental community, Indian tribes, individual Indian allottees, energy consumer groups, and the public.

Office of Congressional Affairs (OCA)

The OCA serves as the primary point of contact with Congress, and is responsible for the coordination of all communication and outreach with Congressional offices, as well as ensuring a consistent message and the effective exchange of information. The OCA serves as the liaison for MMS on all Congressional and legislative matters that affect MMS with Congress, the Department of the Interior, and other Federal executive agencies.

2009 PERFORMANCE BUDGET REQUEST
General Administration
Policy and Management Improvement Subactivity

Table 40: Policy and Management Improvement Subactivity Budget Request

		2007 Actual	2008 Enacted	2009 Fixed Costs & Related Changes (+/-)	2009 Program Changes (+/-)	2009 Budget Request	Change from 2008
Policy & Management Improvement	($000)	4,374	4,165	71	-10	4,226	61
	FTE	33	31	0	0	31	0

SUMMARY OF 2009 PROGRAM CHANGES

Program Change	Amount	FTE
• Reduction for travel and performance contracting	-$10,000	+0
Total Program Changes	**-$10,000**	**+0**

PROGRAM OVERVIEW

PMI serves as the principle office to provide the Director with independent review and analysis of programmatic and management issues. Additionally, PMI leads, coordinates and monitors many cross program initiatives, assuring a consistent, MMS-wide implementation that directly supports Congressional, Presidential and Departmental directives, laws, mandates and guidance.

PMI fulfills the Director’s responsibilities in several critical areas including the resolution of administrative appeals, strategic and performance planning, policy and program evaluation and regulatory responsibilities. As an office independent of MMS’ operational programs (MRM and OMM), PMI is vested with the responsibility to render decisions on appeals of MRM orders. PMI is also responsible for ensuring that programmatic plans and policies are consistent with and integrated into the overall Bureau mission and responsibilities, as well as with Department and Administration policy frameworks. In addition, PMI administers and coordinates internal reviews, and oversees and assures implementation of recommendations made by oversight groups such as the Government Accountability Office and the Office of Inspector General. Evaluations of MMS’s existing and proposed policies and programs are conducted through economic and programmatic analyses. PMI efforts support two key DOI strategic goals: assuring fair value is received for resources and ensuring accountability of government assets.

POLICY, APPEALS AND REGULATION PROGRAMS

Policy Analysis

At the request of the Director and in support of Secretarial initiatives, PMI provides policy reviews and analysis on a broad range of complex and controversial matters. In addition, PMI reviews legislation, regulations, and other documents for their policy content and provides analysis of proposals from outside MMS that affect Bureau programs.

Implementation of the Energy Policy Act of 2005 and the Gulf of Mexico Energy Security Act of 2006

The PMI office is the central coordination point at MMS for the Energy Policy Act of 2005 and the Gulf of Mexico Energy Security Act of 2006, and is responsible for planning, tracking and coordinating all aspects of MMS's implementation. The PMI contributions include analysis of current and emerging policies, the evaluation of all regulatory and statutory issues, strategic and annual planning, performance management, risk management, and coordination of related MMS initiatives.

Administrative Appeals

MRM frequently determines that a company did not pay sufficient royalties or other monies and then orders that company to pay additional monies. Federal regulation, 30 CFR Part 290, Subpart B, establishes the right to appeal these orders, to the MMS Director and companies exercise this right by filing an appeal with MRM.

After an appeal is filed, PMI's appeals staff performs an independent review of the issue under appeal and the Associate Director for PMI, on the Director's behalf, renders MMS' final decision for federal leases and recommends final decision to the Director of Bureau of Indian Affairs for Indian leases.

Regulatory Direction

PMI manages MMS's regulatory program and serves as liaison to the Department's regulatory office, the Federal Register and the Office of Management and Budget. PMI manages and organizes the rulemaking process to enable the Director to assure that rules are consistent with policy and legislation and meet all administrative requirements. PMI, working with the MMS Executive Committee, prioritizes all rulemakings, tracks status, and assures that OMB, Departmental and Congressional requirements are met.

PLANNING AND PERFORMANCE PROGRAMS

Strategic Planning and Performance Management

PMI is the organization responsible for strategic planning and ensuring a culture of accountability for results at MMS. PMI coordinates and guides the Bureau in developing and implementing strategic and annual implementation plans, developing performance metrics, and ensuring that metrics are comprehensive and consistent with MMS policy.

A key for success in the President's Management Agenda (PMA) is the ability to provide complete performance, cost and resource information to managers. The office leads efforts to strengthen bureau decision-making and improve results through corporate-level analysis and review of ABC costs of program outputs, performance and financial management metrics, and the results of internal and external assessments. PMI leads MMS's initiative to apply activity-based costing/management (ABC/M) methods to its operations.

Program Evaluation and Review of Internal Management Controls

PMI leads an integrated evaluation process to ensure that MMS programs operate as designed and that recommendations resulting from internal and external reviews are adequately addressed. All evaluations of MMS programs and activities are tracked, analyzed, and the status is provided quarterly to management. The evaluations include both internal and external reviews such as GAO and OIG audits, management control reviews, risk assessments, performance assessments, ABC data reviews, administrative reviews, financial management metrics, PMA Initiatives, Program Assessment Rating Tool (PART), and other special ad hoc reviews of MMS programs and initiatives. PMI also conducts independent evaluations of MMS's program operations.

Implementation of the President's Management Agenda and the Secretary's Plan for Citizen-Centered Governance

The President's Management Agenda and the Secretary's Plan for Citizen Centered Governance provide significant opportunities for cross MMS program implementation of service and management improvements. As a result, PMI is actively engaged in working on these initiatives, bringing an objective focus and consistent direction across MMS, and ensuring that the initiatives are implemented in a mutually reinforcing manner.

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2009 PERFORMANCE BUDGET REQUEST
General Administration
Administrative Operations Subactivity

Table 41: Administrative Operations Subactivity Budget Request

		2007 Actual	2008 Enacted	2009 Fixed Costs & Related Changes (+/-)	2009 Program Changes (+/-)	2009 Budget Request	Change from 2008
Administrative Operations	**($000)**	**17,987**	**17,310**	**344**	**-48**	**17,606**	**296**
	FTE	**140**	**151**	**0**	**0**	**151**	**0**

SUMMARY OF 2009 PROGRAM CHANGES

Request Component	Amount	FTE
• Reduction for travel and performance contracting	-$48,000	+0
Total Program Changes	**-$48,000**	**+0**

JUSTIFICATION OF 2009 PROGRAM CHANGES

Reduction for Travel and Performance Contracting (-$48,000; +0 FTE)
A programmatic reduction of $48,000 will result from reductions on travel and from savings realized through performance-based contracting. These reductions are part of a Department-wide effort to reduce costs. Please refer to the General Statement for additional information.

PROGRAM OVERVIEW

The Administrative Operations Subactivity consists of the following functions: Administrative Direction and Coordination, Budget, Finance, Equal Employment Opportunity, Human Resources, Procurement, and Information Management. All administrative operations are directed and carried out at the MMS Headquarters and nationwide through six divisions and two administrative service centers: the Western Administrative Service Center and the Southern Administrative Service Center. This subactivity contributes to all five of the President's Management Agenda components: Strategic Management of Human Capital, Competitive Sourcing, Financial Performance, Expanding Electronic Government, and Budget and Performance Integration.

Administrative Direction and Coordination

Administrative direction and coordination 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 DOI, OMB, GSA, and other executive branch administrative policies and regulations. This function also includes responsibility for the Bureau's management analysis functions, such as management studies and reviews, organizational reviews, delegations of authority and related activities, and special projects.

Emergency Management

The Emergency Management program is responsible for providing emergency management services and preparing continuity of operations plans. An Emergency Coordinator and associated staff oversee the operations of this program. MMS has a process in place for reporting critical emergency incidents to the appropriate officials in a timely manner. Our Continuity of Operations Program (COOP) includes training and exercises, providing for alternate relocation facilities, alternate interoperable communications, and alternate database/records access. Our goal is to have appropriate emergency management plans, and continuity of operations plans, in place for any unplanned event or unforeseen circumstance that can cause significant disruption of mission functions. After recovery from the damages of Katrina was well underway, MMS began the process of identifying changes to our COOP plan resulting from lessons learned and we are working on a COOP multi-year strategy.

MMS continues to be in compliance with the Office of Homeland Security's National Incident Management System and Incident Command System, working closely with designated lead agencies such as the U.S. Coast Guard to safeguard our Nation's energy supply.

MMS is not requesting additional funding for our work on a COOP multi-year strategy or for our participation on the Interior Regional Emergency Coordinating Council. MMS will contain costs by reassessing our EM and COOP focus and priorities and redirecting our efforts accordingly.

Budget Division

The Budget Division provides budget analysis and guidance for the formulation, Congressional and execution phases of the budget cycle. During the *budget formulation cycle*, the Budget Division develops and maintains all budgetary data to support MMS's budget requests to the Department with submission of the Budget Proposal, to the Office of Management & Budget with submission of the Budget Estimates and to the Congress with submission of the Budget Justifications. During the *Congressional phase*, the Budget Division prepares capability and effect statements, provides answers to House and Senate questions and drafts testimonies and oral statements for Congressional hearings. Throughout the *execution phase*, the Budget Division tracks spending against line item budgets, analyzes budgetary and expense data and provides regular updates to MMS executives on the status of funds. The Budget Division works closely with the Planning & Management Division and program level performance staff to integrate performance data and information into all aspects of budget formulation and execution.

Finance Division

The Finance Division is responsible for the planning and effective utilization of financial system resources in support of the varied operating and support programs of the Bureau. The Finance

Division 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.

This Division is responsible for the administrative accounting operations of the Bureau. Finance manages the administrative accounting system; audits and schedules bills for payments; collects debts; develops financial data; prepares financial reports; provides advice and guidance on financial matters; and maintains liaison with Departmental offices and other Federal agencies. It is both a PMA item and a long-term goal of MMS to ensure that timely and accurate financial data are readily available to assist MMS management in making sound and justified management decisions. In support of these priorities, MMS has moved aggressively during the past two years to respond to recommendations made by OIG to improve financial performance. These efforts have resulted in MMS receiving an unqualified opinion on the 2005 and the 2006 Annual Financial Reports.

Equal Employment Opportunity Division (EEOD)

The EEOD develops, 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, the responsibilities of MMS-EEOD include:

- Providing advice and guidance to managers, supervisors, and employees;
- Maintenance and operation of the discrimination complaint system;
- Implementation of Equal Employment Opportunity and Affirmative Employment Plans;
- Implementation of programs for diversity, higher education, and related partnerships;
- Administration of the Employee Assistance Program;
- Administration of programs for dispute resolution alternatives;
- Monitoring, evaluating and adjudicating civil rights compliance, enforcement functions covering EEO, and federally funded/assisted education and training programs with State and local governments. (Titles VI & IX to include Sections 504 & 508 of the Rehabilitation Act);
- Oversight of special initiative programs designed to involve more women, minorities and people with disabilities in the program areas and throughout all levels of management;
- Coordination of responses to Solicitors Office EEO issue requests; and
- Compliance with the Departmental Office for Equal Opportunity and EEO Commission directives.

Human Resources Division

The Human Resources (HR) Division develops and implements policies, procedures, guidelines, and standards relating to general personnel management, recruitment and employment, position management and classification, and employee development. The HR work includes preparing appropriate reports, performing all operational personnel services for Headquarters and client organizations, and providing assistance and guidance related to personnel matters for all regional and field installations. The work of this division focuses on employee relations and services, including personnel program evaluation, labor/management relations, advising employees about conflict of financial interest and standards of conduct, and administering incentive awards programs, family friendly programs, the Federal Equal Opportunity Recruitment Program, and Senior Executive Service program. In addition, the Division is responsible for the development of training policy and oversight of a bureau-wide Learning Management System that will serve as a valuable workforce planning and management tool. The HR Division will also coordinate all Departmental mandated employee development initiatives for implementation in MMS.

The Human Resources Division also leads all MMS workforce-planning initiatives, which include analyzing the current workforce, identifying future workforce needs and preparing plans for building the workforce needed in the future. The long-term benefits of workforce-planning initiatives include the ability of MMS to meet its mission and performance goals.

Procurement Division

The Procurement Division is responsible for the execution and administration of MMS acquisitions. The Division provides acquisition and financial assistance policy guidance, cost and price analysis, and advice to procurement and program personnel. It conducts acquisition management and other internal control reviews of procurement activities. The Procurement Division also administers the purchase line of the MMS charge card program and manages the agency's competitive sourcing program.

The Procurement Operations Branch solicits, awards, and administers contracts, simplified acquisitions, financial assistance awards, and intra- and interagency agreements essential to the mission of MMS. In addition, this division 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 contractors and subcontractors.

Support Services

Support Services includes facilities management (27 buildings in 26 cities), space management, mail and courier activities, bureauwide physical and document security, the Safety and Health Management Program, day-to-day voice and data communications, printing and publication activity, and property management and issuance of policy on these functions. The property management program maintains accountability records of all system-controlled property in the possession and control of custodial property officers and Bureau contractors and manages the vehicle fleet and the Bureau museum property including an Arts and Artifacts program. The work of the Support Services division was critical to hurricane recovery efforts, especially with regards to MMS's facilities in the Gulf of Mexico region.

