BUDGET JUSTIFICATIONS

The United States Department of the Interior

and Performance Information
Fiscal Year 2011

MINERALS MANAGEMENT SERVICE

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MINERALS MANAGEMENT SERVICE
FY 2011 PERFORMANCE BUDGET JUSTIFICATION

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Director's Preface

"*So we have a choice to make. We can remain one of the world's leading importers of foreign oil, or we can make the investments that would allow us to become the world's leading exporter of renewable energy. We can let climate change continue to go unchecked, or we can help stop it. We can let the jobs of tomorrow be created abroad, or we can create those jobs right here in America and lay the foundation for lasting prosperity.*"

-President Obama, March 19, 2009

The energy challenges that the U.S. faces are severe. The Nation imports 58 percent of the oil needed to fuel the country's transportation system, economic growth, and manufacturing. Our reliance on an energy mix that emphasizes the combustion of carbon-based fuels has contributed to global warming and the enormous challenges it presents. The time has come to create new, clean sources of energy, and the Minerals Management Service (MMS) is poised to play a leading role in supporting American energy security and a clean energy economy.

The MMS FY 2011 request is $364.8 million in direct appropriations and offsetting collections. This request supports the Administration's ambitious renewable energy goals and Secretarial Order 3285, which established the production, development, and delivery of renewable energy as a top priority for the Department. This request includes a $3.5 million increase (on top of $24 million in increases in FY 2010) to continue development and implementation of the Outer Continental Shelf renewable energy program with particular emphasis on developing regional expertise to support leasing activities offshore the Atlantic and Pacific coasts. Planned activities include conducting environmental reviews needed to hold competitive lease sales, processing noncompetitive commercial leases, coordinating extensive stakeholder participation, and initiating inspection and enforcement activities on leases for data collection and technology testing. Throughout FY 2011, MMS will continue to build the capacity necessary to develop a strong, nationwide offshore renewable energy program that facilitates the development of a robust U.S. offshore renewable energy industry.

The MMS vision as reflected in this request will also continue a comprehensive, balanced, and environmentally responsible conventional energy program. Conventional offshore energy sources will continue to be an important source of energy, jobs, and state, Federal, and tribal revenues in the years ahead. To ensure that conventional energy is developed in a safe and environmentally responsible manner, and that the American people receive fair value for their resources, MMS must have the human capital, information technology, and data necessary to operate on a level field with the industry we regulate.

The challenges that we face to ensure sound energy and mineral revenue management are also significant. The MMS has faced increased scrutiny in the last few years, as is appropriate, given the assets for which it is responsible. Unfortunately, a number of shortcomings and instances of wrongdoing have been uncovered. In response, the agency, under the leadership of Secretary

Salazar, has aggressively implemented numerous recommendations made by the Government Accountability Office, the DOI Office of the Inspector General, and the Royalty Policy Committee Subcommittee on Royalty Management led by former U.S. Senators Bob Kerrey and Jake Garn. In response to these reviews, the Secretary undertook an ethics reform initiative that re-examined the potentially criminal conduct of a group of MMS employees, studied the structure of the agency's oil and gas royalty program, and thoroughly reviewed the Department's ethics regulations and policies.

One of the first steps to restructure the royalty program was taken on September 16, 2009, when the Secretary announced a transitional phasing out of the Royalty-in-Kind (RIK) Program. As RIK oil and natural gas sales contracts expire, the oil and natural gas properties will revert to in-value status. Because RIK activities were funded through royalty receipts, and royalty-in-value activities are funded through appropriations, in FY 2011, MMS is requesting a $10 million appropriations increase to offset the corresponding loss of receipts. This will ensure that termination of the RIK program will not adversely affect MMS's commitment to make certain that the Nation's Federal and Indian energy and mineral revenues are accurately reported and paid in compliance with laws, regulations and lease terms and that the American people receive fair market value for their valuable energy and mineral resources.

While significant steps have been taken to improve royalty management, upgrading royalty systems, processes, and oversight continues to be a significant area of emphasis in the MMS FY 2011 request. The request includes $1.7 million to enhance the capabilities and integration of compliance tools and $2.0 million for compliance, valuation, and market research staff to ensure proper royalty payments on processed and transported natural gas.

The MMS FY 2011 request is designed to help reach nationwide energy security and renewable energy goals and improve royalty management. The responsible investments in this request will help enable a robust offshore renewable energy industry, ensure that conventional energy development occurs in a safe and environmentally responsible manner, and upgrade our royalty management program for the 21st century.

FY 2011 PERFORMANCE BUDGET

Minerals Management Service

General Statement

Table 1 : Summary of MMS Budget Request

Budget Authority ($000)	2009 Enacted	2010 Enacted	2011 President's Request	2011 Change from 2010
ROMM Appropriation	157,373	175,217	183,587	+8,370
Oil Spill Research Appropriation	6,303	6,303	6,303	0
Direct Appropriations	**163,676**	**181,520**	**189,890**	**+8,370**
Offsetting Collections	146,730	166,730	174,890	+8,160
Total Discretionary Budget Authority	**310,406**	**348,250**	**364,780**	**+16,530**
Payments to States [1/]	1,927,752	1,662,244	1,981,340	+319,096
Geothermal, Payments to Counties	12,679	0	0	0
Coastal Impact Assistance Program	250,000	250,000	0	-250,000
Total Mandatory Budget Authority	**2,190,431**	**1,912,244**	**1,981,340**	**+69,096**
Total Budget Authority	**2,500,837**	**2,260,494**	**2,346,120**	**+85,626**
Total Direct FTE [2/]	1,603	1,666	1,706	+40
Total Reimbursable FTE	130	130	96	-34
Total FTEs [3/]	**1,733**	**1,796**	**1,802**	**+6**

[1/] 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 state payments.

[2/] Full Time Equivalent (FTE) is a standardized unit representing the average time worked of one full-time employee over a year.

[3/] FTE totals shown include FTE in the Coastal Impact Assistance Program.

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 American Indian lands. The MMS is one of America's leading energy and mineral asset managers. Every American benefits from the work of MMS. From the gasoline that powers our cars, the natural gas that heats our homes, and the planning and expansion of the offshore renewable energy industry, to the benefits obtained through the disbursement of collected energy and mineral revenues to states, American Indians, the General Fund of the U.S. Treasury, the Historic Preservation Fund, and the Land and Water Conservation Fund, 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, monitoring the safety of offshore facilities, and protecting our coastal and marine environments. Through the work of OEMM, MMS manages the energy and mineral resources on the 1.7 billion acres of the Nation's OCS, which has potential remaining resources estimated at 101.2 billion barrels of oil and 480.1 trillion cubic feet

of natural gas (MMS National Assessment, 2006) and significant renewable resources. Under MMS management, energy resources on the OCS currently supply about 25 percent of the Nation's oil production and about 11 percent of its natural gas production. The MMS is also building a renewable energy program that will allow leasing on the OCS for the development of renewable energy resources such as wind, wave, and ocean current energy.

The Minerals Revenue Management program (MRM) collects, accounts for, and disburses revenues from energy and mineral leases on the OCS and onshore Federal and American Indian lands. The MRM has collected an average of more than $13 billion annually over the past 5 years. The MMS works to ensure that revenues are reported and paid correctly and in a timely manner. Each month, approximately 2,100 companies report and pay royalties associated with over 29,000 producing Federal and Indian leases. The MMS' goal is to ensure that the Federal government is realizing fair-market value and that companies are in compliance with all applicable laws, regulations, and lease terms.

FY 2011 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 American Indian mineral revenues to enhance public and trust benefits, promote responsible use, and realize fair value.

The MMS receives discretionary funding for operations from three primary sources: the Royalty and Offshore Minerals Management (ROMM) appropriation; the Oil Spill Research (OSR) appropriation; and offsetting collections that are derived from certain OCS rental receipts that MMS is authorized to retain, inspection fees for OCS facilities, and cost recovery fees. The MMS is also authorized to retain a portion of revenues generated through Royalty-in-Kind (RIK) operations to cover associated administrative costs.

For FY 2011, MMS is requesting a discretionary operating account level of $364.8 million, which includes $174.9 million in offsetting collections, $183.6 million from direct ROMM appropriations, and $6.3 million from OSR appropriations.

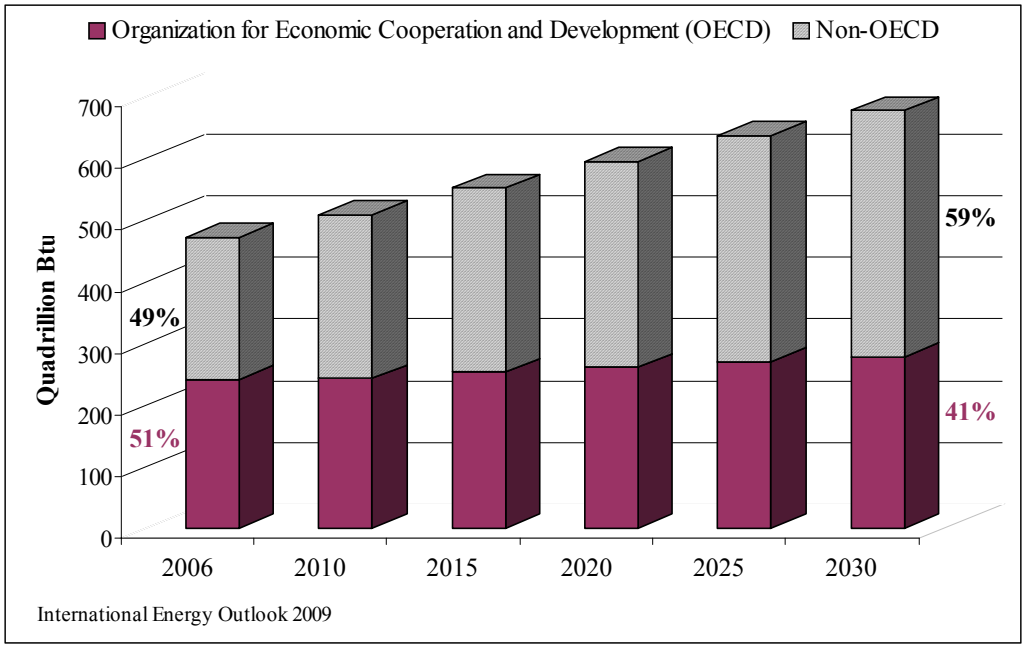
ENERGY FOR THE FUTURE

Our Nation's security, economy, and quality of life depend upon secure and affordable supplies of energy. Unfortunately, as energy demand has increased both domestically and internationally, the U.S. has found itself increasingly reliant upon imported energy. Increasing energy demands and national security concerns require a transition to low-carbon, domestic energy sources. The MMS plays an important role in reaching this long term goal.