Information Management Division

The Information Management Division (IMD) supports the Chief Information Officer (CIO) in his duties and responsibilities for ensuring the efficient and effective planning, management and acquisition of information technology and information resources within MMS and ensuring compliance with all DOI and Federal information resources management policies and guidelines.

The IMD is engaged in an ongoing effort to establish, maintain, and support an IT investment analysis and decision-making environment to ensure that all bureau IT investments are well planned, implemented, cost effective, and aligned with the MMS and DOI enterprise architecture. As part of this effort IMD is implementing the IT project management program, which establishes policies and guidance for the effective management of IT projects. This includes managing the Bureau capital asset planning program by performing IT investment portfolio analysis; managing the review and submission to OMB of MMS's Business Cases (Exhibit 300s); developing the Bureau Exhibit 53 (IT portfolio); and maintaining liaisons with the DOI regarding MMS information technology investments.

The IMD also implements and supports the Bureau's IT security program. The Bureau IT Security Manager works collaboratively with the MMS program areas IT Security Managers as well as with the DOI's Office of the CIO to review and improve security plans, policies, procedures, and standards to reflect technological changes. The IT security efforts also include participating in risk assessments and management reviews of the Bureau's systems and networks, identifying security issues, and recommending mitigation.

Field Administrative Service Centers

The Field Administrative Service Centers provide direct administrative support to various MMS program managers through two locations:

- **The Southern Administrative Service Center (SASC):** The SASC, located in New Orleans, Louisiana, provides direct administrative support, direction, and coordination to programs in the Gulf of Mexico Region (GOMR), Headquarters' Information Technology Division, OCS Connect Project Management Office, and a resident MRM Compliance Office. The SASC also provides full support to five outlying District GOMR offices. The work of SASC has been critical to hurricane recovery efforts.

- **The Western Administrative Service Center (WASC):** The WASC, located in Denver, Colorado, provides direct administrative support, direction, and coordination to the Minerals Revenue Management offices in Denver and its field entities, the Office of Policy and Management Improvement, the Offshore Minerals Management Mapping and Survey Staff in Denver, and the Alaska and Pacific OCS Regions.

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2009 PERFORMANCE BUDGET REQUEST
General Administration
General Support Services Subactivity

Table 42: General Support Services Subactivity Budget Request

		2007 Actual	2008 Enacted	2009 Fixed Costs & Related Changes (+/-)	2009 Program Changes (+/-)	2009 Budget Request	Change from 2008
General Support Services	**($000)**	**23,398**	**23,392**	**3,197**	**-98**	**26,491**	**3,099**
	FTE	**0**	**0**		**0**	**0**	**0**

SUMMARY OF 2009 PROGRAM CHANGES

Request Component	**Amount**	**FTE**
• IDEAS Redirect to FBMS Hosting	-$98,000	+0
Total Program Changes	**-$98,000**	**+0**

JUSTIFICATION OF 2009 PROGRAM CHANGES

IDEAS Redirect to FBMS Hosting (-$98,000; +0 FTE)
This reduction reflects implementation of Prism, the acquisition module of FBMS and retirement of the MMS instance of IDEAS. MMS implemented Prism in November of 2008, and therefore funding is no longer needed to support IDEAS.

PROGRAM OVERVIEW

The General Support Services subactivity includes funding for shared activities and related support services for the entire Bureau. These include expenses such as:

- Rental of office space
- Workers' compensation and unemployment compensation
- Federal Telecommunications System (FTS) Service/Commercial Communications
- The Department's Working Capital Fund (WCF)
- Annual building maintenance contracts
- Mail services
- Printing costs

The two major program objectives are to provide safe and secure facilities that will contribute to the productivity and efficiency of the employees in achieving goals and objectives, and to provide appropriate services in support of MMS operating programs.

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2009 PERFORMANCE BUDGET REQUEST
Mineral Leasing Receipts

The discussion under this tab is divided as follows:

Permanent Appropriations: This section refers specifically to those mineral leasing receipts which are permanently appropriated for making payments to States and local governments from revenues generated from onshore Federal lands and from certain offshore mineral leasing receipts. Funds are distributed into permanent accounts, and payments to states (and where appropriate, local political subdivisions) are made from those accounts. Permanent appropriations are a subset of the larger "Mineral Leasing Receipts" discussion.

Mineral Leasing Receipts: This section comprehensively discusses both onshore and offshore receipts, with charts explaining the distribution of receipts, and tables with detailed breakouts. In addition to permanent appropriations, funds are deposited in the General Fund of the U.S. Treasury and various special fund accounts, with spending from those accounts subject to subsequent appropriation.

PERMANENT APPROPRIATIONS

The permanent appropriations administered by MMS provide for the sharing of mineral leasing receipts collected from the sale, lease, or development of mineral resources located on onshore Federal lands and certain offshore areas. The revenues for these payments are derived from bonuses, rentals, and royalties collected from Federal mineral leases and late payment interest. The MMS distributes these funds in accordance with various laws that specify the basis for and timing of payments.

The MMS disburses all monthly mineral-leasing payments, including late disbursement interest, to the states (and to counties in the case of geothermal receipts). Grants provided under the Coastal Impact Assistance Program (CIAP) are subject to MMS oversight and verification that the funds are being spent in a manner consistent with the authorizing legislation for these payments (Section 384 of the Energy Policy Act of 2005). The Act provides for a direct appropriation of $250 million for CIAP grants in each of fiscal years 2007-2010.

The following table shows the breakout of permanent appropriations.

Table 43: Permanent Appropriations ($000)

Appropriation	States Share	FY 2007 Actual	FY 2008 Estimate	FY 2009 Estimate	Change from 2008
Mineral Leasing Associated Payments *(MLAP)*	50%	1,880,920	2,145,584	2,644,361	+498,777
National Forest Fund Payments to States *(Forest Fund)*	25%	15,472	7,779	8,019	+240
Payments to States from Lands Acquired for Flood Control, Navigation, and Allied Purposes *(Flood Control)*	75%	3,940	3,328	3,443	+115
Qualified OCS revenues to Gulf producing states (GOMESA)	38%	N/A	18,941	45,338	+26,397
National Petroleum Reserve - Alaska	50%	12,772	15,500	5,500	-10,000
Subtotal, Payments to States	**--**	**1,913,104**	**2,191,132**	**2,706,661**	**+515,529**
Geothermal, Payments to Counties	25%	4,360	9,300	0	-9,300
Coastal Impact Assistance Program	N/A	250,000	250,000	250,000	0
Total, Permanent Appropriations	**--**	**2,167,464**	**2,450,432**	**2,956,661**	**+506,229**

Note: The amounts shown above do not include the anticipated revenues from the Administration's legislative proposal to authorize oil and gas leasing in the Arctic National Wildlife Refuge (ANWR). Revenues subject to the Gulf of Mexico Energy Security Act of 2006 (GOMESA) are disbursed to the states in the year after receipt and deposit in the Treasury. MLAP include royalty payments to Oklahoma and late interest payments.

Distribution Statutes for Permanent Appropriations

Mineral leasing and associated payments are governed by the Mineral Leasing Act (MLA), 30 U.S.C. 181 et seq., which provides that all states receive 50 percent of the revenues resulting from the leasing of mineral resources on federal public domain lands within their borders. Additionally, 40 percent of onshore revenues are paid to the Reclamation Fund, which funds western water projects. The remaining ten percent is paid into the General Fund of the U.S. Treasury. By law, Alaska receives no payments from the Reclamation Fund, but receives a 90 percent share of receipts from Federal mineral leasing in that state. Mineral leasing revenues are derived from royalties, rents, bonuses, and other revenues, including minimum royalties, late payment interest, settlement payments, gas storage fees, estimated royalty payments, and recoupments.

The 2009 President's Budget again proposes to amend section 35 of the Minerals Leasing Act to implement a form of "Net Receipts Sharing", which refers to sharing a portion of the administrative program costs among the federal government and producing states before making the required state distributions of onshore mineral leasing revenues. Under this proposal, MMS would deduct two percent from the States' share of receipts from onshore Federal mineral leasing activities under the MLA prior to making revenue distributions to the states. This percentage will defray a portion of the administrative costs incurred in the management of onshore leasing activities, and would be deposited into the U.S. Treasury as miscellaneous receipts. The 2008 appropriations legislation effectively implemented net receipts sharing for 2008, but the Administration continues to propose that the change be made permanent.

Under 16 U.S.C. 499, states receive a Forest Fund payment equal to 25 percent of all revenue as a result of activities occurring in each of the national forests situated in that state. The law requires a state's payment be based on national forest acreage, and where a national forest occurs in several states, an individual state's payment is proportionate to its area within that particular national forest. This payment is to be used for the benefit of the public schools and public roads of that county or counties in which the national forest resides.

Flood Control payments to states are shared according to the Flood Control Act of 1936 (33 U.S.C. 701 et seq.), which provides that 75 percent of revenue collected from leasing on lands acquired for flood control in a particular state be shared with that state. These funds are to be expended as the state legislature may prescribe for the benefit of the public schools and roads in the county from which the revenue was collected or for defraying any of the expenses of county government. These types of expenses include public obligations of levee and drainage districts for flood control and drainage improvements.

The Energy Policy Act of 2005 (P.L. 109-58) amended section twenty of the Geothermal Steam Act of 1970 (30 U.S.C. 1019 et seq.). The amendment provides that for the revenues collected from geothermal leasing 25 percent are to be paid to the County in which the leased lands or geothermal resources are located. In addition, from FY 2006 through FY 2010, 25 percent of geothermal revenues are to be deposited into a special fund for use in implementing the Geothermal Steam Act. These revenues are transferred to BLM. The President's Budget proposes to eliminate the provisions in the Energy Policy Act that provide revenues to counties and the implementation fund. These provisions are inconsistent with the normal 50/50 revenue sharing arrangements under the MLA and set an undesirable precedent for future expansion of revenue sharing with local governments.

The Energy Policy Act also amended section thirty-one of the Outer Continental Shelf (OCS) Lands Act (43 U.S.C. 1356 et seq.) and authorizes the Secretary of the Interior to distribute to producing states and coastal political subdivisions $250 million for each of the fiscal years 2007 through 2010. This funding will be shared among six producing states (Alabama, Alaska, California, Louisiana, Mississippi, and Texas) and 67 eligible Coastal Political Subdivisions (CPSs) within those states, based upon allocation formulas prescribed by the Act. The 2008 Appropriation contained provisions for MMS to retain three percent of the amounts disbursed under section 31(b)(1) of the CIAP program for administrative costs.

Funds are awarded as grants for approved coastal impact assistance plans for the following purposes:

- Conservation, protection or restoration of coastal areas, including wetlands;
- Mitigation of damage to fish, wildlife or natural resources;
- Planning assistance and administrative costs;
- Implementation of a marine, coastal or comprehensive conservation management plan; and
- Mitigation of the impact of OCS activities through funding of onshore infrastructure projects and public service needs.

The distribution formula is based on the amount of qualified OCS revenues generated off each producing state as a part of total OCS revenues. 35 percent of each state's allocable share is to be distributed to coastal political subdivisions based on population, coastline, and distance to applicable OCS leases. These annual payments from *Account 5572* were to be made starting in FY 2007 with the last payment to be made in FY 2010. However, under a year long continuing resolution in FY 2007, the states and CPSs weren't able to apply for funds until 2008 and the agency will not be ready to release 2007 CIAP funds until possibly late in 2008. Please refer to the CIAP section for additional information.

In December 2006, Congress passed the Gulf of Mexico Energy Security Act of 2006 (P.L. 109-432). The Act opens additional areas in the Gulf of Mexico for offshore oil and gas leasing. The Act also provides that 50 percent of revenues from these open areas (termed "qualified OCS revenues") be disbursed to Gulf producing states *(Accounts 5535.1 and 5535.2)* and to the Land and Water Conservation Fund *(Accounts 5005.9 and 5005.9)*, with specific provisions for allocation during FY 2007 – 2016. Beginning in 2017, the Act would share additional revenue from any new leases signed after enactment in the current program areas of the Gulf. The revenue would be shared in the same percentages (37.5 percent to Gulf States and 12.5 percent to LWCF) as for the newly opened areas. However, this additional revenue sharing is subject to a cap of $500 million per year (through 2055); revenues in excess of this cap would be deposited in the Treasury. The National Park Service (NPS) currently administers and disburses payments for the Land and Water Conservation Fund.

The funding to Gulf producing states is intended to be used primarily for coastal protection and restoration and is available in the year following the year in which the revenues are collected. The first payments under the Act are not expected to take place until FY 2009.

Calculation of States' Payments

Each permanent appropriation has a respective account in the United States Treasury. The FY 2007 actual payments are taken directly from year-end Treasury Statements. The amount on these statements represents the revenue that was paid out of each of the Treasury accounts that correspond to the permanent appropriations. Fiscal year estimates for payments to states are based on revenue estimates for each source type (oil, gas, coal, etc.), the appropriate distribution for each land category, as specified in the distribution statutes, and the amount of mineral receipts disbursed to that state (which is a percentage of the total mineral receipts disbursed to all states) for the prior year. Table 45, Mineral Revenue Payments to States, outlines the actual and estimated onshore mineral leasing revenue payments to states for FY 2007, FY 2008, and FY 2009.

Table 44: Mineral Revenue Payments to States ($000)

States:	FY 2007 Actual Payments	FY 2008 Estimated Payments	FY 2009 Estimated Payments
Alabama	664	539	624
Alaska	26,801	31,504	25,224
Arizona	42	48	59
Arkansas	8,143	6,020	6,702
California	52,116	59,449	73,269
Colorado	122,894	140,187	172,775
Florida	5	6	7
Idaho	3,552	4,052	4,993
Illinois	206	174	180
Indiana	8	4	4
Kansas	1,876	2,139	2,635
Kentucky	715	367	379
Louisiana	941	921	1,095
Michigan	617	647	788
Minnesota	13	7	8
Mississippi	1,514	798	836
Missouri	3,598	1,811	1,868
Montana	39,158	44,668	55,052
Nebraska	24	28	34
Nevada	6,907	7,879	9,711
New Mexico	552,931	630,735	777,361
N. Dakota	13,775	15,709	19,359
Ohio	493	396	410
Oklahoma	7,009	7,178	8,670
Oregon	527	601	740
Pennsylvania	56	47	49
S. Dakota	1,007	1,149	1,416
Texas	5,893	4,392	4,969
Utah	135,366	154,414	190,310
Virginia	233	177	183
Washington	366	418	515
West Virginia	389	269	278
Wyoming	925,262	1,055,458	1,300,818
Total	**1,913,104**	**2,172,191**	**2,661,323**

Notes:
- Figures exclude proposed Artic National Wildlife Refuge (ANWR) legislation and payments to counties under the Energy Policy Act of 2005. The amounts shown above exclude payments made to coastal states under the Section 8(g) of the OCS Lands Act since they are direct, unappropriated transfers; these amounts are presented in Table 50.
- Figures include receipts for sales in the National Petroleum Reserve-Alaska, royalty payments to Oklahoma and late interest payments.

- Payments are reduced by the Net Receipts Sharing provision enacted in the 2008 Appropriations. 2009 payments are also reduced based on the 2009 Budget's proposal to submit authorization language permanently implementing Net Receipts Sharing. Columns may not add due to rounding.

MINERAL LEASING RECEIPTS

Mineral leasing receipts are derived from royalties, rents, bonuses, and other revenues, including minimum royalties, late payment interest, settlement payments, gas storage fees, estimated royalty payments, and recoupments. The MMS is responsible for the collection of all mineral leasing receipts from all OCS lands, approximately 97 percent of Federal onshore lands, and most Indian lands.

The remaining Federal onshore mineral leasing collections include those payments that are made semi-annually or annually, including the payment made to Alaska for NPRA (administered by BLM) and payments made for leasing activities on acquired national grasslands. National grassland collections, which are shared between the General Fund of the U.S. Treasury and counties, are administered by the BLM and by the U.S. Department of Agriculture (USDA). All monies collected on Indian lands by MMS are deposited in the Treasury accounts controlled by the Office of Special Trustee (OST). MMS notifies OST of these deposits on a daily basis. Based on information received from MMS and the Bureau of Indian Affairs, OST instructs Treasury to make payments to Tribal and Indian allottee accounts.

The disposition of these collections between the General Fund of the U.S. Treasury, other Federal funds, and the states and counties is determined by statute. Legislation also determines how receipts are classified for budgetary purposes. Mineral leasing receipts are classified as offsetting receipts because they arise from business-type transactions with the public versus governmental receipts that arise from the Government's power to tax or fine. Offsetting receipts are further defined as: 1) Proprietary receipts, which offset Department of the Interior budget authority and outlays (most onshore receipts); and 2) Undistributed proprietary receipts, which offset total Federal budget authority and outlays as a bottom-line adjustment (all OCS receipts).

Distribution of Mineral Leasing Receipts

The distribution of mineral leasing receipts is broken down into two broad categories, onshore and offshore lands. In both cases, prior to distribution, the receipts or payments received are deposited into a holding or suspense account until the accounting system has identified the payments by the following three criteria:

- Source type (oil and gas, coal, other mineral royalties, etc);
- Land category (acquired forest, public domain, OCS, etc.); and
- Location (state or county to determine applicable share).

This identification process takes approximately one month if payors have filed their reports correctly.

Onshore Mineral Leasing Receipts

After the payments are identified by the above three criteria, they are redirected immediately into all accounts based on land category and source type (see Figure 24 for a visual representation of the distribution of onshore mineral leasing receipts). In addition, detailed state information is necessary to disburse state revenue shares to each state's Treasury.

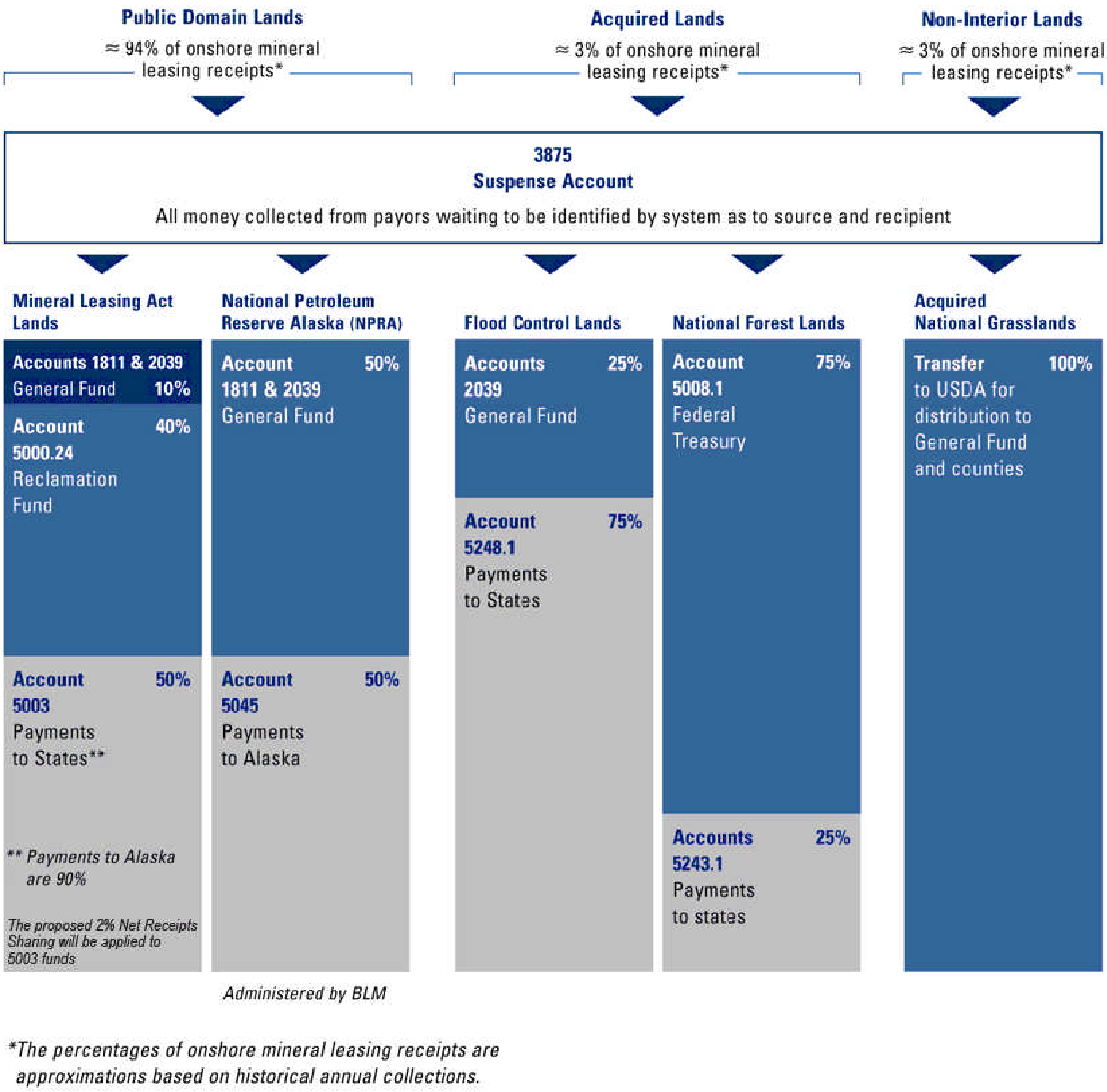
The collections from public domain lands leased under the Mineral Leasing Act (MLA) authority are shared fifty percent with the states (*Account 5003*), forty percent with the Reclamation Fund (*Account 5000.24*) for western water projects, and ten percent with the General Fund of the U.S. Treasury, after 2 percent is deducted and deposited to the General Fund in accordance with the 2009 President's Budget Net Receipts Sharing proposal. The General Fund share is deposited into two accounts depending on whether the collections are from rents and bonuses (*Account 1811*) or from royalties (*Account 2039*). Alaska receives the fifty percent state share and the forty percent Reclamation Fund share of mineral leasing receipts for Mineral Leasing Act lands.

Collections from the National Petroleum Reserve-Alaska lands (NPRA), are made to Alaska for its fifty percent share of the NPRA receipts. Since there is currently no production on the NPRA, the entire General Fund share, fifty percent, is derived from rents and bonuses (*Account 1811*).

The Energy Policy Act of 1992, *P.L. 102-486*, requires the Secretary of the Interior to disburse monthly to States all mineral leasing payments authorized by Section 6 of the Mineral Leasing Act for Acquired Lands. Therefore, MMS distributes the revenue collections from lands acquired for flood control, navigation and allied purposes, giving twenty-five percent of the total to the General Fund of the U.S. Treasury (either *Account 1811 or 2039*) and seventy-five percent to the States (*Account 5248.1*). The MMS distributes revenue collections from National Forest Lands, depositing seventy-five percent in the General Fund of the U.S. Treasury (*Account 5008.1*) and providing twenty-five percent to the States (*Account 5243.1*).

The Energy Policy Act of 2005 amended section 20 of the Geothermal Steam Act of 1970 (30 U.S.C. 1019 et seq.). The amendment provides that for the revenues collected from geothermal leasing, 25 percent are to be paid to the County (*Account 5574*) in which the leased lands or geothermal resources are located. In addition, during the first five fiscal years following enactment of the Energy Policy Act, the remaining 25 percent of revenues are deposited into a separate Treasury account (*Account 5575*) for DOI use in the implementation of the Geothermal Steam Act of 1970 and the Energy Policy Act of 2005.

Figure 25: Distribution of Onshore Mineral Leasing Receipts



Offshore (OCS Lands) Mineral Leasing Receipts

After distinguishing payments by source type, land category, and location, the receipts derived from OCS lands are deposited into accounts according to revenue source: rent, bonus, or royalty. Figure 25 provides a visual representation of the distribution of offshore mineral leasing receipts.

In order to bid on an OCS lease tract offered for sale, a bidder must submit an upfront cash deposit equal to one-fifth of the entire proposed bid. The deposit flows into *Escrow Account 6705* and accrues interest until MMS determines that the proposed bonus is at least equal to the fair market value of the tract. The interest earned on collections held in Escrow is deposited into a separate account that is not listed on the receipt tables contained in this document *(Account 1493).*

If the bid is rejected, the one-fifth upfront deposit, plus interest, is returned to the bidder. If accepted, the one-fifth upfront deposit, the remaining four-fifths of the bonus, along with the first year's rent are deposited into *Account 1820* for OCS rents and bonuses. Future OCS rents, due yearly until production begins, are also deposited into *Account 1820*. The OCS royalties, due from payors at the end of the month following each month of production, are deposited into *Account 2020*.

Under Section 8(g) of the OCS Lands Act, payments made to coastal states for their 27 percent share of OCS collections within the 8(g) zone, which is the area approximately three miles seaward from the State/Federal boundary, flow through *Account 6707*. Table 46 provides information on the 8(g) payments to coastal States.