The Energy Information Agency (EIA) projects that global primary energy demand will increase from 472 quadrillion British thermal units (Btu) in 2006 to 552 quadrillion Btu in 2015 (an increase of 17 percent) and to 678 quadrillion Btu in 2030 (an increase of 44 percent) based on current laws and policies, as shown in Figure 1. The EIA also projects that the inflation adjusted price of oil will rise to $110 per barrel in 2015 and $130 per barrel in 2030. The majority of growth in energy demand will occur outside of the Organization for Economic Cooperation and Development (OECD) countries, indicating a shift in the focus of global energy markets away from developed countries such as the U.S. and toward developing countries. Such dramatic increases in energy demand will be accompanied by significant environmental and economic consequences. The increase in energy demand, based on current laws and policies, is forecast to increase world carbon dioxide emissions by 39 percent from 29.0 billion metric tons in 2006 to 40.4 billion metric tons in 2030 (International Energy Outlook 2009).

Vital threats to the Nation's well-being and security include volatile energy prices, increasing dependence on foreign energy supplies, and greenhouse gas emissions that result from current energy sources. Our challenge moving forward is to help close the existing energy gap by facilitating industry exploration and development of the resources, conventional and renewable, necessary to meet future energy demand in an environmentally responsible manner.

Figure 1: Projected World Energy Consumption



To respond to this generational energy challenge, President Obama and Secretary Salazar have made clean energy development a top priority. The MMS FY 2011 budget request is part of a comprehensive energy program that emphasizes energy efficiency and responsible domestic production of renewable and conventional energy. The MMS FY 2011 budget request builds upon the significant progress led by the President and the Secretary in the last year toward a secure and clean energy future, including:

- Awarding the first-ever exploratory leases for renewable wind energy production on the OCS offshore New Jersey and Delaware.
- Establishing a new regional office to support renewable energy development on the OCS off the Atlantic seaboard.
- Finalizing a long-awaited framework for renewable energy production on the OCS that establishes a program to grant leases, easements, and rights-of-way for orderly, safe, and environmentally responsible renewable energy development activities, such as the siting and construction of offshore wind farms on the OCS.
- Publishing a report that synthesized available information on conventional and renewable offshore energy resources and identified data gaps.
- Establishing five joint Federal/State Task Forces for the purpose of planning and administering renewable energy leasing activities on the OCS, with at least three more anticipated in FY 2010.

The MMS FY 2011 budget request is an investment in a bold vision that is grounded in an analysis of opportunities and challenges in renewable energy, conventional energy, and revenue management. This investment offers the potential for substantial benefits in the form of developing a low carbon economy, improving energy security, and creating new domestic economic engines.

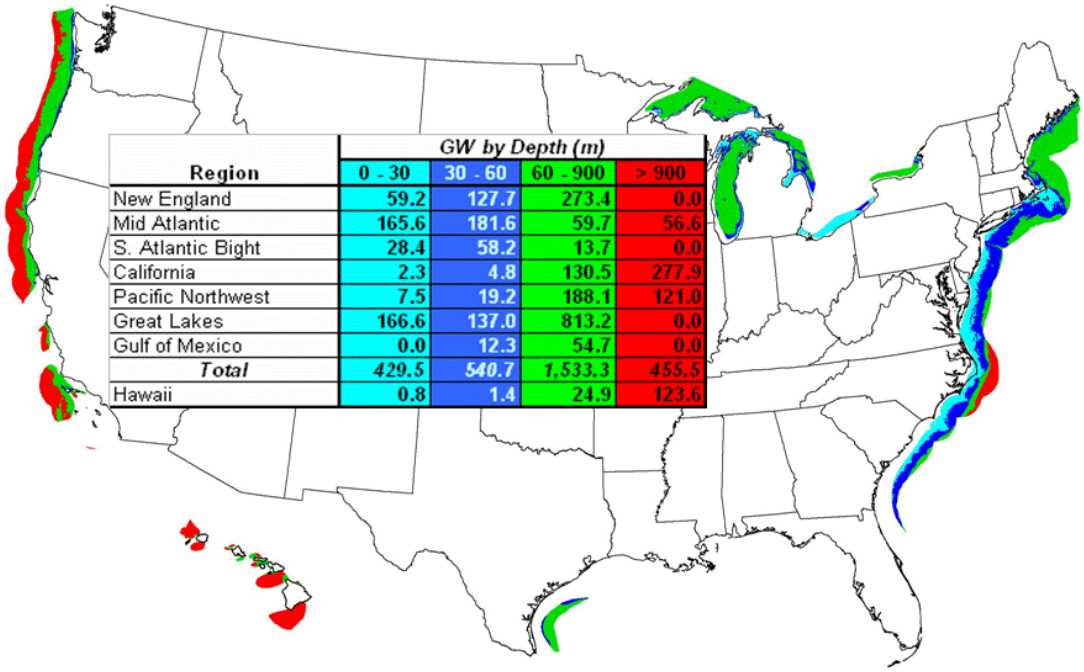
OFFSHORE RENEWABLE ENERGY

> *"Other nations have been using offshore wind energy for more than a decade. We made the development of offshore wind energy a top priority for Interior. The technology is proven, effective and available…."*
>
> -Secretary Salazar

Offshore renewable resources have substantial potential to supply a large portion of the Nation's electricity demand. According to estimates by the National Renewable Energy Laboratory (NREL), developing shallow water (typically 0-30 meters) wind resources, which are the most likely to be technically and commercially feasible at this time, could provide at least 20 percent of the electricity needs of almost all coastal states. In the Atlantic alone, the NREL estimates a gross offshore wind resource of 1,024 gigawatts (GW). Assuming that only 40 percent is available because of other competing ocean uses gives an extractable resource of 410 GW. While the majority of this occurs in waters that are too deep for development today (due to technological constraints), a substantial gross resource of 253 GW does exist in shallow waters (< 30 m). Using the same availability assumption, that gives an extractable shallow-water wind resource of 101 GW, which could be developed now with current technology. As with the development of other resources, the economic feasibility of a given project will depend on a variety of factors. For wind projects, these include the unique site characteristics, proximity to key electricity markets, and the combination of Federal, state, and local incentives available for the project.[1]

[1] Survey of Available Data on OCS Resources and Identification of Data Gaps (OCS Report MMS 2009-015) available online at http://www.doi.gov/ocs/

Figure 2: United States Wind Resource Map



Region	GW by Depth (m)			
	0 - 30	30 - 60	60 - 900	> 900
New England	59.2	127.7	273.4	0.0
Mid Atlantic	165.6	181.6	59.7	56.6
S. Atlantic Bight	28.4	58.2	13.7	0.0
California	2.3	4.8	130.5	277.9
Pacific Northwest	7.5	19.2	188.1	121.0
Great Lakes	166.6	137.0	813.2	0.0
Gulf of Mexico	0.0	12.3	54.7	0.0
Total	*429.5*	*540.7*	*1,533.3*	*455.5*
Hawaii	0.8	1.4	24.9	123.6

On April 22, 2009, President Barack Obama announced that the Department of the Interior had finalized a long-awaited regulatory framework for renewable energy generation on the OCS. The framework establishes a program to grant leases, easements, and rights-of-way for orderly, safe, and environmentally responsible renewable energy development activities, such as the siting and construction of offshore wind farms.

In addition to establishing a process for granting leases, easements, and rights-of-way for offshore renewable energy development, the new program also establishes a formula for sharing certain revenues generated from OCS renewable energy projects with adjacent coastal states, as required by law. The OCS Lands Act (OCSLA), as amended by the Energy Policy Act of 2005, requires that 27 percent of revenues generated from development in the first three miles of Federal waters be shared with adjacent coastal states. Additionally, the regulatory framework will enhance partnerships with Federal, state, and local agencies and tribal governments to assist in maximizing the economic and ecological benefits of OCS renewable energy development.

The Department of the Interior and the Federal Energy Regulatory Commission (FERC) cleared the way for the publication of these final rules by signing a Memorandum of Understanding (MOU) on April 9, 2009 that clarifies their agencies' jurisdictional responsibilities for leasing and licensing renewable energy projects on the OCS.

Under the agreement, MMS has exclusive jurisdiction with regard to the production and transportation or transmission of energy from non-hydrokinetic renewable energy projects, including wind and solar. FERC will have exclusive jurisdiction to issue licenses for the construction and operation of hydrokinetic projects, including wave and current, but companies will be required to first obtain a lease through MMS.

Development of renewable energy on the OCS is an important step in meeting our Nation's energy demand while simultaneously diversifying our energy portfolio and possibly stabilizing energy prices in the long term. The MMS Renewable Energy Program will foster a new offshore industry that will diversify the nation's power supplies and create a new supply of environmentally preferable renewable energy for the Nation. To effectively foster this new industry, MMS created a new Office of Renewable Energy Programs within OEMM. This new office will develop and implement policy and overall management of the OCS renewable energy leasing and operations program and ensure compliance with departmental goals.

In FY 2010, MMS established a new Renewable Energy budget subactivity in its budget structure. This subactivity will facilitate budget and management processes for this important program by increasing transparency, consolidating key funding for this purpose and improving our ability to analyze program performance. Most of the funding that supports renewable energy activities was previously housed in the Leasing and Environmental Subactivity (LE), with a small amount in the Regulatory subactivity. A cross-walk identifying these funds, and showing program growth, is provided below. In addition to the resources shown in the table below, environmental studies that support the Renewable Energy Program will continue to be funded through the Environmental Studies Program (ESP) element, part of the LE subactivity. Since renewable energy studies can also benefit the oil and gas program, their funding through the Environmental Studies Program provides MMS with the best opportunity to leverage its funds.