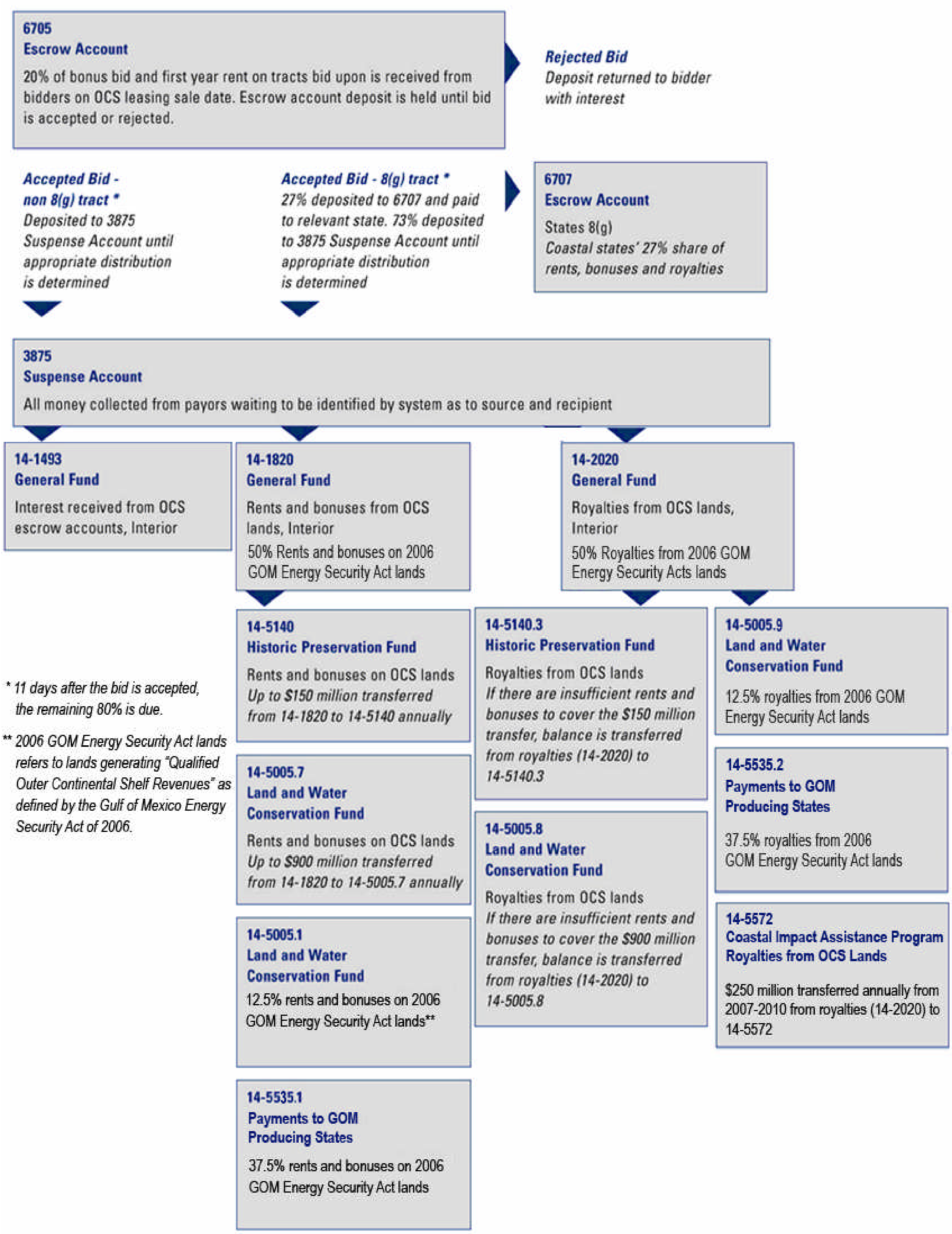
Table 45: Payments to Coastal States under OCSLA Section 8(g) ($000)

	FY 2007 Actual Payments	FY 2008 Estimated Payments	FY 2009 Estimated Payments
Alabama	13,510	17,795	18,411
Alaska	7,767	10,231	10,585
California	6,798	8,954	9,264
Florida	2	2	2
Louisiana	23,089	30,413	31,464
Mississippi	712	938	970
Texas	15,774	20,777	21,496
Total	**67,652**	**89,110**	**92,193**

The OCS receipts are the main funding source of the mandated $900 million required for the Land and Water Conservation Fund (LWCF). Each year, a portion of OCS receipts are distributed to the LWCF (*Accounts 5000.7 and 5000.8*), which is administered by the National Park Service. Also, $150 million is deposited annually into the Historic Preservation Fund (*Accounts 5140 and 5140.3*). For both funds, accounting procedures require payments to be made from OCS rents and bonuses, and then any further needed payments to be made from OCS royalties.

Payments to the Gulf producing states under the Gulf of Mexico Energy Security Act of 2006 (37.5 percent of receipts from certain leases) flow through Accounts 5535.1 and 5535.2; an additional 12.5 percent of funds from these leases are deposited into the LWCF (*5005.1 and 5005.9)* and are available for expenditure without further appropriation.

Figure 26: Distribution of Offshore (OCS Lands) Mineral Leasing Receipts



Alaska Escrow Account and the Environmental Improvement Fund

On June 19, 2000, the U.S. Supreme Court issued a final decree regarding the State/Federal boundary of areas leased for oil and gas exploration in the Beaufort Sea between 1979 and 1991. Prior to resolution of this dispute, sale bonuses collected during this time, and associated rental payments, were deposited into *Account 6704*. The resolution permitted the release of the funds that had been held in the Treasury Escrow Account.

As required by the Department of the Interior and Related Agencies Appropriations Act, *P.L. 105-83*, as amended, one-half of the principal and one-half of the interest were deposited into the Environmental Improvement and Restoration Fund. The Law requires that the corpus of the Fund be invested. 20 percent of the interest earned by the Fund is permanently appropriated to the Department of Commerce. Congress can appropriate the remaining eighty percent of the interest earned through annual appropriations for the specific purposes outlined in the law. The remaining one-half principal and one-half interest were deposited into the General Funds of the U.S. Treasury.

Receipts Charts for Onshore and Offshore Mineral Leasing

Information regarding the estimated onshore and offshore mineral leasing receipts is included in the following charts:

- Table 46: Mineral Leasing Receipts by Commodity Source;
- Table 47: Mineral Leasing Receipts by Account;
- Table 48: Onshore Mineral Receipts;
- Table 49: Onshore Rents and Bonuses;
- Table 50: Federal Onshore Royalty Estimates;
- Table 51: Outer Continental Shelf Mineral Receipts;
- Table 52: OCS Rents and Bonuses; and
- Table 53: Federal Offshore Royalty Estimates.

Table 46: Mineral Leasing Receipts by Commodity Source ($000) 1/

	FY 2008 Estimate	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate
Onshore Mineral Leasing						
Onshore Rents and Bonuses						
Oil and Gas	299,421	282,149	297,770	279,777	300,746	279,783
Coal 2/	493,700	1,342,055	2,297,867	1,080,019	164,796	773,300
Geothermal	25,100	11,500	11,800	11,800	11,800	11,800
Oil Shale	0	0	0	0	200,045	100,015
All Other	21	21	21	21	21	21
Subtotal, Rents and Bonuses	**818,242**	**1,635,725**	**2,607,458**	**1,371,617**	**677,408**	**1,164,919**
Onshore Royalties						
Oil and Gas	3,033,073	3,198,115	3,258,858	3,308,601	3,374,779	3,537,303
Coal	527,236	543,431	564,124	582,218	593,215	610,810
Geothermal	12,019	12,019	13,211	13,211	13,211	13,211
All Other (including oil shale)	55,214	55,214	55,214	55,214	55,214	55,214
Subtotal, Royalties	**3,627,541**	**3,808,778**	**3,891,407**	**3,959,244**	**4,036,419**	**4,216,538**
Total, Onshore Receipts	**4,445,783**	**5,444,503**	**6,498,865**	**5,330,860**	**4,713,827**	**5,381,456**
Other Receipts						
Royalty-in-Kind fees	20	20	20	20	20	20
Sale of publications	110	110	110	110	110	110
Total, Other Receipts	**130**	**130**	**130**	**130**	**130**	**130**
Outer Continental Shelf (OCS)						
OCS Rents and Bonuses	4,512,320	1,187,100	704,730	661,950	616,790	532,850
OCS Royalties	6,608,082	8,972,065	9,570,491	10,044,124	9,702,132	10,907,235
Total, OCS Receipts	**11,120,402**	**10,159,165**	**10,275,221**	**10,706,074**	**10,318,922**	**11,440,085**
TOTAL, MINERAL RECEIPTS 3/	**15,566,315**	**15,603,798**	**16,774,216**	**16,037,064**	**15,032,879**	**16,821,671**

1/ Onshore receipts for oil and natural gas include a reduction for Acquired Natural Grasslands. OCS receipts include reductions for MMS's Offsetting Collections, SPR, 8(g) Payments to States, and Ultra-Deepwater and Unconventional Natural Gas Research Fund.
2/ Estimates have incorporated DOI's Coal Bonus Initiative.
3/ Projections may change pending on upcoming developments with the District Court Kerr-McGee Decision that ruled price thresholds on leases issued from 1996 to 2000 under deepwater royalty relief may not apply; small discrepancies may occur due to rounding.

Table 47: Mineral Leasing Receipts by Account ($000) 1/

		FY 2008 Estimate	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate
Onshore Mineral Leasing Receipts							
1811.00	Rents and Bonuses	86,086	167,018	270,986	139,386	77,951	118,705
2039.00	MLR Royalties	403,816	433,258	451,859	447,138	458,214	512,305
5000.24	Reclamation Fund	1,718,024	2,158,646	2,573,409	2,114,010	1,849,031	2,093,860
5003.02	Payments to States	2,145,567	2,644,341	3,152,427	2,589,662	2,265,063	2,564,979
5045.00	Payments to Alaska from Oil & Gas Leases (NPRA)	15,500	5,500	14,000	4,000	26,500	54,000
5134.00	Payment to Oklahoma (Royalties)	17	20	20	20	20	20
5243.10	Forest Fund, States share	7,779	8,019	8,097	8,183	8,251	8,373
5008.10	Forest Fund, Government share	23,337	24,056	24,292	24,548	24,752	25,119
5248.10	Flood Control, States shares	3,328	3,443	3,472	3,513	3,545	3,595
5573.10	Rent from mineral leases (Permit Processing Fund)	23,224					
5574.10	Geothermal Lease Revenues, County share	9,300					
5575.10	Geothermal Lease Revenues, DOI share	9,300	-	-	-	-	-
5576.10	Leases from Naval Petroleum Reserve #2	504	203	302	402	500	500
Subtotal, Onshore Receipts		**4,445,783**	**5,444,503**	**6,498,865**	**5,330,860**	**4,713,827**	**5,381,456**
Other Receipts							
2419.10	Royalty-in-Kind fees	20	20	20	20	20	20
2259.00	Sale of publications	110	110	110	110	110	110
Subtotal, Other Receipts		**130**	**130**	**130**	**130**	**130**	**130**
Outer Continental Shelf (OCS) Receipts							
1820.00	OCS Rents and Bonuses 2/	3,446,379	94,763	-	-	-	-
5535.1	OCS Rents and Bonuses, State share from qualified leases 4/	18,941	45,338	3,825	1,988	1,226	1,178
5005.9	OCS Rents and Bonuses, LWCF share from qualified leases 3/	6,314	15,113	1,275	663	409	393
2020.00	OCS Royalties	6,358,082	8,722,065	8,974,396	9,657,087	9,270,696	10,391,758
5535.2	OCS royalties, State share from qualified leases 4/	-	-	-	-	-	150
5005.1	OCS royalties, LWCF share from qualified leases 3/	-	-	-	-	-	50
5005.70	Land & Water Conservation Fund (OCS R & B)	890,686	881,888	549,630	509,300	465,155	381,280
5005.80	Land & Water Conservation Fund (OCS royalties)	-	-	346,095	387,038	431,436	515,278
5140.00	Historic Preservation Fund (OCS R & B)	150,000	150,000	150,000	150,000	150,000	150,000
5572.10	OCS Revenues, Coastal Impact Assistance	250,000	250,000	250,000	-	-	-
Subtotal, OCS Receipts		**11,120,402**	**10,159,166**	**10,275,221**	**10,706,076**	**10,318,922**	**11,440,087**
TOTAL, MINERAL RECEIPTS 5/		**15,566,315**	**15,603,799**	**16,774,216**	**16,037,066**	**15,032,879**	**16,821,673**

1/ New accounts 5045 and 5134 along with 5573, 5575, and 5576 are administered by the Bureau of Land Management; however, MMS provides the estimates for these accounts as part of the overall mineral revenue estimates. Accounts 5535.1, 5535.2, 5005.9, 5005.1 are formed from the Energy Security Act of 2006.

2/ 2008 estimate is affected by Sale 205 which is the remaining after all transfers to LWCF and the Historic Preservation Fund.

3/ Account 5005 LWCF are transferred to the National Park Service.

4/ Revenues will be disbursed to the states in the following year from account 5535.

5/ Estimates are subject to change; small discrepancies may occur due to rounding.

Table 48: Onshore Mineral Receipts, FY 2008 - FY 2009 ($000)

	FY 2008 Estimate	FY 2009 Estimate	Change	Explanation
Rents & Bonuses				
Oil & Gas	299,421	282,149	-17,272	Decrease in bonuses, rents remain constant
Coal	493,700	1,342,055	+848,355	Increase in bonuses resulting from DOI's Initiative
Geothermal	25,100	11,500	-13,600	Decrease in bonuses, rents remain constant
All Other (including oil shale)	21	21	0	Assumption of consistent rents & bonuses
Subtotal, Rents & Bonuses	**818,242**	**1,635,725**	**+817,483**	
Royalties				
Oil & Gas	3,033,073	3,198,115	+165,042	Increase in gas production and price estimates
Coal	527,236	543,431	+16,195	Increase in production
Geothermal	12,019	12,019	0	Assumption of consistent royalties
All Other (including oil shale)	55,214	55,214	0	Assumption of consistent royalties
Subtotal, Royalties	**3,627,541**	**3,808,778**	**+181,237**	
Total Onshore Mineral Receipts 1/	**4,445,783**	**5,444,503**	**+998,720**	

1/ Estimates are subject to change; small discrepancies may occur due to rounding.

Table 49: Onshore Rents and Bonuses ($000) 1/

	FY 2008 Estimate	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate
Oil and Gas						
Rents Lower 48	52,310	52,426	52,542	52,657	52,773	52,889
Bonuses Lower 48	216,595	218,739	217,023	218,739	219,811	218,921
Subtotal, Oil and Gas	**268,905**	**271,165**	**269,565**	**271,396**	**272,584**	**271,810**
Coal						
Rents	1,300	1,300	1,300	1,300	1,300	1,300
Bonuses 2/	492,400	1,340,755	2,296,567	1,078,719	163,496	772,000
Subtotal, Coal	**493,700**	**1,342,055**	**2,297,867**	**1,080,019**	**164,796**	**773,300**
Geothermal						
Rents and Bonuses	25,100	11,500	11,800	11,800	11,800	11,800
Oil Shale						
Rents and Bonuses	0	0	0	0	200,045	100,015
Other Minerals						
Rents and Bonuses	21	21	21	21	21	21
TOTAL, Rents & Bonuses 3/	**787,726**	**1,624,741**	**2,579,253**	**1,363,236**	**649,246**	**1,156,946**

1/ Amounts differ from the "Mineral Leasing Receipts by Source" table. The oil and gas estimates in this table do not reflect Naval Petroleum Reserve and Negotiated Settlement estimates.
2/ Estimates have incorporated DOI's Coal Bonus Initiative.
3/ Estimates are subject to change; small discrepancies may occur due to rounding.

Table 50: Federal Onshore Royalty Estimates *(in millions of volume and dollars) 1/*

	FY 2008 Estimate	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate
Oil						
Oil Volume (MMBbl)	98.47	95.79	93.34	91.14	88.89	86.58
OMB Price/Bbl (in whole $s)	$86.35	$78.86	$75.26	$74.22	$73.80	$73.51
Royalty Rate	0.112	0.112	0.112	0.112	0.112	0.112
Subtotal Oil Royalties ($M)	**$953.471**	**$847.068**	**$787.722**	**$758.527**	**$735.615**	**$713.683**
Gas						
Natural Gas Volume (bcf)	2.922	3.152	3.360	3.547	3.696	3.808
OMB Price/Mcf (in whole $s)	$7.09	$7.46	$7.37	$7.20	$7.06	$7.13
Royalty Rate	0.116	0.116	0.116	0.116	0.116	0.116
Subtotal Natural Gas Royalties ($M)	$2,399.726	$2,723.706	$2,868.415	$2,958.210	$3,022.539	$3,145.008
CO2 Royalties	$30.588	$30.993	$30.966	$31.838	$33.699	$35.256
Gas Plant Products	$163.072	$162.930	$160.989	$163.939	$172.245	$179.108
Subtotal Gas Royalties ($M)	**$2,593.386**	**$2,917.630**	**$3,060.370**	**$3,153.987**	**$3,228.483**	**$3,359.373**
Total, Oil & Gas Royalties ($M)	**$3,546.857**	**$3,764.697**	**$3,848.092**	**$3,912.514**	**$3,964.098**	**$4,073.055**
Coal Royalties	$527.400	$543.600	$564.300	$582.400	$593.400	$611.000
Geothermal Royalties	$12.100	$12.100	$13.300	$13.300	$13.300	$13.300
All Other Royalties	$55.214	$55.214	$55.214	$55.214	$55.214	$55.214
TOTAL ONSHORE ROYALTIES ($M) 2/	**$4,141.571**	**$4,375.611**	**$4,480.906**	**$4,563.428**	**$4,626.011**	**$4,752.569**

1/ Amounts differ from the "Mineral Leasing Receipts by Source" table. The oil and gas estimates in the "Mineral Leasing Receipts by Source" table include a reduction for Acquired National Grasslands.

2/ Estimates are subject to change; small discrepancies may occur due to rounding.

Table 51: OCS Mineral Receipts, FY 2008 - FY 2009 ($000) 1/

	FY 2008 Estimate 2/	FY 2009 Estimate	Change	Explanation
Rents & Bonuses				
Rents	84,320	86,100	+1,780	Increase as a result of new sale area
Bonuses	4,428,000	1,101,000	-3,327,000	Significant decrease due to sale 205
Subtotal, Rents & Bonuses	**4,512,320**	**1,187,100**	**-3,325,220**	
Royalties				
Oil	5,829,426	6,031,018	+201,592	Increase due to lingering recovery from the impacts of Hurricanes Katrina, Rita, and Wilma
Gas	3,077,885	3,184,358	+106,473	Increase in production and price estimates
SPR and 8(g) Reductions	-2,249,230	-243,310	+2,005,920	Significant increase due to reduction in anticipated RIK oil deliveries to the SPR
Subtotal, Royalties 3/	**6,658,081**	**8,972,066**	**+2,313,985**	
Total OCS Mineral Receipts 4/	**11,170,401**	**10,159,166**	**-1,011,235**	

1/ Rent totals are net of MMS offsetting collections and can change according to amounts stated in the MMS appropriations language.

2/ Amounts differ from the "Mineral Leasing Receipts by Source" table since they do not reflect the Ultra-Deepwater transfers.

3/ Projections may change pending on upcoming developments with the District Court Kerr-McGee Decision that ruled price thresholds on leases issued from 1996 to 2000 under deepwater royalty relief may not apply

4/ Small discrepancies may occur due to rounding.

Table 52: OCS Rents and Bonuses *(in millions of dollars)*

Sale Number	Sale Date (FY)	Sale Area	High Bids	% in FY	8(g) to States	Receipt Estimate 3/
FY 2008 Estimate 1/						
204	late 07	Western Gulf of Mexico	287	100%	0	287
205	late 07	Central Gulf of Mexico	2,759	100%	5	2,754
193	late 07	Chukchi	68	100%	1	67
206	mid 08	Central Gulf of Mexico	1,280	100%	10	1,270
207	late 08	Western Gulf of Mexico	271	0%	0	0
224	mid 08	Eastern GOM - ESA 2/	50	100%	0	50
			Bonuses Subtotal			**4,428**
			Rents			**84**
			Rents - subject to ESA			1
			FY 2008 TOTAL			**4,513**
FY 2009 Estimate						
207	late 08	Western Gulf of Mexico	271	100%	2	269
208	mid 09	Central Gulf of Mexico	662	100%	5	657
209	mid 09	Beaufort	56	100%	0	56
210	late 09	Western Gulf of Mexico	224	0%	0	0
211	late 09	Cook Inlet	1	0%	0	0
208	mid 09	Central GOM - ESA	119	100%	0	119
			Bonuses Subtotal			**1,101**
			Rents			**84**
			Rents - subject to ESA			2
			FY 2009 TOTAL			**1,187**
FY 2010 Estimate						
210	late 09	Western Gulf of Mexico	224	100%	2	222
211	late 09	Cook Inlet	1	100%	0	1
212	mid 10	Chukchi	21	100%	0	21
213	mid 10	Central Gulf of Mexico	372	100%	3	369
215	late 10	Western Gulf of Mexico	151	0%	0	0
213	mid 10	Central GOM - ESA	8	100%	0	8
			Bonuses Subtotal			**621**
			Rents			**82**
			Rents - subject to ESA			2
			FY 2010 TOTAL			**705**
FY 2011 Estimate						
215	late 10	Western Gulf of Mexico	151	100%	1	150
220	mid 11	Midatlantic	72	100%	1	71
216	mid 11	Central Gulf of Mexico	337	100%	3	334
217	mid 11	Beaufort	23	100%	0	23
214	late 11	North Aleutian Basin	74	0%	0	0
218	late 11	Western Gulf of Mexico	129	0%	0	0
219	late 11	Cook Inlet	1	0%	0	0
216	mid 11	Eastern GOM - ESA	3	100%	0	3
			Bonuses Subtotal			**581**
			Rents			**79**
			Rents - subject to ESA			2
			FY 2011 TOTAL			**662**
FY 2012 Estimate						
214	late 11	North Aleutian Basin	74	100%	1	73
218	late 11	Western Gulf of Mexico	129	100%	1	128
219	late 11	Cook Inlet	1	100%	0	1
221	late 11	Chukchi	16	100%	0	16
222	mid 12	Central Gulf of Mexico	322	100%	3	319
tbd	mid 12	Subject to ESA	1	100%	0	1
			Bonuses Subtotal			**538**
			Rents			**77**
			Rents - subject to ESA			2
			FY 2012 TOTAL			**617**
FY 2013 Estimate						
tbd	late 12	Western Gulf of Mexico	141	100%	1	140
tbd	late 12	Beaufort	3	100%	0	3
tbd	mid 13	Central Gulf of Mexico	322	100%	3	319
tbd	mid 13	Subject to ESA	1	100%	0	1
			Bonuses Subtotal			**463**
			Rents			**68**
			Rents - subject to ESA			2
			FY 2012 TOTAL			**533**

1/ 2008 estimates are affected by Sale 205 which include a portion of the revised CGOM planning area that was not offered previously.

2/ The projections have incorporated the Energy Security Act of 2006.

3/ Rent estimates are subject to change based on cost recoveries recouped on an annual basis. Rent totals are net of MMS offsetting collections.

Small discrepancies may occur due to rounding.

Table 53: Federal Offshore Royalty Estimates *(in millions of dollars)*	**FY 2008 Estimate 1/**	**FY 2009 Estimate**	**FY 2010 Estimate**	**FY 2011 Estimate**	**FY 2012 Estimate**	**FY 2013 Estimate**
Oil (Million Barrels)						
Alaska 2/	2	2	1	17	31	39
POCS	25	24	23	23	22	21
Total GOM	533	624	716	762	783	784
Royalty Free Production (Deep Water) 3/	21	35	47	51	42	24
GOM Royalty Production	513	589	669	712	741	761
Total Royalty Production	540	615	694	751	794	821
Royalty Rate	0.13	0.12	0.12	0.12	0.12	0.12
OMB Price/Bbl (in whole $s)	$86.35	$78.86	$75.26	$74.22	$73.80	$73.51
Subtotal Oil Royalties	**$5,829.43**	**$6,031.02**	**$6,461.40**	**$6,875.12**	**$7,196.28**	**$7,396.72**
Adjustments to Federal Royalty Receipts from Energy Security Act of 2006						
Royalties subject to ESA	0	0	0	0	0	0.22
Revised Federal Royalty Receipts	**$5,829.43**	**$6,031.02**	**$6,461.40**	**$6,875.12**	**$7,196.31**	**$7,396.94**
Gas (Billion Cubic Feet)						
POCS	50	48	47	46	45	45
Total GOM	3,014	3,052	3,138	3,258	3,391	3,469
Royalty Free Production (Deep Gas) 3/	135	141	117	84	57	32
Royalty Free Production (Deep Water) 3/	88	149	199	216	181	107
GOM Royalty Production	2,791	2,762	2,822	2,957	3,152	3,330
Total Royalty Production	2841	2811	2869	3003	3197	3375
Royalty Rate	0.15	0.15	0.15	0.15	0.15	0.15
OMB Price/Mcf (in whole $s)	$7.09	$7.46	$7.37	$7.20	$7.06	$7.13
Subtotal Gas Royalties	**$3,077.89**	**$3,184.36**	**$3,201.88**	**$3,266.58**	**$3,403.01**	**$3,616.41**
Adjustments to Federal Royalty Receipts from Energy Security Act of 2006						
Royalties subject to ESA	0	0	0	0	0	0.16
Revised Federal Royalty Receipts	**$3,077.89**	**$3,184.36**	**$3,201.88**	**$3,266.58**	**$3,403.02**	**$3,616.57**
Total Oil and Gas Royalties	**$8,907.31**	**$9,215.38**	**$9,663.28**	**$10,141.70**	**$10,599.32**	**$11,013.50**
Adjustments						
8(g) Payments to States	-89.11	-92.19	-96.67	-101.46	-106.04	-110.18
SPR 5/	-2,164.00	-155.00			-795.00	
Settlements	3.88	3.88	3.88	3.88	3.88	3.88
NET FEDERAL OCS ROYALTIES 4/	**$6,658.08**	**$8,972.07**	**$9,570.49**	**$10,044.12**	**$9,702.17**	**$10,907.21**

1/ Lingering effects from Hurricanes Katrina, Rita, and Wilma (e.g., delay in Thunderhorse startup) affect 2008 GOM oil and gas production.

2/ Alaska production is net of 27 percent that goes to the State for 8(g) payments.

3/ Royalty Free Production is GOM production which is not subject to royalties because of the deep water royalty relief and deep gas royalty relief. Royalty relief price thresholds are expected to be exceeded.

4/ Projections may change pending on upcoming developments with the District Court Kerr-McGee Decision that ruled price thresholds on leases issued from 1996 to 2000 under deepwater royalty relief may not apply. Small discrepancies may occur due to rounding.

5/ No SPR estimates in 2010, 2011, and 2013 due to construction of the new capacity.

FY 2009 MMS PERFORMANCE BUDGET REQUEST
Appendices

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Appendix A: Fixed Costs and Related Changes ($000s)

Additional Operational Costs from 2008 and 2009 January Pay Raises:

	2008 Budget	2008 Revised	2009 Change
1. 2008 Pay Raise, 3 Quarters in 2008 Budget	+3,214	+3,164	n/a
Amount Absorbed	*[0]*	*[586]*	*n/a*
2. 2008 Pay Raise, 1 Quarter (Assumed 3.5%)	n/a	n/a	+1,199
Amount Absorbed	*[0]*	*[0]*	*[200]*
3. 2009 Pay Raise (Assumed 2.9%)	n/a	n/a	+2,782
Amount Absorbed	*[0]*	*[0]*	*[696]*

These adjustments are for an additional amount needed to fund estimated pay raises for Federal employees.

Line 1 is an update of 2008 budget estimates based upon an assumed 3.5 percent pay raise and an across-the-board reduction of 1.56 percent.

Line 2 is the amount needed in 2009 to fund the estimated 3.5 percent January 2008 pay raise from October through December 2008.