Table 2: Renewable Energy Crosswalk ($000) [a/]

	FY 2008 Enacted	FY 2009 Enacted	FY 2010 Enacted	FY 2011 Request
Leasing and Environmental	*3,486*	*5,344*	-	-
Resource Evaluation	*0*	*142*	-	-
Regulatory	*246*	*246*	-	-
Renewable Energy Subactivity	**3,732**	**5,732**	**21,413**	**23,635**

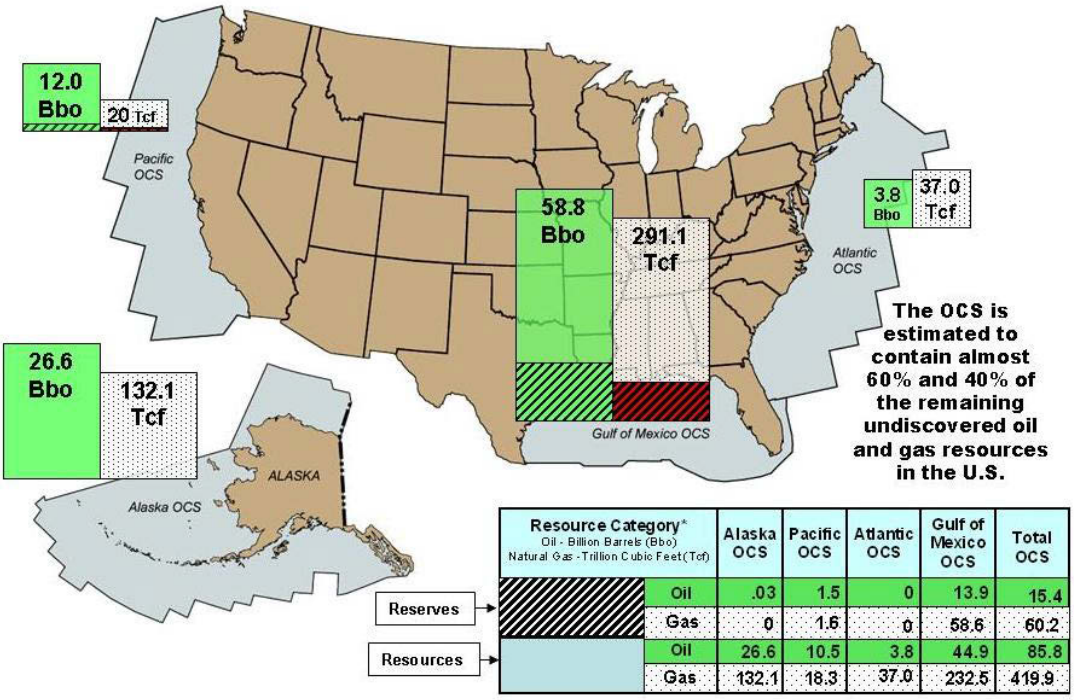
[a/] Does not include environmental studies for renewable energy, which will continue to be funded from the Leasing and Environmental subactivity as these studies may benefit both the Oil & Gas and Renewable Energy programs.

OFFSHORE OIL AND GAS

The MMS manages the oil and gas resources on the 1.7 billion acres of the Nation's OCS, which is believed to contain over 60 percent of the Nation's remaining undiscovered technically recoverable oil and almost 40 percent of its remaining undiscovered technically recoverable natural gas (OCS Report MMS 2009-015).

Figure 3 shows remaining OCS oil and gas reserves, as well as estimated undiscovered, technically recoverable (UTRR) oil and natural gas for the OCS. Estimates of UTRR oil and natural gas for the entire OCS range from 66.6 billion barrels of oil (Bbo) to 115.1 Bbo with a mean of 85.9 Bbo. Similarly, gas estimates range from 326.4 to 565.9 trillion cubic feet of gas (Tcf) with a mean of 419.9 Tcf (OCS Report MMS 2009-015).

Figure 3: OCS Hydrocarbon Potential



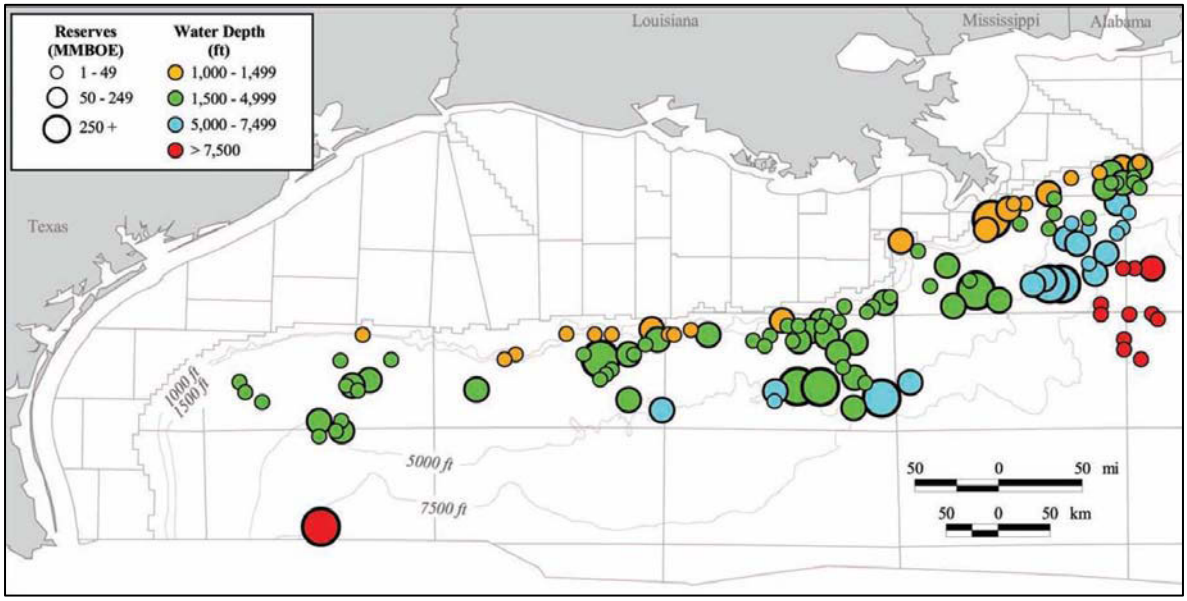
Resource Category* Oil - Billion Barrels (Bbo) Natural Gas - Trillion Cubic Feet (Tcf)		Alaska OCS	Pacific OCS	Atlantic OCS	Gulf of Mexico OCS	Total OCS
Reserves	Oil	.03	1.5	0	13.9	15.4
	Gas	0	1.6	0	58.6	60.2
Resources	Oil	26.6	10.5	3.8	44.9	85.8
	Gas	132.1	18.3	37.0	232.5	419.9

In recent years, American consumers have spent over a trillion dollars a year, more than 8 percent of the gross domestic product, on energy (Annual Energy Review 2008). The gap between demand for energy and domestic production is met by energy imports. The OCS is one of the largest sources of domestic oil and gas production in the country, with the Gulf of Mexico (GOM) currently contributing about 1.2 million barrels of oil and 7.7 billion cubic feet of natural gas *per day* for U.S. consumption. With over 8,000 leases and over 32,000 wells, the OCS supplied 25 percent of oil and almost 11 percent of natural gas that was produced domestically in calendar year 2008.

Increasingly, production and discoveries are moving into deeper waters, presenting industry and MMS with significant engineering, logistic, and financial challenges. The 20 most prolific producing blocks in the GOM are located in deep water, and in 2007, approximately 70 percent of the GOM's oil production and 36 percent of its natural gas were from wells in 1,000 ft of water or greater.[2] At the end of 2008 there were 141 producing projects in the deepwater GOM, up from 130 at the end of 2007. As activities continue to move into deeper waters, MMS will need to ensure that exploration and development is conducted in a safe and environmentally responsible manner while regulating cutting edge technology in distant areas under increasingly difficult conditions.

[2] Deepwater Gulf of Mexico 2009: Interim Report of 2008 Highlights (OCS Report MMS 2009-016) available at www.gomr.**mms**.gov/PDFs/2009/**2009-016**.pdf.

Figure 4: Estimated volume of proved deepwater fields in the Gulf of Mexico



As exploration and production technology continues to advance, and frontier areas are considered, MMS will continue to provide an orderly and predictable schedule of competitive oil and gas lease sales to 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.

5-Year OCS Oil and Gas Leasing Program

Access to Federal offshore lands for oil and gas exploration and development begins with the 5-Year OCS Oil and Gas Leasing Program (5-Year Program). The 5-Year Program balances the potential for the discovery of oil and natural gas, the potential for environmental damage, and the potential for adverse effects on the coastal zone. The 5-Year Program also must provide for the receipt of fair market value by the Federal government for land leased and rights conveyed. When approved, the leasing program consists of scheduled lease sales for a 5-year period, along with policies pertaining to the size and location of sales and the receipt of fair market value. The purpose of a schedule is to increase the predictability of sales in order to facilitate planning by industry, affected states, and the general public. The schedule indicates the timing and location of sales and shows the presale steps in the process that lead to a competitive sealed bid auction for a specific OCS area. To facilitate the scheduling of and preparation for sales in the 5-Year Program, the OCS is divided into administrative geographical units called planning areas.

In preparing a new 5-Year Program, the Secretary solicits comments from coastal state governors and localities, tribal governments, the public, the oil and natural gas industry, environmental groups, affected Federal agencies, and Congress. The MMS requests comments at the start of the process of developing a new program and following the issuance of each of the first two versions: (1) the draft proposed program with a 60-day comment period; and (2) the

proposed program with a 90-day comment period. The third and last version, the proposed final program, is prepared with a 60-day notification period following submission to the President and Congress. After 60 days, if Congress does not object, the Secretary may approve the program.

In addition to the steps required by Section 18 of the OCSLA, the Secretary must comply with the requirements of the National Environmental Policy Act (NEPA). Additional scoping may occur and an environmental impact statement (EIS) on the 5-Year Program is prepared that covers all of the sales in the program. During the comment period on the draft EIS, public hearings are held in various coastal locations around the Nation. After the receipt of comments, a final EIS is prepared. A record of decision that formalizes the alternatives that were selected from the final EIS is also prepared. The entire 5-Year Program development process takes approximately two years to complete and the lease sale schedule is reviewed annually after its approval.

Each lease sale proposed in the program's schedule must also undergo a NEPA evaluation and presale coordination steps required by Section 19 of the OCSLA. An environmental assessment that is specific to the individual lease sale is usually prepared. These documents examine new information and changes that have occurred since the final EIS was prepared. Consultation is conducted with the states during the process, and consistency with each affected state's Coastal Zone Management (CZM) program is determined before the lease offering transpires.

The current 2007 to 2012 5-Year Program provides access to about 181 million acres of the OCS. 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. The current program is providing thousands of jobs and billions of dollars in revenue for Federal and governments.

The current program includes 21 oil and gas lease sales in eight of the 26 OCS planning areas – 12 sales in the three Gulf of Mexico planning areas, eight sales in four planning areas offshore Alaska and one in the Mid-Atlantic planning area, about 50 miles off the coast of Virginia. These areas are subject to environmental reviews, including public comment, and extensive consultation with state and local governments and tribal organizations before any lease sale proceeds. The Secretary of the Interior is currently reconsidering this program schedule in accordance with an April 17, 2009, decision of the U.S. Court of Appeals for the D.C. Circuit.

Table 3: Recent OCS Lease Sales

Sale Number	Calendar	Area	Leases Accepted	Bonus Bids ($ Millions)
204	August 2007	Western Gulf of Mexico	274	$287
205	October 2007	Central Gulf of Mexico	682	$2,813
193	February 2008	Chukchi Sea	487	$2,662
206	March 2008	Central Gulf of Mexico	603	$3,671
224	March 2008	Eastern Gulf of Mexico	36	$65
207	August 2008	Western Gulf of Mexico	313	$484
208	March 2009	Central Gulf of Mexico	328	$690
210	August 2009	Western Gulf of Mexico	155	$111

In July 2008, under former Interior Secretary Kempthorne, MMS was directed to begin the initial steps for developing a new 5-Year Program ahead of the normal schedule. The first step in the development of a new 5-Year Program is to request comments from all parties on what a new 5-Year Program should consider. This action was initiated on August 1, 2008, with the publication of a Federal Register notice that invited submission of comments on such a plan. The governors of all 50 states were specifically asked for their comments, particularly on issues unique to each state.