Line 3 is the amount needed in 2009 to fund the estimated 2.9 percent January 2009 pay raise from January through September 2009.

Other Fixed Cost Changes:

	2008 Budget	2008 Revised	2009 Change
One Less Pay Day for FY 2009	n/a	n/a	-610

This adjustment reflects the decreased costs resulting from the fact that there is one fewer pay day in 2009 than in 2008.

	2008 Budget	2008 Revised	2009 Change
Two More Pay Days for FY 2008	+1,111	+1,094	n/a
Amount Absorbed	*[0]*	*[21]*	

The adjustment reflects the increased costs resulting from the fact that there are two more pay days in 2008 than in 2007.

	2008 Budget	2008 Revised	2009 Change
Employer Share of Federal Health Benefit Plans	+560	+551	+213
Amount Absorbed	*[0]*	*[9]*	*[53]*

The adjustment is for changes in the Federal government's share of the cost of health insurance coverage for Federal employees. In 2008, the increase is estimated at 6.0 percent; in 2009, the increase is estimated at 3.0 percent.

	2008 Budget	2008 Revised	2009 Change
Workers Compensation Payments	725	714	
	-401	-395	+49
Amount Absorbed		*[-6]*	[0]

Costs for 2009 will reimburse the Department of Labor, Federal Employees Compensation Fund, pursuant to U.S.C. 8147(b) as amended by Public Law 94-273.

	2008 Budget	2008 Revised	2009 Change
Unemployment Compensation Payments	16	16	
	-	-	-
Amount Absorbed	*[0]*	*[0]*	*[0]*

The adjustment is for estimated changes in the costs 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.

	2008 Budget	2008 Revised	2009 Change
Working Capital Fund	5,504	5,418	
	+358	+352	+420
Amount Absorbed	*[0]*	*[96]*	*[0]*

The change reflects expected changes in the charges for Department services and other services through the Working Capital Fund. These charges are displayed in the Budget Justification for Department Management. The 2008 Revised reflects updated billing amounts which the bureau will absorb as well as the 1.56 percent across-the-board reduction.

	2008 Budget	2008 Revised	2009 Change
Rental Payments to GSA and Others	+311	+306	+2,728
Amount Absorbed	*[0]*	*[5]*	*[0]*

The adjustment is for changes in the cost payable to General Services Administration and others resulting from changes in rates for office and non-office space as estimated by GSA, as well as the rental costs of other currently occupied space. These costs include building security; in the case of GSA space, these are paid to DHS. Most of the funds are to cover the large rent increases in New Orleans, reflecting the impact of Hurricane Katrina on the rental market. Costs of mandatory office relocations, i.e., relocations in cases where, due to external events, there is no alternative but to vacate the currently occupied space, are also included.

Total, Fixed Costs and Related Changes – Budgeted in 2009 +6,781

For 2009, an increase of $6,781,000 for fixed costs is requested. If the requested fixed cost increase is not funded, MMS's mission critical programs may begin to suffer since unfunded fixed costs must be absorbed and existing resources have to be redirected from programmatic needs to pay for fixed costs.

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Appendix B: 2009 Appropriations Language

Minerals Management Service

Note: Brackets indicate the language will be deleted; italics represent new language.

Royalty and Offshore Minerals Management

For expenses necessary for minerals leasing and environmental studies, regulation of industry operations, and collection of royalties, as authorized by law; for enforcing laws and regulations applicable to oil, gas, and other minerals leases, permits, licenses and operating contracts; for energy-related or other authorized marine-related purposes on the Outer Continental Shelf; and for matching grants or cooperative agreements, [$157,202,000] *$154,270,000*, to remain available until September 30, [2009] *2010*, of which [$82,371,000] *$86,010,000* shall be available for royalty management activities; and an amount not to exceed [$135,730,000] *$133,730,000,* to be credited to this appropriation and to remain available until expended, from additions to receipts resulting from increases to rates in effect on August 5, 1993[, from rate increases to fee collections for Outer Continental Shelf administrative activities performed by the Minerals Management Service (MMS) over and above the rates in effect on September 30, 1993, and from additional fees for Outer Continental Shelf administrative activities established after September 30, 1993 that the Secretary of the Interior shall collect in fiscal year 2008 and retain and use for the necessary expenses of this appropriation]: Provided, That to the extent [$135,730,000] *$133,730,000* in addition to receipts are not realized from the sources of receipts stated above, the amount needed to reach [$135,730,000] *$133,730,000* shall be credited to this appropriation from receipts resulting from rental rates for Outer Continental Shelf leases in effect before August 5, 1993: *Provided further, that the term "qualified Outer Continental Shelf revenues", as defined in section 102(9)(A) of the Gulf of Mexico Energy Security Act, Division C of Public Law 109-432, shall include only the portion of rental revenues that would have been collected at the rental rates in effect before August 5, 1993: Provided further, That in fiscal year 2009 and each fiscal year thereafter, fees authorized by 31 U.S.C. 9701 may be collected only to the extent provided in advance in appropriations Acts: Provided further, That notwithstanding 31 U.S.C. 3302, in fiscal year 2009, such amounts as are assessed under 31 U.S.C. 9701 shall be collected and credited to this account and shall be available until expended for necessary expenses:* Provided further, That not to exceed $3,000 shall be available for reasonable expenses related to promoting volunteer beach and marine cleanup activities: Provided further, That notwithstanding any other provision of law, $15,000 under this heading shall be available for refunds of overpayments in connection with certain Indian leases in which the Director of MMS concurred with the claimed refund due, to pay amounts owed to Indian allottees or tribes, or to correct prior unrecoverable erroneous payments[: Provided further, That for the costs of administration of the Coastal Impact Assistance Program authorized by section 31 of the Outer Continental Shelf Lands Act, as amended (43 U.S.C. 1456a), MMS in fiscal years 2008 through 2010 may retain up to 3 percent of the amounts which are disbursed under section 31(b)(1), such retained amounts to remain available until expended]. *(Department of the Interior, Environment, and Related Agencies Appropriations Act, 2008.)*

Oil Spill Research

For necessary expenses to carry out title I, section 1016, title IV, sections 4202 and 4303, title VII, and title VIII, section 8201 of the Oil Pollution Act of 1990, [$6,403,000] *$6,123,000*, which shall be derived from the Oil Spill Liability Trust Fund, to remain available until expended. *(Department of the Interior, Environment, and Related Agencies Appropriations Act, 2008.)*

Justification for Proposed 2009 Appropriations Language Changes

Segregation of Cost Recoveries from Rental Receipts used for Offsetting Collections.
The MMS recovers the costs of the review, processing, and monitoring of various activities, such as lease modifications, title changes, pipeline modifications, unitization revisions, downhole commingling requests, etc. directly from customers who receive the benefit of those actions. Cost recoveries are estimated to total $13 million in FY 2009. The Department is proposing that cost recoveries be segregated from rental receipts and no longer combined under the “offsetting collections” umbrella. The following proposed language deletion would achieve that objective:

> [, from rate increases to fee collections for Outer Continental Shelf administrative activities performed by the Minerals Management Service (MMS) over and above the rates in effect on September 30, 1993, and from additional fees for Outer Continental Shelf administrative activities established after September 30, 1993 that the Secretary of the Interior shall collect in fiscal year 2008 and retain and use for the necessary expenses of this appropriation]

An addition to the language is also requested, which would provide authority via this appropriation for the retention and use of cost recoveries by MMS:

> *Provided further, That in fiscal year 2009 and each fiscal year thereafter, fees authorized by 31 U.S.C. 9701 may be collected only to the extent provided in advance in appropriations Acts: Provided further, That notwithstanding 31 U.S.C. 3302, in fiscal year 2009, such amounts as are assessed under 31 U.S.C. 9701 shall be collected and credited to this account and shall be available until expended for necessary expenses:*

Technical Correction of Gulf of Mexico Energy Security Act Revenue Sharing
The Department has identified an inconsistency in authorizing and appropriations language regarding the receipt of rentals between the Gulf of Mexico Energy Security Act (GOMESA) and existing budgetary requirements in the MMS annual appropriations language. It is ambiguous as to whether MMS must share with states rental revenues that MMS uses for certain required administrative activities. The Department proposes appropriations language as a solution for addressing this issue. <u>This applies only to rental revenues and not to royalties or bonus bids.</u>

Background: In 1953, Congress enacted the Outer Continental Shelf Lands Act (OCSLA). One of its provisions, 43 U.S.C. § 1338, states that all rentals shall be deposited in the Treasury. Since about 1993, Congress has enacted a provision in the Department's annual appropriations act that states, "additions to receipts resulting from increases to [rental] rates in effect on August 5, 1993" shall be used to fund certain MMS administrative activities.

In 2006, Congress enacted GOMESA. However, the 1993 budgetary requirement was not addressed. Section 102 (9) – Qualified Outer Continental Shelf Revenues - states:

(A) In general – the term "qualified Outer Continental Shelf Revenues" means –
  - (i) in the case of each of fiscal years 2007 -2016, all rentals, royalties, bonus bids, and other sums . . . {.... for 181 area and 181 south area...}
  - (ii) in the case of fiscal years 2017 and each fiscal year thereafter, all rentals, royalties, bonus bids, and other sums . . .{ ....for 181 area, 181 south area, and 2002-2007 program planning area}.

Additionally, GOMESA Section 105 states:

(a) Notwithstanding . . . 43 U.S.C. § 1338, . . . the Secretary of the Treasury shall deposit—
  - (1) 50 percent of qualified outer Continental Shelf revenues in the general fund of the Treasury; and
  - (2) 50 percent of qualified outer Continental Shelf revenues in a special account in the Treasury from which the Secretary shall disburse- [to states and LWCF]

To ensure clarity and to remove any ambiguity on this issue, and to avoid the elimination of a key portion of MMS operating funding, the Department proposes that the following appropriations language be included as a technical correction in the FY 2009 President's Request that would allow MMS to retain certain rental receipts by excluding them from the revenue sharing provisions of GOMESA:

Provided further, that the term "qualified Outer Continental Shelf revenues", as defined in section 102(9)(A) of the Gulf of Mexico Energy Security Act, Division C of Public Law 109-432, shall include only the portion of rental revenues that would have been collected at the rental rates in effect before August 5, 1993:

The intent of the language is to allow MMS to continue to utilize those eligible rental receipts as offsetting collections which have provided a key portion of the Bureau's operating budget since FY 1995.

Deletion of Language for Administration of the Coastal Impact Assistance Program (CIAP). Based on prior years' language, the MMS has received authority to use a portion of the CIAP funding to administer the program, and the following language is no longer needed:

> [: Provided further, That for the costs of administration of the Coastal Impact Assistance Program authorized by section 31 of the Outer Continental Shelf Lands Act, as amended (43 U.S.C. 1456a), MMS in fiscal years 2008 through 2010 may retain up to 3 percent of the amounts which are disbursed under section 31(b)(1), such retained amounts to remain available until expended]

Additional Proposed Changes

Donation Authority. In Section 112 of the Department of the Interior's General Provisions, language has been introduced to clarify the authority for MMS to retain donations for preparation of environmental documents and related research preparatory to leasing activities in the OCS. These donations could expedite studies and other related activities and allow MMS to proceed to lease sales more quickly. Please refer to the Department's General Provisions.

Civil and Criminal Penalty Authority. In Section 113 of the Department of the Interior's General Provisions, language has been introduced to ensure MMS has full civil and criminal authority for all leasing and developmental activities which the Bureau oversees and regulates. Please refer to the Department's General Provisions.

Appendix C: MMS Authorizing Statutes

Outer Continental Shelf (OCS) Lands Program

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.
P.L. 109-432	The Gulf of Mexico Energy Security Act of 2006 required leasing certain areas in the Central and Eastern Gulf of Mexico Planning Areas within one year of enactment (December 20, 2006); and established a moratoria on leasing in remaining areas in the eastern planning area and a portion of the central planning area until 2022.
P.L. 109-58	The Energy Policy Act of 2005 amended the OCS Lands Act to give authority to the Department of the Interior to coordinate the development of an alternative energy program on the OCS and also to coordinate the energy and non-energy related uses in areas of the OCS where traditional oil and natural gas development already occur.
43 U.S.C. 4321, 4331-4335, 4341-4347	The National Environmental Policy Act of 1969 required that 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.
16 U.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 non-excepted 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 archaeological resources.
30 U.S.C. 21(a)	The Mining and Minerals Policy Act of 1970 set forth the continuing policy 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	The 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	The Deepwater Royalty Relief Act provides royalty rate relief for offshore drilling in deepwater of the Gulf of Mexico (GOM).

Minerals Revenue 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 American Indians.

25 U.S.C. 396, et seq.	The Indian Minerals Leasing Act of 1909 authorizes oil and gas leases on American 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 American 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, sulfur, 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 Stream 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 American Indian Tribe may enter into lease agreements for minerals resources within their boundaries with the approval of the Secretary. Allotted landowners 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 determining oil and gas royalties, interest, fines, penalties, fees, deposits, and other payments owed and to collect for such amounts in a timely manner.
110 Stat. 1700	The Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (P.L. 104-185) changes the royalty collection program by establishing a 7-year statute of limitations, limits of appeals, requires the government to pay interest on royalty overpayments, changes definitions, and allows for delegation of certain functions.