The development and publication of the Draft Proposed Program (DPP) on January 16, 2009 was the second major step in a multi-year process to develop a new 5-year oil and gas leasing program. The DPP seeks public comment on all aspects of the new program including energy development and economic and environmental issues in the OCS areas.

The DPP included a total of 31 OCS lease sales in 12 areas (four areas off Alaska, three areas off the Atlantic coast, two areas off the Pacific coast, and three areas in the Gulf of Mexico).

On February 10, 2009, Secretary Salazar announced his strategy for developing an offshore energy plan that includes both conventional and renewable energy resources. The comment period for the new program was extended until September 21, 2009, in order to provide additional time for input from states, stakeholders and affected communities. In response, more than 530,000 comments were received from the public regarding the development of a comprehensive offshore energy strategy. The MMS is carefully reviewing all of the comments submitted. Following the review and analysis of the comments, the next step is to initiate environmental analysis and public scoping opportunities associated with the five-year plan, required by law, for oil and gas development on the OCS.

Secretary Salazar also directed MMS to work with the U.S. Geological Survey to assemble a report on offshore resources along with information regarding sensitive areas and resources on the OCS. This report synthesized the vast knowledge-base on OCS energy resources and environmental factors in one concise document.[3] The report was delivered to the Secretary at the end of March 2009. Following publication of the report, the Secretary conducted four regional meetings in an effort to gain insight and comments from all stakeholders of OCS energy

[3] Survey of Available Data on OCS Resource and Identification of Data Gaps (OCS Report MMS 2009-015) available online at www.doi.gov/ocs/

(Atlantic Coast, April 6, Atlantic City, NJ; Gulf Coast, April 8, New Orleans, LA; Alaska, April 14, Anchorage, AK; and, Pacific Coast, April 16, San Francisco, CA).

The MMS is poised to help increase America's energy security and help facilitate the development of a clean energy economy. Future OCS planning decisions regarding conventional and renewable energy will be developed through transparent and inclusive processes as part of a comprehensive energy policy based on sound science in coordination with state and Federal organizations and other OCS stakeholders.

IMPROVING ROYALTY AND REVENUE MANAGEMENT

The MMS is one of the Federal government's largest contributors of non-tax revenue. 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 OCS lands, approximately 97 percent of Federal onshore lands, and most Indian lands.

In FY 2009, MMS disbursed a total of $10.68 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. Additionally, MMS delivered oil valued at an estimated $268.5 million in FY 2009 to the Department of Energy for the Strategic Petroleum Reserve (SPR). The MMS completed oil deliveries to DOE sufficient to allow for the remaining SPR capacity to be filled in FY 2010. Specific beneficiaries of MMS mineral revenue disbursements in FY 2009 include:

- ***U.S. Taxpayers — $5.74 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.

- ***States — $1.99 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 — $1.45 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. Spending from this account is subject to appropriation.

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

- ***American Indian Tribes and Indian Mineral Owners — $449 Million***
  Monies collected from mineral leases on Indian lands are distributed regularly to tribal governments or Individual Indian Mineral Owners. These funds provide direct and tangible benefits to thousands within the American Indian community, often as a major source of primary income.

- ***Preservation — $150 Million***
  The MMS annually transfers $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.

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 are identified by 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).

Onshore collections from public domain lands leased under the Mineral Leasing Act (MLA) authority are shared 50 percent with the states, 40 percent with the Reclamation Fund, and 10 percent with the General Fund of the U.S. Treasury. Alaska receives a 90 percent share of mineral leasing receipts for Mineral Leasing Act lands.

Offshore receipts from rents, bonuses, and royalties are a significant source of revenue, accounting for an estimated $5.1 billion dollars and about 50 percent of mineral leasing receipts collected by MMS in FY 2009.

Review and Reform

The MRM program has faced increased scrutiny in the last few years, as is appropriate given the assets for which it is responsible. In response, the agency has aggressively implemented numerous recommendations made by the Government Accountability Office (GAO), the Office of the Inspector General (OIG), and the Royalty Policy Committee (RPC) Subcommittee on Royalty Management led by former U.S. Senators Bob Kerrey and Jake Garn.

In September 2008, the OIG released three investigative reports, one of which covered improprieties that occurred in the RIK program between January 2002 and July 2006. In response, MMS has: 1) taken appropriate administrative corrective actions; 2) enhanced our ethics program and provided specific training to RIK employees; and 3) developed a clear, strict code of conduct for all MMS employees.

On September 16, 2009, the Secretary of the Interior announced a transitional phase-out of the Royalty in Kind (RIK) Program. Under the RIK Phase-Out Plan, as current RIK oil and natural gas sales contracts expire, the oil and natural gas properties will revert to in-value status. As this transitional phase-out occurs, royalty obligations will revert from being collected in-kind to being collected in-value. This transition has significant impacts on the MMS budget that are outlined in FY 2011 Budget Highlights below and in the Compliance and Asset Management section.

The RPC Subcommittee on Royalty Management report was issued on December 17, 2007. The report contains 110 recommendations. Of the 110 recommendations, MMS is solely responsible for 70 and BLM is solely responsible for 16. The remaining 24 recommendations require coordination among the bureaus and the Department. As of January 15, 2010, 72 of the 110 recommendations have been completed and actions on the remaining 38 recommendations are underway.

On April 15, 2009 the OIG issued a report entitled *Evaluation of Royalty Recommendations Made to the Department of the Interior Fiscal Year 2006 – February 2009* (CR-EV-MOA-0003-2009). This evaluation covered the 137 royalty-related recommendations from OIG, GAO, and the RPC Subcommittee that were made to MMS since FY 2006. The evaluation report stated that a sample of the actions taken was appropriate and approved. Furthermore, the report stated that the internal status reported in the DOI tracking system is current and accurate. The report did not make any new recommendations to MMS.

Audit and Compliance Risk Strategy

Through its audit and compliance activities, MMS ensures that the Nation's Federal and Indian mineral revenues, whether received through in-kind or in-value, are accurately reported and paid in compliance with laws, regulations, and lease terms. The MMS plans and conducts targeted and random audits and special reviews of energy companies to detect and collect royalty underpayments as well as overpayments. Primary audit and compliance activities include enforcing industry compliance with lease terms and regulations, issuing enforcement orders, and supporting the mineral revenue litigation and appeals processes.

In FY 2009, MMS implemented a risk-based compliance strategy to select companies and properties for the FY 2009 audit and compliance work plan. The risk-based strategy is designed to gather valuable knowledge and information to increase property and company compliance coverage, while focusing on the highest risk properties and companies. A risk-based approach enables the MMS to consistently target those companies and properties at greater risk for underpayment. The MMS is maintaining a strong focus on high-dollar properties and companies and using the risk tool to determine whether a formal audit or compliance review is required.

FY 2011 BUDGET HIGHLIGHTS

The MMS FY 2011 budget request is designed to increase America's energy security by supporting the Administration's aggressive renewable energy goals and Secretarial Order 3285, which established the production, development, and delivery of renewable energy as a top priority for the Department. The request contains an increase of $3.5 million to continue the development of an offshore renewable energy program to facilitate industry access to the abundant sources of offshore renewable energy and help ensure that today's energy problems are solved with continued American innovation and leadership. The request continues a balanced and environmentally responsible conventional energy program with an increase of $4.4 million to ensure that fair value is received for offshore energy resources and that the increasing numbers of deepwater production facilities receive mandated inspections. This increase is offset by the redirection of $2.0 million from Environmental Studies funding. Lower priority oil and gas studies will be deferred or cancelled. The request also includes $1.0 million to support the significant role MMS will have in implementing the President's goal of developing a coastal and marine spatial planning framework.

The MMS FY 2011 budget request also emphasizes upgrading royalty management and includes a $10.0 million increase in appropriated funds for the transitional phase-out of RIK, which will be offset by an equivalent reduction in outlays from receipts used previously to fund RIK activities; $1.7 million to enhance the capabilities and integration of compliance tools; and an additional $2.0 million for compliance, valuation, and market research staff to ensure proper royalty payments on processed and transported natural gas.

The MMS Royalty and Offshore Minerals Management account has traditionally been credited with offsetting collections to help defray the cost of MMS operations. These include certain rental receipts and cost recovery fees. The 2010 budget included a new inspection fee on each OCS above-water oil and gas facility that is subject to inspection. The FY 2011 budget request proposes increasing this fee by $10 million to further offset the cost of conducting inspections.

The MMS FY 2011 budget request does not include an increase for anticipated increases in fixed costs in 2011. The MMS will absorb these costs through increased efficiencies within individual programs.

Table 4: FY 2011 Analysis of Budgetary Changes ($000)

Budget/Program Change	FTE	Adjustments	Balance
FY 2010 ENACTED - Direct Appropriations			***181,520***
FY 2011 Initiatives/Budget Adjustments			
Renewable Energy	+14	+3,500	
Ensure Fair Market Value & Safe Operations	+10	+4,430	
Environmental Studies Redirection		-2,000	
Marine Spatial Planning	+4	+1,000	
Transition to Royalty in Value*	[+34]	+10,000	
Ensure Proper Royalties Paid on Processed & Transported Natural Gas	+12	+2,000	
Enhance Capabilities and Integration of Compliance Tools		+1,717	
Inspection Fee **		-10,000	
Center for Marine Resources and Environmental Technology		-900	
DOI-Wide Changes (SAVE Award)		-1,377	
	+40	+8,370	
FY 2011 REQUEST - Direct Appropriations			***189,890***

**Brackets indicate a non-add. Existing staff are being transitioned from in-kind to in-value activities and no additional FTE are requested.*

***The proposed increase in the inspection fee reduces the need to seek additional appropriations to fund budget increases.*

The following discretionary funding increases and decreases are proposed:

Renewable Energy (+$3,500,000; +14 FTE): This multi-faceted initiative sets the stage for MMS to work with applicants for offshore renewable energy/alternative use projects, with a focus on specific needs in the Atlantic and Pacific regions. This includes staffing an Atlantic Renewable Energy Office that will manage leasing and operational activities associated with developing the exceptional wind resources found in the OCS North and Mid-Atlantic Planning Areas. A significant increase in workload is expected in both the Atlantic and Pacific Regions for conducting environmental reviews, processing commercial leases, coordinating with stakeholders, and conducting inspection and enforcement activities.

Ensure Fair Market Value & Safe Operations (+$4,430,000; +10 FTE): This initiative will invest in the systems and people necessary to thoroughly assess the oil and gas potential and fair market value of OCS tracts offered for lease through purchase of critical software, hardware, data, and additional analysis staff. In addition, increased deepwater activity continues to present challenges related to ensuring safe operations. At the end of 2008, there were 141 producing

projects in the deepwater GOM, up from 130 at the end of 2007. From 2009 through 2011, MMS expects 15 new and 4 upgraded ultra-deepwater rigs to be added to the fleet of deepwater rigs operating in the GOM. These ultra-deepwater rigs will be the most technically advanced drilling rigs in the world and MMS staff will need more time for transportation to and inspection of these rigs.

Environmental Studies Redirection (-$2,000,000; 0 FTE): The Ensure Fair Market Value and Safe Operations initiative requires the redirection of $2.0 million from Environmental Studies funding. Lower priority oil and gas studies will be deferred or cancelled.

Marine Spatial Planning (+$1,000,000; +4 FTE): The proposed initiative will enable MMS to coordinate Coastal and Marine Spatial Planning (CMSP) efforts within and outside the Agency, determine information and data needs, and make sure these needs are met to effectively implement CMSP policy. Coordination of CMSP with other OCS users and regulators is becoming more important as new uses and potential conflicts grow. With oil and natural gas, renewable energy, marine minerals, shipping/navigation, military uses, fishing, and others, competing for space on the OCS, it is becoming more important to coordinate the growing demand for multiple uses of the OCS. This function is critical to the integrity of the 5-Year Leasing Program that inherently balances these various competing interests and determines the size, timing, and location of leasing activity on the OCS. This initiative will complement MMS's FY 2010 Multipurpose Marine Cadastre initiative, a marine information system that brings together data layers about environmental, physical, political, and social aspects of the OCS. In a single, interactively generated map, users will be able to see all official boundaries, rights, restrictions, and responsibilities in State and Federal waters. The MMS is coordinating and collaborating with many agencies and groups in the development and implementation of this cadastre. In FY 2011, support for Gulf of Mexico CMSP activities will be a significant focus of this initiative.

Transition to Royalty in Value (+$10,000,000; [+34 FTE]): Upon termination of the RIK Program, the Secretary of the Interior directed MMS to *". . . ensure that the termination of the RIK program will not adversely affect the MMS's commitment to ensure that the Nation's Federal and Indian energy and mineral revenues are accurately reported and paid in compliance with laws, regulations and lease terms and that the American people receive fair market value for their valuable energy and mineral resources."* As RIK oil and natural gas sales contracts expire, RIK properties will revert to in-value status. MMS is requesting additional appropriated funds for the increased in-value resource needs resulting from this transition. This increase in appropriations will be offset by an equivalent reduction in outlays from receipts previously used to fund RIK activities.

Ensure Proper Royalties Paid on Processed & Transported Natural Gas (+$2,000,000; +12 FTE): This initiative will support the timely implementation of the RPC Subcommittee recommendations related to royalty compliance issues for gas plants and transportation costs and will improve the accuracy of gas plant information and increase audit and compliance coverage for transportation and processing systems.

Enhance Capabilities and Integration of Compliance Tools (+$1,717,000; +0 FTE): This 2-year initiative will result in a fully integrated and automated Compliance Program Tool for

MRM, replacing and inter-relating various compliance management tools, which are currently offline and very manually intensive to use and maintain. Through this initiative, MMS will implement several overlapping recommendations from the Office of Inspector General (OIG), the Royalty Policy Committee, Subcommittee for Royalty Management (RPC Subcommittee), and the MRM Strategic Business Planning initiative.

As a result of MMS's analysis of base resources and current priorities, the request includes the following reductions and efficiencies:

Inspection Fee: The Budget includes a $10 million increase in revenue resulting from increasing the inspection fee on above-water offshore facilities, first proposed in the President's FY 2010 Budget, from $10 million to $20 million.

Offsetting Collections from Rents and Cost Recoveries: For FY 2011, MMS requests to retain $154,890,000 of eligible offsetting rental receipts and cost recovery fees to defray the costs of the Bureau's operations. This is a $1,840,000 decrease compared to the FY 2010 enacted level. This reduction is composed of a $340,000 reduction in eligible rental receipts, resulting from energy, leasing activity, and macroeconomic factors, and a $1,500,000 reduction in estimated cost recoveries due to refined estimates based on three years of cost recovery data. Offsetting rental receipts are allocated proportionally across MMS activities. Cost recovery fees solely impact the OEMM program. This reduction does not impact the MMS FY 2011 request for direct appropriations.

Center for Marine Resources and Environmental Technology (CMRET) (-$900,000; -0 FTE): MMS proposes to eliminate the earmarked funding for the CMRET in order to redirect the funding to higher priorities.

Department-Wide Changes (-$1,377,000;-0 FTE):

In 2009, the President established the SAVE Award program, to challenge Federal employees across the government to submit their ideas for efficiencies and savings as part of the annual budget process. The goal of the SAVE Award is to produce ideas that will yield savings and improve government operations. The Department of the Interior received thousands of submissions on a variety of topics during the SAVE Award process which are being reviewed by the Bureaus. The FY 2011 budget assumes $62 million in savings from implementing SAVE Award proposals in three areas: travel, information technology, and strategic sourcing, which are described below.

IT Reduction (-$480,000; - 0 FTE): The MMS's Chief Information Officer (CIO) has been working collaboratively with the other Interior CIOs on an approach to achieve improved effectiveness and efficiencies in information technology. The Department anticipates savings from the Department-wide implementation of a common e-mail system and the consolidation of servers, data centers, and help desks. Although this is a multi-year effort, it is feasible to expect $20 million in savings in 2011, of which MMS's share is $480,000.

Secretary Salazar is committed to information technology reforms that will improve the effectiveness and efficiency of operations within the Department, including a common email

system. Detailed planning information exists from earlier efforts to deploy a common email system that provides a foundation for an accelerated effort, beginning in the current fiscal year. The Department has conducted inventories and evaluations of servers, data centers, and help desks. All of the information indicates significant potential savings from the consolidation and reduction of this infrastructure. The Department will be working throughout FY 2010 to develop plans, begin deployments, and implement changes so as to realize savings beginning in FY 2011.

Travel Reduction (-$402,000; -0 FTE): The MMS is participating in a Department-wide effort to reduce travel and relocation expenditures through adoption of new technologies and efficiency improvements accounting. Bureaus are implementing new teleconferencing, videoconferencing, shared Web sites, and other technologies that will enable real-time communications and shared access to documents that will enable more meetings to be conducted remotely and electronically. The proposed reduction also includes a decrease in funding for permanent change-of-station expenses, in response to an Office of Inspector General finding that suggests a need for greater control over management of these costs. The overall travel reduction would decrease the Department's spending on travel and relocation to a level commensurate with actual 2008 travel and relocation expenditures.

Acquisition Reduction (-$261,000; - 0 FTE): The MMS has been working collaboratively with other acquisition offices across the Department to prepare an Acquisition Improvement Plan. The Administration's acquisition savings program allows agencies to redirect savings to other mission objectives, and Interior is proposing a reduction of $30 million in real savings to help offset other program priorities in the budget request, of which MMS's share is $261,000. One option for achieving this savings is the expanded use of strategic sourcing. Currently, strategic sourcing is used for enterprise acquisitions for software and hardware. Expansion of strategic sourcing to other types of acquisitions has the potential to achieve additional savings for the bureaus and offices in Interior. The Office of Acquisition and Property Management, working with a team of bureau representatives, has developed a set of options for strategic sourcing, including: telecommunications, relocations, copiers/printers, heavy equipment, recycled paper, shuttle services, furniture, wireless communications, and training. Currently, participation by the bureaus is optional.

The Department has a track record with successful strategic sourcing and plans to expand its use based on the advice and guidance from the Strategic Sourcing Executive Council. During 2010, DOI would develop its plans and begin to implement expanded strategic sourcing to realize the targeted savings in 2011. To achieve this level of savings, all of the bureaus would be required to participate. Department leadership is committed to participation in this initiative. The savings realized from this initiative would be included in the Department's Acquisition Improvement Plan.

Competitive Sourcing Reductions (-$185,000; -0 FTE): Through 2009, the Department was directed to identify amounts allocated for the costs of competitive sourcing studies. The 2011 budget proposes to reduce the budget by $185,000 for MMS comparable to the amount that was identified for competitive sourcing. The primary use of these funds was related to contract support to help design and conduct the studies. With completion of competitive sourcing studies and implementation of the results, a funding decrease of $185,000 is proposed for this activity in 2011.

Web-Based Meetings (-$33,000; -0 FTE): This reduction is in addition to the Department-wide travel reduction due to MMS's aggressive utilization of a number of web-based technologies which reduce the need for physical meetings and trainings.

Fixed Costs and Related Changes [WCF Adjustment] (-$16,000; -0 FTE): To provide the maximum funding possible for priority program needs, the FY 2011 President's Budget Request does not include an increase for anticipated increases in fixed costs in FY 2011 (*estimated at $4.01 million*). Programs will absorb these costs. Details on the estimates for FY 2011 fixed costs absorptions are included in Appendix A. Pay and benefits related costs will be absorbed by the programs proportional to the numbers of FTE employed. Rent cost increases will be absorbed by the programs occupying rental space.

There is a $16,000 reduction in the FY 2011 Working Capital Fund (WCF) bill compared to FY 2010. The FY 2011 President's Budget is reduced accordingly.

Mandatory Proposals and Other Reforms in the FY 2011 Budget:

Fee on Nonproducing Oil and Gas Leases: The Budget assumes a proposal that is part of an Administration initiative to encourage energy development on lands and waters leased for development. A $4.00 per acre fee on non-producing Federal leases on lands and waters would provide a financial incentive for oil and gas companies to either get their leases into production or relinquish them so that the tracts can be re-leased to and developed by new parties. The proposed $4.00 per acre fee would apply to all new leases and would be indexed annually. In October 2008, the Government Accountability Office issued a report critical of past efforts by the Department of the Interior to ensure that companies diligently develop their Federal leases. Although the GAO report focused on administrative actions that the Department could undertake, this proposal requires legislative action. This proposal is similar to other non-producing fee proposals considered by the Congress in the last several years. This will result in savings of $8.0 million in 2011 and $760.0 million over ten years.

Deep Gas and Deepwater Incentives: The budget proposes to repeal Section 344 of the Energy Policy Act of 2005. Section 344 extended existing deep gas incentives. Based on current oil and gas price projections, the budget does not assume savings from this change; however, the proposal could generate savings to the Treasury if future oil and gas prices fall below current projections to levels at or under the applicable gas price thresholds.

PERFORMANCE SUMMARY

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

The FY 2011 budget request of $364.8 million provides the resources needed to conduct MMS's leasing, resource evaluation, regulatory, and asset management activities. The proposal also supports MMS's Renewable Energy/Alternate Use program and its efforts to develop the Nation's offshore renewable energy resources in an environmentally responsible manner that

directly supports the Secretary's High Priority Performance Goal for Renewable Energy Sources. Revenue management activities ensure proper collection, accounting, reporting, and timely disbursement of royalties.