P.L. 105-277	Omnibus Act of 1999 General Provisions Department of the Interior Sec. 130 Oil Valuation Rider Sec. 139 - Small Refiner Ratification of Payments.
P.L. 102-486	The Energy Policy Act of 1992 requires the Secretary of the Interior to disburse monthly to States all mineral leasing payments authorized by Section 6 of the MLA.
P.L. 106-393	The Mineral Revenue Payments Clarification Act of 2000, Title V of the Secure Rural Schools and Community Self-Determination Act of 2000, repealed Net Receipts Sharing whereby States no longer paid for a portion of the Federal cost to administer the Federal Onshore mineral leasing program.
P.L. 108-447	The Consolidated Appropriations Act of 2005 provided that late disbursement interest owed to states be made from current receipts from bonuses, royalties, interest collected from lessees and designees, and rentals of the public lands and outer continental shelf which are not payable to a state or the Reclamation Fund.
P.L. 109-54	The Department of the Interior, Environment and Related Agencies Appropriations Act of 2006 provided that MMS may under the royalty-in-kind program, or under its authority to transfer oil to the Strategic Petroleum Reserve, use a portion of the revenues from royalty-in-kind sales to pay for transportation to wholesale market centers or upstream pooling points, to process or otherwise dispose of royalty production taken in kind, and to recover MMS transportation costs, salaries, and other administrative costs directly related to the royalty-in-kind program.
P.L. 109-432	Gulf of Mexico Energy Security Act of 2006 requires sharing with Gulf producing states revenues generated from leases entered into after the date of enactment of the Act in certain Gulf OCS areas.

Permanent Appropriations Distribution

16 U.S.C. 499	Provides for forest fund payments to a state of 25 percent of all monies received during any fiscal year from each national forest be paid at the end of that year to the state in which that forest is situated.

33 U.S.C. 701, et seq.	The Flood Control Act of 1936 provides that 75 percent of flood control revenue collected be shared with the State in which it was collected.

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	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
41 U.S.C. 601-613	Contract Disputes Act of 1978
44 U.S.C. 35	Paperwork Reduction Act of 1980
44 U.S.C. 2101	Federal Records Act 1950
40 U.S.C. 4868	Federal Acquisition Regulation of 1984
31 U.S.C. 3501	Privacy Act of 1974
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 et seq.	Delegation of Personnel Management Authority
31 U.S.C. 665-665(a)	Anti-Deficiency Act of 1905, as amended
41 U.S.C. 252	Competition in Contracting Act of 1984
18 U.S.C. 1001	False Claims Act of 1982
18 U.S.C. 287	False Statements Act of 1962

41 U.S.C. 501-509	Federal Grant and Cooperative Agreement Act of 1977
41 U.S.C. 253	Federal Property and Administrative Services Act of 1949
41 U.S.C. 401	Office of Federal Procurement Policy Act of 1974, as amended
15 U.S.C. 631	Small Business Act of 1953, as amended
15 U.S.C. 637	Small Business Act Amendments of 1978
10 U.S.C. 137	Small Business and Federal Competition Enhancement Act of 1984
15 U.S.C. 638	Small Business Innovation Research Program of 1983
10 U.S.C. 2306(f)	Truth in Negotiations Act of 1962 Authorization
Secretarial Order No. 3071	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 Lands 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	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 Management Service
Royalty and Offshore Minerals Management (ROMM)
Program and Financing
(dollars in millions)

Treasury Account ID: 14-1917		**FY 2007 Actual**	**FY 2008 Estimate**	**FY 2009 Estimate**
Obligations by program activity				
Direct program				
00.01	OCS Lands	77	81	75
00.02	Minerals Revenue Management	44	44	44
00.03	General Administration	32	32	35
00.04	Hurricane Supplementals	9	2	0
01.92	Total direct program	162	159	154
Reimbursable program				
09.01	OCS Revenue Receipts	115	132	134
09.02	Reimbursable (RIK)	53	100	102
09.03	Reimbursable (from other agencies)	11	10	9
09.99	Total reimbursable program	179	242	245
10.00	Total new obligations	341	401	399
Budgetary resources available for obligation				
21.40	Unobligated balance, start of year	38	50	10
22.00	New budget authority (gross)	346	356	394
22.10	Resources available from recoveries	7	5	5
23.90	Total budgetary resources available for obligation	391	411	409
23.95	Total new obligations	-341	-401	-399
24.40	Unobligated balance carried forward, end of year	50	10	10
New budget authority (gross), detail				
Discretionary				
40.00	Appropriation	153	157	154
40.33	Appropriation permanently reduced	0	-2	0
43.00	Appropriation (total discretionary)	153	155	154
Net budget authority and outlays				
89.00	Budget authority	153	155	154
90.00	Outlays	129	153	140

Minerals Management Service **Royalty and Offshore Minerals Management (ROMM)** **Object Classification** *(dollars in millions)*				
Treasury Account ID: 14-1917		**FY 2007 Actual**	**FY 2008 Estimate**	**FY 2009 Estimate**
Direct obligations (Annual ROMM Appropriation)				
11.1	Personnel Compensation: Full-time permanent	127	126	127
12.1	Civilian personnel benefits	32	31	32
21.0	Travel and transportation of persons	3	3	3
23.1	Rental Payments to GSA	14	14	16
23.3	Communications, utilities, and misc. charges	1	1	1
25.2	Other services	98	109	116
26.0	Supplies and materials	2	2	2
31.0	Equipment	4	4	4
99.0	Total obligations, ROMM	281	290	301

Minerals Management Service
Royalty and Offshore Minerals Management (ROMM)
Account Object Class Information
(dollars in millions)
Treasury Account ID: 14-1917

	FY 2008 Estimate Amount		**Fixed Costs and Related Changes**		**Programmatic Changes**		**FY 2009 Budget Request**	
Object Class	**FTE**	**AMT**	**FTE**	**AMT**	**FTE**	**AMT**	**FTE**	**AMT**
Total Appropriation And Offsetting Collections	1565	*$290	---	+$7	+10	+$4	1575	*$301
Total personnel compensation	---	$126	---	+$2	---	+$2	---	$130
Civilian personnel benefits	---	$31	---	+$1	---	0	---	$32
Travel and transportation of persons	---	$3	---	0	---	0	---	$3
Rents	---	$14	---	+$3	---	0	---	$17
Communications utilities, and misc. charges	---	$1	---	0	---	0	---	$1
Other services	---	$109	---	+$1	---	+$2	---	$112
Supplies and materials	---	$2	---	0	---	0	---	$2
Equipment	---	$4	---	0	---	0	---	$4

**FY 2008Enacted - $154,750,000 Annual Appropriation and $135,730,000 Offsetting Collections*
**FY 2009 Request - $154,270,000 Annual Appropriation and $146,730,000 Offsetting Collections*

Minerals Management Service Oil Spill Research (OSR) Program and Financing *(dollars in millions)*				
Treasury Account ID: 14-8370		**FY 2007 Actual**	**FY 2008 Estimate**	**FY 2009 Estimate**
Obligations by Program activity				
00.01	Direct program activity	7	6	6
10.00	Total new obligations	7	6	6
Budgetary resources available for obligation				
22.00	New budget authority (gross)	7	6	6
23.95	Total new obligations	-7	-6	-6
New budget authority (gross), detail, Discretionary				
40.00	Appropriation (trust fund)	7	6	6
Net budget authority and outlays				
89.00	Budget authority	7	6	6
90.00	Outlays	7	6	6

Minerals Management Service Oil Spill Research (OCS) Object Classification *(dollars in millions)*				
Treasury Account ID: 14-8370		**FY 2007 Actual**	**FY 2008 Estimate**	**FY 2009 Estimate**
Direct obligations				
11.1	Full-time permanent	2	2	2
25.2	Other services	5	4	4
99.9	Total new obligations	7	6	6

Minerals Management Service
Oil Spill Research (OSR)
Account Object Class Information
(dollars in millions)
Treasury Account ID: 14-8370

	FY 2008 Estimate Amount		Uncontrollable & Related Changes		Programmatic Changes		FY 2009 Budget Request	
Object Class	**FTE**	**AMT**	**FTE**	**AMT**	**FTE**	**AMT**	**FTE**	**AMT**
Total Appropriation	18	$6	---	0	---	0	18	$6
Total personnel compensation	---	$2	---	0	---	0	---	$2
Other services	---	$4	---	0	---	0	---	$4

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Appendix E: Employee Count by Grade

	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request
Executive Level	14	15	15
Subtotal	**14**	**15**	**15**
GS-15	62	62	62
GS-14	234	235	238
GS-13	435	436	440
GS-12	386	387	387
GS-11	140	142	144
GS-10	9	9	9
GS-9	77	77	78
GS-8	70	70	70
GS-7	83	83	83
GS-6	45	45	45
GS-5	48	48	48
GS-4	16	16	16
GS-3	6	6	6
GS-2	8	8	8
GS-1	0	0	0
Subtotal	**1,619**	**1,624**	**1,634**
Total	**1,633**	**1,639**	**1,649**

Note: The numbers in this table represent the actual number of employees by grade level. These numbers differ from FTE calculations, because by definition, FTE numbers represent Full-Time Equivalent employees. FTE calculations are based on hours worked, not the number of employees.

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Appendix F: Use of Research and Development (R&D) Criteria

The current R&D investment criteria were developed in response to limited financial resources and the multitude of R&D opportunities that exist government-wide. The criteria, which evaluate the relevance, quality, and performance for all R&D programs, are used to rigorously justify new programs and to reevaluate existing programs for modification, redirection, termination, and in keeping with national priorities and needs.

The MMS R&D portfolio requested for FY 2009 totals almost $38 million and comprises four main elements: the Environmental Studies Program (ESP), Resource Evaluation (RE), Technology Assessment & Research (TA&R), and Oil Spill Research (OSR).

- The ESP funds applied research through environmental and socioeconomic studies to predict potential impacts of oil and gas development and to develop mitigating measures where needed. The ESP funding request for FY 2009 reflects an increase of $5.514 million over the FY 2008 enacted. This increase is for environmental studies needed to support the Secretary's OCS Oil and Gas Leasing Program 2007-2012, which was approved in June 2007 and became effective in July 2007. In addition, a funding increase of $0.284 million is requested in Leasing and Environmental Assessment for two new FTE to assist in managing additional environmental studies that will be undertaken in FY 2009 in support of the OCS Oil and Gas Leasing Program.

- The FY 2008 appropriation included a Congressional add of $886,000 in the MMS Resource Evaluation subactivity for the Center for Marine Resources and Environmental Technology (CMRET). The mission of the CMRET is to conduct research on the exploration and extraction of minerals from the seabeds of the Gulf of Mexico. The MMS recognizes the importance of the investigations and technological development that this center pursues, particularly the longer-term research. However, due to higher research priorities for conventional oil and gas exploration and extraction, MMS is proposing to eliminate CMRET funding in FY 2009.

- The TA&R program funds operational safety and engineering research to address technological issues associated with the complete spectrum of offshore operations, ranging from the drilling of exploratory wells to the removal and decommissioning of platforms and related production facilities. No additional funds are requested for the TA&R program in FY 2009.

- The R&D funding in the OSR program is focused on the effective response to pollution events by assessing risks and evaluating technologies associated with the detection, containment, recovery, and clean up of oil spills in the marine environment. OSR program funding is decreased by $180,000 in FY 2009 for organizational efficiencies. The MMS will continue to focus on the highest priority research and will increase efficiencies within the Oil Spill Research program.

All MMS research is considered applied research in that it is specifically conducted to collect information needed to support the Outer Continental Shelf (OCS) oil and gas program and the

Alternative Energy/Alternate Use Program. In order to ensure relevance, MMS integrates advice from a wide range of sources when formulating its research plans. The MMS also actively seeks partnerships with stakeholders who are involved with, or affected by, OCS activities. The performance of MMS's research efforts were reviewed in its FY 2004 OMB ESP Performance Assessment Rating Tool (PART). OMB found that the program is "very effective in providing timely and peer-reviewed environmental research to decision makers," and the program received a score of "Moderately Effective", meeting one of OMB's criteria for achieving green on its scorecard.

In response to the PART, MMS quantitatively measures the value of environmental studies information. The MMS Environmental Studies Program Performance Assessment Tool (ESP-PAT) measures the effectiveness of the Program in delivering targeted information to its MMS customers in a timely manner for discrete decision-making purposes.