Performance Management

In accordance with the Government Performance and Results Act of 1993 and with OMB policy and direction, the DOI Strategic Plan is currently undergoing the required triennial review and update. The Department is reviewing the organization and construct of the Strategic Plan in light of the Administration's priorities, goals, and objectives. Although many of the end outcome goals and measures, intermediate measures, and other measures are expected to remain, the organizing principles for those goals and measures may change during this review. Therefore, this budget request does not directly reference the existing DOI Strategic Plan mission areas, but does continue to report on performance goals and accomplishments associated with the current slate of end outcome goals and related performance measures.

The following are highlights of key MMS strategies for FY 2011. Additional performance information can be found within the Goal Performance Table.

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

- **Ensure appropriate value for America's resources:** In FY 2009, MMS disbursed $10.68 billion in mineral revenues to states, the Office of the Special Trustee for American Indians (OST) for distribution to American Indian tribes and individual owners, other Federal agencies, and U.S. Treasury accounts. The distribution and disbursement function ensures that revenues are properly and timely disbursed to the appropriate recipients. In FY 2009, MMS achieved 99.5 percent timely disbursements. The FY 2010 target is 98 percent, and the FY 2011 target is 99 percent. During 2009, MMS implemented new compliance performance measures and targets, in response to OIG recommendations. The new measures replaced the previous revenue-focused compliance measure and focus on increased property and company compliance coverage. The properties and companies are primarily selected utilizing the new risk-based compliance strategy.

- **Effectively manage and provide for efficient access and development:** The MMS conducted two lease sales in FY 2009 and plans to conduct four lease sales in FY 2010. The three scheduled sales in 2011 are Sale 216 (Central GOM), Sale 217 (Beaufort Sea), and Sale 218 (Western GOM). There is the potential for a fourth "special interest" sale in Alaska's Cook Inlet.

- **Enhance responsible use management practices**: The MMS will continue to carry out a comprehensive program to ensure that mineral and renewable energy operations on the OCS are conducted in a safe and environmentally sound manner. To ensure safe and clean operations on the OCS, MMS routinely conducts compliance inspections. In FY 2009, MMS conducted approximately 27,000 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 offshore oil and gas activities can help meet our Nation's energy needs while protecting industry workers and our Nation's environment. In FY 2009, the MMS noted an estimated annual accident severity ratio of 0.15. The FY 2010 and FY 2011 targets are 0.093 or less. This key indicator of responsible resource extraction activities monitors operator safety and environmental performance. During FY 2008, MMS achieved an estimated oil spill rate of 12.8 barrels spilled per million produced, the majority of which was due to damage from Hurricanes Gustav and Ike. During FY 2009, MMS achieved an estimated oil spill rate of 3.9 barrels spilled per million produced. The FY 2010 and FY 2011 performance targets are to achieve an operational oil spill rate of no more than 4.5 barrels spilled per million produced.

- **Increase the potential for production and transmission of renewable energy resources.** In support of the Secretary's High Priority Goal on renewable energy sources, MMS manages the Renewable Energy Program on the Federal OCS. In November 2009, MMS issued four limited leases for renewable energy testing and data collection on the OCS. In 2010, MMS plans to issue Requests for Interest (RFI) for commercial wind facilities offshore Delaware and Rhode Island. Massachusetts and New Jersey have also expressed interest in moving forward with RFIs off their respective states in FY 2010 once their State renewable energy assessment initiatives are complete.

Performance for Key Increases

The MMS proposal supports the President's objectives for strengthening our energy security and ensuring fair return on energy and mineral assets. Proposed initiatives also contribute to the Administration's emphasis on renewable energy and climate change. The FY 2011 funding increases will be used to:

- Expand the OCS renewable energy program in the Atlantic and Pacific regions;
- Initiate environmental studies to prepare for renewable energy lease issuances and for post lease environmental monitoring;
- Maintain technological capabilities to evaluate offshore resources for fair market value;
- Increase capabilities to inspect deepwater fixed and floating facilities;
- Streamline and enhance production and gas plant accountability;
- Increase risk-based audit/compliance coverage;
- Enhance compliance tools integration and capability; and
- Ensure proper royalties paid on transported and processed natural gas.

One goal of MMS is to ensure that the country receives fair value by collecting, accounting for, substantiating, and disbursing mineral revenues associated with Federal and Indian lands. The proposed increases enable MMS to invest in financial management, audit, and compliance capabilities. These increases include: improving and streamlining production reporting, enhancing the oil and gas production accountability and verification processes, implementing a risk-based compliance strategy, and increasing property/company coverage. More information about these increases can be found within the MRM subactivity sections.

The MMS also plays an important role in the Secretary's and President Obama's national energy strategy by securing OCS energy for the Nation. The requested funding increases enable MMS to continue its role in providing access to important national energy supplies. Some of these increases include: implementing the Renewable Energy Program, funding conventional energy needs, and upgrading royalty management.

Renewable Energy High Priority Performance Goal

The Renewable Energy Initiative supports the Renewable Energy High Priority Performance Goal (HPPG) and is key to the overall development of the Renewable Energy program.

As with all programs, MMS management closely monitors the renewable energy program. One of the mechanisms used to monitor the renewable energy initiative and MMS' contribution toward the renewable energy HPPG is via performance metrics. The Department is developing a set of internal measures and milestones to monitor and track achievement of the High Priority Performance Goals. Progress in these areas will be reported and reviewed throughout the year by the Deputy Secretary's Operations Planning Group to identify and address any need for enhanced coordination or policy measures to address barriers to the achievement of the HPPG.

The first step in the leasing process is to identify a proposed lease area and determine whether or not there is competition for that area. If MMS determines that there is competition, it will undertake an approximately 2-year public consultation and decision process. MMS tracks the number of formal actions it publishes in the Federal Register to initiate the leasing process for renewable energy (i.e., Requests for Interest). MMS intends to initiate three leasing processes for offshore development of renewable energy during FY 2010 and four in FY 2011.

The MMS will issue two types of leases for renewable energy activities─ *commercial leases* for development and power generation or transmission; and *limited leases* for resource assessment and technology testing. MMS tracks the number of leases issued (both limited and commercial) for renewable energy activities. To issue commercial leases, MMS must conduct a multi-year, multi-step process entailing information gathering, consultation with interested and affected parties, NEPA review and compliance, and analysis in light of other applicable Federal requirements for each affected state. Because of this lengthy process, the number of commercial leases issued is not expected to significantly increase until FY 2012 and beyond. The number of leases issued is highly dependent on the amount of interest and demand for the leases. In November 2009, MMS issued four limited leases for testing and data collection on the OCS (3 in New Jersey and 1 in Delaware).

Comprehensive environmental analyses are an essential but lengthy part of the overall OCS lease planning process. They are highly dependent on the level of interest in potential leasing areas and whether the lease issuance process will be competitive or non-competitive.

The MMS recognizes the importance of coordinating and consulting with local and Federal stakeholders to develop a comprehensive renewable energy program for the OCS. MMS tracks coordination and consultation activities. During FY 2010, MMS anticipates eight cooperative planning and leasing efforts undertaken with relevant Federal agencies and affected state, local,

and tribal governments. In the first quarter of FY 2010, five Federal/State Task Forces have been established.

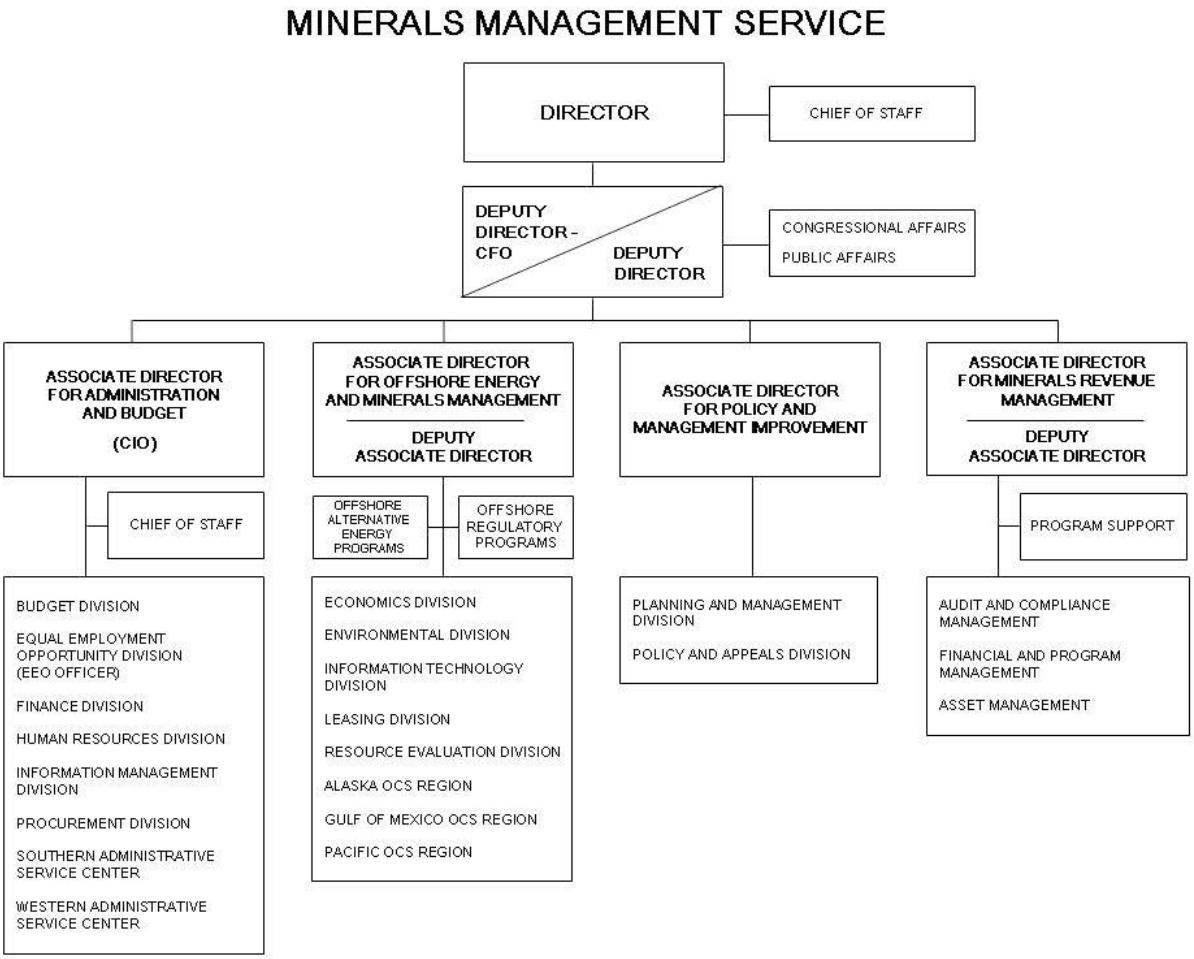
Process Improvements

The MMS strives to maintain current levels of performance by: improving operational efficiencies; focusing resources on accomplishment of core mission work; leveraging resources to fund new 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 its cost.

The MMS effort to optimize resources to complete mission work is evident in MMS's commitment to budget and performance integration. The MMS continues to refine cost and performance reporting capability to provide information to managers for improved decision making. In addition to MMS's commitment to increase efficiency through the use of integrated budget and performance information, MMS also improves its management by working with the American public. The MMS continues to improve services to the 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 public/private partnerships continue to be an integral part of MMS business operations.

By working smarter through the development of business plans and use of performance and cost information, MMS is able to efficiently and effectively support accomplishment of its mission goals.

Figure 5: MMS Organizational Chart [4]



[4] A formal reorganization proposal that includes an Atlantic OCS Regional Office is currently under review by the Department of the Interior. Following formal approval this chart will be amended.

Table 5: Goal Performance Table

Goal Performance Table

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 RPM - Representative Performance measures	PART - PART measures UNK - Prior year data unavailable BUR - Bureau specific measure ABC - Bureau ABC Output 300 - Exhibit 300 measure 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: 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**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**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/RPM)	C/F	2	2	5	2	2	4*	3*	-1	3
Total Actual/Projected Cost ($M)		33.1	33.2	39.4	40.4	40.9	44.6	44.8	0.2	--
Contributing Programs	OEMM-Leasing and Environment, Resource Evaluation									
Comments	*This measure counts lease sales conducted under the OCS Oil and Gas Leasing Program as defined in the Secretary's Five-Year Program. The three scheduled sales in 2011 are Sale 216 (Central GOM), Sale 217 (Beaufort Sea), and Sale 218 (Western GOM). There is the potential for a fourth "special interest" sale in Alaska's Cook Inlet. This area has had low industry interest in the past and based on the current outlook we do not anticipate this sale will be held.* *The costs associated with holding lease sales cover pre-sale preparation, conduct of the sale, post-sale bid evaluation, and post-sale lease administration relating to more sales than the ones conducted in that year. Although a lease sale occurs in one year, costs for holding that sale are incurred over several years and can vary depending on the location of the sale, the level of environmental documentation required, whether litigation is involved, and the number of leases issued. Because of such differences in these variables from sale to sale, there is generally not a direct correlation between annual costs and the number of lease sales held.* **Note: Pending litigation may impact the number of sales that will be held in FY 2010 and FY 2011. Pending the Secretary's review of the current 5-Year Leasing Program in accordance with the court ordered remand, MMS is continuing to work on the potential to hold up to five lease sales in Fiscal Year 2011.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
GPRA End Outcome Measures										
Percent of Federal and Indian revenues disbursed on a timely basis per statute (SP/RPM/PART/300)	A	94.5% ($2.505B / $2.650B)	96.3% ($2.251B / $2.336B)	99.2% ($2.962B / $2.987B)	98%	99.5% ($2.289B / $2.300B)	98%	99%	1%	99%
Total Actual/Projected Cost ($M)		43.7	45.8	45.2	47.7	47.7	48.2	47.9	-0.3	--
Contributing Programs		MRM-Revenue and Operations								
Comments		*This measure reports the timely disbursement of revenues that are subject to late disbursement interest (LDI). The MMS is required by statute to disburse Federal funds to recipients by the end of the month following the month of receipt. The MMS is also required to deliver Indian lease data to BIA by the end of the month following the month of receipt so that OST can disburse revenues to Indian recipients. When not provided timely, these revenues are subject to late disbursement interest.* *MMS has recognized significant increases in disbursement timeliness between FY 2006 and 2008 by moving more "edits" up front, effectively placing more burden on companies to properly report, and by focusing on ensuring more timely payment reconciliation by companies, thus allowing more timely disbursement. Because the payment reconciliation process is very manually intensive, the targets for this measure remain at 98 percent for FY 2009 and 2010. However, for FY 2011 forward, after full implementation in FY 2010 of the interactive payment and billing initiative, MMS anticipates that disbursement timeliness will maintain at 99 percent or above.*								

Goal Performance Table (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**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
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%						
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	*OEMM-Leasing and Environment, Resource Evaluation*									
Comments	*For each 5-Year Program, MMS identifies OCS program areas that will be considered for future leasing through individual sales. Acreage with few estimated technically recoverable resources is excluded from the acreage that is planned to be offered under the 5-Year Program and the targets assume that only the most prospective acreage will be offered. For the 2007-2012 OCS Oil and Gas Leasing Program, the acreage planned to be offered is projected to contain 98% of Undiscovered Technically Recoverable Resources available and encompass 82% of the total acreage available for leasing. This means that approximately 18% of the acreage available for leasing was determined to contain insufficient 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 planned to be offered, the available resources offered would be 100%.*									
	The current 5-Year plan includes "special interest 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 and the sale is not held.									
Percent of available OCS acres offered in each year's lease sales (PART)	C/F	94%	35% (44.6/ 127.3)	88% (175.2/ 198.5)	99%	99.9% (91.35/91.42)	72%	76%	+4%	79%
Contributing Programs	OEMM-Leasing and Environmental and Resource Evaluation									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Percent of available OCS oil and gas resources offered in each year's lease sales (PART)	C/F	> 98%	35.6%* (19.5/ 54.7)	98.9% (161.2/ 162.9)	99%	100% (77.99/77.99)	98%	98%	0%	99%
Total Actual/Projected Cost ($M)		33.1	33.2	39.4	40.4	40.9	44.6	44.8	0.2	--
Contributing Program	OEMM-Leasing and Environment, Resource Evaluation									
Comments	*These measures count the acreage and resources offered (in BBOE - billion barrels of oil equivalent) 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 lower value in FY 2010 and 2011 targets for the percentage of acres offered , without a corresponding reduction in the planned percentage of resources offered, indicates that the excluded acreage contains few estimated technically recoverable resources.* **As a result of a settlement of litigation brought by the State of Louisiana, MMS postponed Central Gulf of Mexico Sale 201 scheduled for March 2007, which decreased the quantity of resources offered in that year.*									
Contributing Programs	OEMM-Leasing and Environment									
Percentage of Environmental Studies Program (ESP) projects rated "Moderately Effective" or better by MMS internal customers (PART)	A	92% (baseline)	100% (12/12)	85% (29/34)	85%	91% (20/22)	85%	87%	2%	87%
Percent of ESP Projects delivered on time (PART)	A	68% (26/38)	54% (7/13)	74% (25/34)	60%	91% (20/22)	60%	70%	10%	70%
Contributing Programs	OEMM-Leasing and Environment									
Comments	*These measures evaluate the effectiveness and timeliness of the ESP's projects. MMS will need a full range of updated environmental information for the North Aleutian Basin (NAB) NEPA pre-lease/post-lease analyses, as well as post-lease monitoring information for the Chukchi and Beaufort Seas. Concerted environmental data gathering related to oil and gas will be needed in all these areas, especially in the NAB where little has been collected in the past 15 years.* *Performance results are very sensitive to the number and types of projects evaluated. In FY 2009, a large number of projects were completed. The proposed targets for FY 2011 consider recent historical results as well as the nature of planned studies; however, the field work required to complete these studies is in general, and especially in the Alaskan environment, subject to unpredictable changes that affect planned timing, e.g., weather conditions or equipment availability.*									
Percent of leases drilled for 1st time - 5 Year Leases (PART) (calendar year)	A	5.9% (119/2,023)	4.8% (86/1,778)	4.7% (71/1,526)	6.1%	2.5% (38/ 1,547)	2.5% (revd)	2.5%	0.0%	2.5%
Contributing Program	OEMM-Resource Evaluation									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Percent of leases drilled for 1st time - 8/10 Year Leases (PART)(calendar year)	A	1.1% (43/3,774)	1.2% (42/3,536)	1.2% (38/3,277)	1.2%	0.8% (36/4,652)	1.2%	1.2%	0%	1.2%
Contributing Program	OEMM-Resource Evaluation									
Comments	*The number of drilling rigs currently in use on shallow water leases in the Gulf of Mexico has decreased in recent years and significantly dropped from FY 2008 when oil prices were at record high levels (e.g., from 50 to 9). This decrease helps explain why the percent of 5-year leases drilled for the first time in FY 2009 was greatly reduced from the target and the actual results achieved over the past few years. Unless the economics of oil and gas exploration in the Gulf of Mexico change significantly, we would not expect this rate to return to previous levels in the near future.*									
	Deepwater lease (i.e., 8/10 yr) wells take longer to drill because of the increased depth, the potential need for multiple rigs to perform the work, and the harsh conditions involved. The FY 2009 results were lower than the target due to current economic conditions and the number of rigs available that can operate in these water depths when coupled with the increased leasing in these depths (the number of deepwater leases increased over 40% from FY 2008 to FY 2009). Another significant factor impacting results is that pending litigation has prevented operators in Alaska from drilling on many currently held leases. Given the multitude of factors, we do not expect any increase in the percent of 8/10 year leases being drilled for the first time over the next few years.									
Number of renewable energy leasing processes initiated (e.g., Requests for Interest) (BUR)	C/F	N/A	N/A	N/A	1	1	3	4	1	4
Total Actual/Projected Cost ($M)		--	--	--	7.7	9.0	25.1	26.8	1.7	TBD
Contributing Programs	OEMM-Renewable Energy									
Comments	*To enable renewable energy development on the OCS, MMS must conduct a lengthy, multi-step process entailing information gathering, consultation with interested and affected parties, NEPA review and compliance, and analysis in light of other applicable federal requirements for each affected state. The first step in each decision process will be to identify a proposed lease area and determine whether or not there is competition for that area. If MMS determines that there is competitive interest, it will undertake an approximately 2-year public consultation and decision process. This metric counts the number of formal actions MMS publishes in the Federal Register to initiate the leasing process for renewable energy. In FY 2009, an Interim Policy Determination of Competitive Interest Notice was published in the Federal Register. Assuming that identified projects will move forward on a competitive basis, we anticipate initiating 3 leasing processes in FY 2010 and 4 in FY 2011.* **NOTE: The Renewable Energy metrics presented are subject to revision as the Program matures. The projected costs for this performance measure include all funding associated with renewable energy performance.**									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Number of MMS-supported stakeholder collaboratives for renewable energy (BUR)	C/F	N/A	3	5	8	2	8	10	2	12
Contributing Programs	OEMM-Renewable Energy									
Comments	*MMS recognizes the importance of coordinating and consulting with local and federal stakeholders to develop a comprehensive renewable energy program for the OCS. This metric quantifies the number of cooperative planning and leasing efforts undertaken with relevant federal agencies and affected state, local, and tribal governments. MMS has actively sought and will continue to solicit stakeholder input through collaborative partnerships with federal agencies, state governments and other affected stakeholders. Following publication of the final renewable energy framework in April 2009, the MMS held eleven informational meetings across the country to discuss its content and also held 2 interim policy stakeholder meetings in New Jersey and Delaware. In the first quarter of FY 2010, MMS established and held initial Federal/State Task Force meetings with 5 states (i.e., Delaware, Rhode Island, Massachusetts, New Jersey, and Virginia). Additional task forces are being considered.* **NOTE: The Renewable Energy metrics presented are subject to revision as the Program matures.**									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Total number of renewable energy leases or grants issued (competitive or noncompetitive; limited or commercial) (BUR)	C/F	N/A	N/A	N/A	7	0	5 (revd)	2	-3	5
Number of limited leases for renewable energy testing and data collection (BUR)	C/F	N/A	N/A	N/A	4	0	4	0	-4	0
Number of commercial leases for the development of renewable energy (BUR)	C/F	N/A	N/A	N/A	0	0	1	0	-1	5
Number of right-of-way/ right-of-use and easement grants issued (BUR)	C/F	N/A	N/A	N/A	N/A	N/A	0	2	2	TBD
Contributing Programs	OEMM-Renewable Energy									
Comments	*MMS offered 5 noncompetitive limited leases for data collection and technology testing in June 2009. Four of the five offered were accepted and issued in the first quarter of FY 2010. A commercial lease may be issued for the existing Cape Wind project later in the year. In FY 2011, there is the potential for 2 right-of-way/ right-of-use and easement grants to be issued. After the required public consultation and environmental analyses are completed, which may take up to 2 years, the MMS anticipates being able to issue its first commercial competitive leases for the offshore development of renewable energy in FY 2012.* **NOTE: The Renewable Energy metrics presented are subject to revision as the Program matures.**									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Number of Ongoing EA/EISs for Renewable Energy Development (BUR)	C/F	N/A	N/A	N/A	3	0	1 (revd)	6	5	8
Number of Completed EA/EISs for Renewable Energy Development (BUR)	C/F	N/A	N/A	N/A	3	3	0	1	1	3
Contributing Programs	OEMM-Renewable Energy									
Comments	*Comprehensive environmental analyses are an essential but lengthy part of the overall OCS lease planning process. The number of ongoing EIS or EAs will be highly dependent on the level of interest in potential leasing areas and whether the lease issuance process will be competitive or non-competitive. For a non-competitive process, the financial burden of conducting the environmental assessment is borne by the applicant. In a competitive process, MMS will fund the EA or EIS. Estimated performance targets for FY 2011 are based on the assumption that all projects will move forward on a competitive basis. If some areas move forward non-competitively, additional EAs or EISs may be initiated.* **NOTE: The Renewable Energy metrics presented are subject to revision as the Program matures.**									