MMS Research and Development Funding (FY 2007-FY 2009)

Budget Activity	FY 2007 Actual	FY 2008 Enacted	FY 2009 Request
OEMM Leasing & Environmental Subactivity			
Leasing & Environmental Assessment	**4,553**	**4,918**	**5,295**
The Leasing & Environmental Assessment Program includes funding for staff associated with the Environmental Studies Program.			
Environmental Studies Program (ESP)	**15,957**	**19,179**	**24,693**
The ESP gathers and synthesizes the environmental and social and economic science information necessary to support environmentally sound decision-making concerning the offshore oil and gas program, the marine minerals program, and the alternative energy/alternate use program.			
OEMM Resource Evaluation Subactivity			
Center for Marine Resources and Environmental Technology (CMRET)	**0**	**886**	**0**
The CMRET is located at the University of Mississippi at Oxford. While funding is appropriated to the Resource Evaluation Program, the funds to support this program are not considered part of OMM base funding but have been added to our appropriation by Congress for many of the past several years. No funding was provided in FY 2007; $886,000 was provided in FY 2008. No funding is shown for 2009 as this project is classified as an earmark and is proposed for termination in FY 2009.			
OEMM Regulatory Subactivity			
Regulation of Operations	**1,397**	**1,431**	**1,451**
The Regulation of Operations Program includes funding for the staff associated with the TA&R Program as well as base funding for the Offshore Technology Research Center (OTRC) located at Texas A&M University in College Station, TX. OTRC research is focused on operational safety and engineering.			
Technology, Assessment & Research (TA&R)	**725**	**1,500**	**1,500**
The TA&R Program supports research associated with operational safety, engineering research and pollution prevention.			
OEMM Oil Spill Research Appropriation			
Oil Spill Research	**4,758**	**4,883**	**4,711**
MMS is the principal U.S. Government bureau funding offshore oil spill response technology research. This research addresses outstanding gaps in information and technology concerning the cleanup of oil spills.			
TOTAL R&D	**27,390**	**32,797**	**37,650**

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Appendix G

Minerals Management Service FY 2009 Mandatory Accounts and Offsetting Collections	
Appropriations Proposals	
Offsetting Rental Collections (General Statement)	In FY 2009, the Administration is proposing to segregate cost recoveries from offsetting rental receipts. As a result the FY 2009 President's Budget requests $133.7 million for offsetting rental collections, which is $10.0 million above the comparable FY 2008 enacted level of $123.7 million.
Cost Recovery (General Statement)	The MMS recovers the costs of the review, processing, and monitoring of various activities, such as lease modifications, title changes, pipeline modifications, unitization revisions, downhole commingling requests, etc. directly from customers who receive the benefit of those actions. Cost recoveries are estimated to total $13 million in FY 2009.
Coastal Impact Assistance Program (see CIAP tab)	The FY 2009 President's Request proposes that the Minerals Management Service may retain up to 3 percent of the amounts disbursed under section 31(b)(1) of the Coastal Impact Assistance Program, authorized by Section 31 of the Outer Continental Lands Act, as amended (43 U.S.C. 1456(a)), for administrative costs, to remain available until expended.
Authorizing Proposals	
Net Receipts Sharing (General Statement)	The 2009 President’s Request proposes amending section 35 of the Minerals Leasing Act (MLA) to implement a form of “Net Receipts Sharing,” whereby two percent will be deducted from the states’ share of receipts from Federal leasing activities under the MLA.
Geothermal Payments (see BLM Budget Justifications)	The President’s Budget proposes to repeal the provision in the Energy Policy Act that provides revenues to counties and the implementation of permit processing fund. The provision directs 25 percent of the revenues collected from geothermal leasing to be paid to the County in which the leased lands or geothermal resources are located. MMS, in conjunction with BLM, published final geothermal valuation regulations in May 2007.

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Minerals Management Service 2009 Working Capital Fund Direct Bill (Dollars in thousands)				
Account	2007	2008 PY Collections	2008	2009
OEPC Departmental Manual Chapters	0.0	0.0	20.0	0.0
Single Audit Clearinghouse	0.5	0.0	0.5	0.5
OPM Leadership 360 Assessment	0.0	0.0	3.5	0.0
Human Capital Conference	0.0	0.0	5.7	0.0
DOI LEARN	0.0	0.0	56.5	56.5
EEO Training	0.7	0.0	1.2	1.2
Security Conference	0.6	0.0	0.9	0.9
Oracle Licenses and Support	244.1	220.5	221.5	229.1
Enterprise Architecture Services	7.7	0.0	0.0	0.0
Microsoft Enterprise Licenses	357.8	0.0	356.8	411.3
Anti-Virus Software Licenses	50.2	0.0	41.0	41.4
Popkin System Architect Licenses	1.2	0.0	3.6	6.1
Karta GoLearn Licenses	36.6	0.0	0.0	0.0
Enterprise Services Network	281.0	0.0	260.0	313.0
DOI University Intern Programs	0.0	0.0	0.0	0.0
Financial Management Intern Program 4	23.0	0.0	0.0	0.0
Financial Management Intern Program 5	24.0	0.0	25.0	0.0
DOI University Learning & Performance Centers	0.0	0.0	9.1	9.3
Anchorage Learning & Performance Center	0.0	0.0	1.4	1.4
Denver Learning & Performance Center	0.0	0.0	4.0	4.1
On-Line Learning	0.0	0.0	23.0	24.1
Technology Services Division	19.3	0.0	20.0	24.1
Payroll Services	11.3	0.0	5.5	4.9
Personnel & Payroll Systems Division	53.1	0.0	62.7	66.3
Facilities Reimbursable Services	5.0	0.0	36.8	37.9
Creative Communications	53.0	0.0	88.1	89.9
ATC Services	0.0	0.0	0.5	0.5
Mail and Messenger Services	2.1	0.0	2.4	2.4
IDEAS	57.9	0.0	5.0	0.0
Tape Restoration (Cobell Litigation)	2.7	17.3	10.1	0.0
Live e-Mail Capture (Cobell Litigation)	161.2	71.9	227.5	0.0
Message Journaling (Cobell Litigation)	0.0	3.0	3.0	0.0
Tape Search Request (Cobell Litigation)	0.0	4.4	5.1	0.0
IT Security Audit (Cobell Litigation)	23.1	0.0	0.0	0.0
Legacy Tape Storage (3-year Live Capture - Cobell Litigation)	8.8	5.9	18.1	0.0
Zantaz Professional Services (Cobell Litigation)	0.0	7.8	3.0	0.0
Hurricane Response and Recovery Oversight	126.6	0.0	0.0	0.0
FY 2007 CFO Audit	278.7	0.0	25.0	0.0
Federal FSA Program	44.1	0.0	49.2	54.3
FBMS Change Orders	0.0	0.0	25.0	0.0
FY 2009 CFO Audit	0.0	0.0	0.0	12.0

Minerals Management Service 2009 Working Capital Fund Direct Bill (Dollars in thousands)				
Account	**2007**	**2008 PY Collections**	**2008**	**2009**
HSPD-12	167.3	0.0	155.7	120.1
Historical Tape Storage (Cobell Litigation)	39.1	100.0	39.1	0.0
Government-Wide Forums	3.5	0.0	9.0	9.0
FY 2008 CFO Audit	0.0	0.0	20.0	25.0
SES Conference	6.5	0.0	6.5	0.0
Workforce Planning Satellite Broadcast	0.5	0.0	0.5	0.0
Departmental Medals	15.8	0.2	11.3	11.3
Federal Assistance Award Data System	0.0	0.0	2.3	2.3
e-Mail Archiving (Cobell Litigation)	0.0	0.0	0.0	321.3
Data-at-Rest Initiative	3.0	0.0	0.0	0.0
Adaptive Management Guides	0.0	0.1	0.0	0.0
IT Security	0.0	16.7	0.0	0.0
HR Management Systems Division	0.0	0.0	0.0	11.9
International Renewable Energy Conference	0.0	0.0	121.9	0.0
CFO Audit	0.0	0.0	0.0	0.0
Financial and Business Management System	0.0	0.0	0.0	0.0
Total	**2,109.7**	**447.6**	**1,987.1**	**1,892.3**

Minerals Management Service			
2009 Working Capital Fund Centralized Bill			
(Dollars in thousands)			
Account	**2007**	**2008**	**2009**
Invasive Species Council	32.7	34.4	36.5
Invasive Species Coordinator	5.4	5.8	5.9
Document Management Unit	3.7	22.2	0.0
Electronic Records Management	0.0	23.4	27.1
Alaska Field Office	11.1	11.8	12.3
Alaska Resources Library and Information Services	73.1	73.1	73.1
Departmental Communications Office	83.7	17.9	18.9
Conservation Partnerships and Management Policy	2.5	6.2	6.2
CPIC	3.9	4.2	4.0
Financial Management Training	30.2	0.0	0.0
Activity Based Costing/Management	26.3	25.5	25.3
Travel Management Center	12.0	12.8	13.4
Quarters Program	0.0	0.0	0.0
Interior Collections Management System	3.0	2.5	2.5
Space Management Initiative	6.3	6.6	7.6
Renewable Energy Certificates	0.0	4.7	4.7
SBA Certifications	6.3	11.2	11.2
Planning and Performance Management	78.0	30.5	30.1
Center for Competition Efficiency and Analysis	13.0	12.1	12.3
Department-wide OWCP Coordination	1.6	1.8	5.4
CLC - Human Resources	0.9	0.9	0.0
OPM Federal Employment Services	10.1	10.1	13.3
EEO Complaints Tracking System	0.0	3.0	0.7
Special Emphasis Program	4.9	4.9	1.2
Occupational Health and Safety	17.9	21.2	22.1
Health and Safety Training Initiatives	4.3	4.8	4.9
Safety Management Information System	12.6	14.8	15.5
Security (Classified Information Facility)	11.2	7.9	8.2
Watch Office	24.5	29.4	38.3
Emergency Preparedness	21.3	32.5	32.8
Law Enforcement Coordination and Training	8.0	13.7	14.0
Enterprise Services Network	350.1	288.2	465.8
Web & Internal/External Comm	14.8	14.5	14.5
Messaging	62.8	0.0	0.0
Information Technology Architecture	124.6	88.8	116.0
FOIA Tracking & Reporting System	29.0	31.7	23.4
IT Security	68.7	69.6	63.6
Capital Planning	41.9	51.0	78.4
Government Paperwork Elimination Act	47.8	47.8	6.6
Data Resource Management Program	5.8	5.8	5.6
IT Security	125.3	125.3	125.3
Active Directory	29.5	32.0	40.9
Enterprise Resource Management	8.8	9.8	10.6

Minerals Management Service 2009 Working Capital Fund Centralized Bill (Dollars in thousands)			
Account	**2007**	**2008**	**2009**
HSPD-12	32.9	32.9	21.9
Cultural Resources & Events Management	11.8	11.6	11.8
Partnership Schools & Commemorative Programs	3.7	3.8	3.9
Departmental Museum	37.3	37.7	38.0
Departmental Library	69.6	71.2	74.9
Financial Management Training	0.0	31.7	33.2
Learning and Performance Center Management	16.2	16.1	16.5
SESCDP & Other Leadership Programs	5.0	4.8	4.8
Washington Learning & Performance Center	29.5	21.6	48.1
Albuquerque Learning & Performance Center	1.8	2.2	2.8
Anchorage Learning & Performance Center	12.6	13.4	14.8
Denver Learning & Performance Center	68.1	83.4	63.5
Online Learning	11.7	9.8	12.8
ADP Operations	0.0	0.0	20.6
NBC IT Security Improvement Plan	18.8	15.3	15.4
Voice/data switching	20.4	21.0	21.7
Information Mgmt. - FOIA and Records Management	39.7	41.1	12.2
Telecommunications services	81.8	84.7	91.9
Integrated Digital Voice Communications System	52.2	63.8	78.4
Desktop Services	10.5	10.8	0.0
FPPS/Employee Express - O&M	334.6	349.7	355.9
HR LOB W-2 Surcharge	0.0	20.4	22.4
Interior Complex Management & Svcs	37.9	36.5	39.3
Family Support Room	1.3	1.3	1.4
Property Accountability Services	4.1	4.3	4.4
Vehicle fleet	3.9	4.1	4.6
Moving Services	8.0	7.8	8.6
Shipping and Receiving	18.7	18.1	19.6
Space Management Services	10.1	12.0	13.1
Security	252.7	250.6	276.6
Accessible Technology Center	8.1	0.0	0.0
Federal Executive Board	6.5	6.5	6.7
Health Unit	12.4	12.3	13.1
Transportation Services (Household Goods)	0.0	4.7	4.8
Passport & Visa Services	19.5	20.1	20.9
Mail and messenger services	42.8	71.5	73.5
Blue Pages	20.1	19.5	21.0
Mail Policy	8.3	8.3	8.5
FBMS Hosting	0.0	477.0	477.0
Financial Systems (incl. Hyperion)	17.5	18.0	19.8
IDEAS	86.6	85.7	88.3
Aviation Management	235.3	434.8	387.5
Contingency Reserve	7.9	3.8	3.7

Minerals Management Service 2009 Working Capital Fund Centralized Bill (Dollars in thousands)			
Account	**2007**	**2008**	**2009**
CFO Financial Statement Audit	819.5	1,198.1	1,269.8
Enterprise Geospatial Information Management	13.7	13.3	13.3
e-Government Initiatives	323.5	87.8	109.2
Ethics Training	1.3	1.2	6.0
ALLEX Database	3.6	3.6	3.6
FOIA Appeals	35.2	35.2	30.2
Accessible Technology Center	0.0	7.4	7.5
e-Training (DOI LEARN)	0.0	4.5	16.8
e-Authentication	0.0	0.0	7.9
e-Gov Travel	0.0	14.2	28.5
Audio Visual Services	0.0	0.0	16.9
Special Events Services	2.4	2.5	2.8
Chief Technology Officer Support	0.0	0.0	21.1
Alternative Dispute Resolution Training	0.0	0.0	2.5
Accountability Team	0.0	0.0	10.7
SIB Cabling	0.0	0.0	24.4
Interior Complex Management Services	0.0	0.0	0.0
Security Services	0.0	0.0	0.0
Mail Services	0.0	0.0	0.0
Property Services	0.0	0.0	0.0
Department-wide Training Programs	0.0	0.0	0.0
Learning and Performance Center Management	0.0	0.0	0.0
Total	**4,276.6**	**5,026.3**	**5,427.7**