Goal Performance Table (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**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Composite accident severity ratio (SP/PART)	C/F	0.10	0.075 (5,208/ 69,241)	0.21 (12,440/ 58,249)	<0.13	0.15 (E) (9,236/ 61,464)	<.093* (revd)	<.093	0%	TBD
Contributing Programs	OEMM-Regulatory									
Comments	*MMS is committed to safety and environmental protection on the OCS as top priorities. For the composite accident severity ratio, MMS assigns a point value to each operator safety incident reported based on its severity, then divides total annual points by the number of components in service for all operators. In FY 2006, new MMS incident 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 FY 2007, the point matrix used to assign accident severity values was also updated to provide a better indication of the relative severity of the incidents (i.e., there is now a larger differential between the points assigned for major versus minor incidents).*									
	Since these changes have been implemented, there has been a noticeable increase in the number of injury incidents reported and the receipt of additional information has improved the MMS' s ability to categorize the severity of the injury based on the number of days of lost time/restricted work/job transfer. Although the target in FY09 was slightly missed, the composite accidently severity ratio improved over FY 2008. **NOTE: The FY 2010-11 targets are based on improving over the average of the FY2007-09 results during which both revisions were in place and a revised methodology for counting the number of components operated that will be implemented in FY 2010.*									
Maintain an annual composite operator performance index of X or less (PART/BUR)	C/F	0.15	0.15	0.28	<0.20	0.22	<.20	<0.20	0%	0.20
Total Actual/Projected Cost ($M)		42.1	42.4	45.9	47.1	46.2	50.3	50.6	0.3	--
Contributing Programs	OEMM-Regulatory									
Comments	*The 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 (i.e., the composite accident severity ratio). Although the desired results for any type of accident or injury index is always zero, the FY 2008 results as well as the FY2009 -11 targets take into account impacts of recent changes MMS made to its accident severity point matrix and reporting requirements.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Reduce number of fatalities among workers in DOI permitted or contracted activities (PART)	C/F	9	3	2	5	2	4	4	0	Reduce
Contributing Programs	OEMM-Regulatory									
Reduce number of serious injuries among workers in DOI permitted or contracted activities (PART)	C/F	29	32	31	30	25	29	29	0	Reduce
Contributing Program	OEMM-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 FY 2007 and FY 2008, there was a significant increase in the number of injury incidents reported and the receipt of additional information has improved the MMS's ability to categorize the severity of the injury based on the number of days of lost time/restricted work/job transfer. Targets for the fatalities and serious injury metrics are developed based on reducing a rolling multi-year average that is calculated after actual data for the current year becomes available. For this reason, FY 2011 targets are based on the current plan for FY 2010 and the long-term targets for 2012 are expressed in terms of a "reduction" versus a specific numeric target.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Amount (in barrels) of operational offshore oil spilled per million barrels produced (*excluding Hurricane-related spills)* (SP)	C/F	3.0 (1383/ 464.6 million)	2.7 (1,359/ 503.3 million)	0.52 (243.8/469 million)	--	3.9 (est.) (2060/531 million)	<4.5	<4.5	0	<4.5
Total amount (in barrels) of offshore oil spilled per million barrels produced (including Hurricane-related spills)(BUR/ PART)	C/F	3.0 (1,383/ 464.6 million)	2.7 (1,359/ 503.3 million)	12.8 (6007/ 469.1 million)	<5	3.9 (est.) (2060/531 million)	--	--	--	--
Total Actual/Projected Cost ($M)		63.8	64	69.8	71.7	70.4	76.6	77	0.4	--
Contributing Programs	OEMM-Regulatory									
Comments	*Petroleum spillage resulting from offshore oil and gas activities in FY 2009 was less than 4 barrels per million produced. There were no major hurricanes and the largest oil spill, which is still under investigation, was a pipeline spill that is projected to be approximately 1,500 barrels. Total production in FY 2009 also increased significantly over FY2008 because there were no widespread production shut-ins due to storms and multiple large-scale deepwater projects came into production. The combination of MMS' continuous inspection of operator components to ensure safety, research to improve oil spill response planning and effectiveness, and a low occurrence of external incidents led to the final results.* *NOTE: Oil spill data are constantly updated as additional information becomes available through the completion of investigations and/or recovery operations. Occasionally, a spill may be deleted or added a year or more later and result in historical data revisions.*									
Less than X% of total gas produced is approved to be flared offshore (BUR) (Calendar Yr)	A	0.29% (8,444,457/ 2,919,710,076 MCF)	0.30% (8,492,684/ 2,810,979,902 MCF)	0.51% (11,998,145/ 2,368,336,009 MCF)	0.7	0.28% (est.) (5,771,545/ 1,985,369,034 MCF)	0.7	0.7	0	0.7
Contributing Program	OEMM-Regulatory									
Comments	*The Offshore program has by far one of the best records in the world when it comes to minimizing flaring and venting. Recent industry statistics show worldwide rates ranging from 0.2% to 100%. In 2009, there was a slight increase due to pipeline repair activities that resulted from damage incurred during Hurricanes Gustav and Ike. MMS is presently in the process of finalizing revised flaring and venting regulations. If finalized in their proposed form, the new regulations will require operators to install flare/vent meters on all OCS facilities that process more than 2,000 bbl of oil per day. Currently operators are allowed to estimate these flare/vent volumes. When implemented, these proposed changes may increase reported volumes, which is why future targets are higher than recent results.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Process X% of exploration plans in less than 30 days (BUR)	C/F	75% * (259/345)	99.6% (276/277)	100% (253/253)	100%	98.6% (214/2170)	100%	100%	0%	100%
Total Actual/Projected Cost ($M)		6.5	6.5	7.2	7.4	7.3	7.9	7.9	0.0	
Contributing Programs	OEMM-Regulatory									
Comments	*An Exploration Plan (EP) and its supporting information must be submitted for approval to MMS before an operator may begin exploratory drilling on a lease. The EP describes all exploration activities planned by the operator for a specific lease(s), the timing of these activities, information concerning drilling vessels, the location of each well, and other relevant information. Per statute, the MMS is required to process submitted exploration plans within 30 days of receipt. The measure evaluates how well MMS meets this requirement.* ** The 2006 actual reflects the closure of the MMS Gulf of Mexico Region and some associated District offices for as much as 62 days immediately prior to and following Hurricanes Katrina, Rita, and Wilma.*									
Process X% of offshore environmental assessments for development plans within 8 months (BUR)	C/F	100% (9/9)	100% (4/4)	100% (2/2)	100%	100% (1/1)	100%	100%	100%	100%
Contributing Programs	OEMM-Leasing and Environment									
Process X% of development plans in less than 120 days (BUR)	C/F	94% * (293/313)	99.6% (478/480)	100% (224/224)	100%	100% (145/145)	100%	100%	100%	100%
Total Actual/Projected Cost ($M)		8.7	8.6	9.6	9.8	9.7	10.5	10.6	0.1	--
Contributing Programs	OEMM-Regulatory									
Comments	*A development and production plan or development operations coordination document and its supporting information must be submitted for approval to MMS before an operator may begin development or production activities. The plan describes a schedule of development activities, platforms, or other facilities including environmental monitoring features and other relevant information. Per statute, the MMS is required to process submitted development plans within 120 days of receipt. The measure evaluates how well MMS meets this requirement.* ** 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 right-of-way pipeline applications within 140 days (BUR)	C/F	97% (133/137)	99% (120/122)	98.2% (167/170)	90%	97.4% (74/76)	90%	95%	5%	100%
Total Actual/Projected Cost ($M)		4.3	4.3	4.8	4.9	4.8	5.3	5.3	0.0	--
Contributing Programs	OEMM-Regulatory									
Comments	*The planned targets are lower than actual performance in previous years due to continued predictions of active hurricane seasons in the Gulf of Mexico. Hurricanes can result in a significant increase in the number of pipeline modification permit applications submitted because permits are required to repair pipeline damage that may have occurred from the storms.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Conduct Technology Assessment and Research studies on X% of high-priority topics (BUR)	C/F	70% (17/22)	74% (25/ 34)	93% (14/15)	85%	100% (18/18)	85%	85%	0%	85%
Total Actual/Projected Cost ($M)		0.9	0.9	1.5	1.5	1.5	1.5	1.5	0	--
Contributing Programs	OEMM-Regulatory									
Comments	*The Technology Assessment and Research (TA&R) Program is a research element encompassed within the MMS Regulatory Program. The TA&R Program supports research associated with operational safety and pollution prevention as well as oil spill response and cleanup capabilities. This metric looks at the percent of TA&R studies conducted on high-priority topics.*									
Achieve a utilization rate of X% at Ohmsett, the national oil spill response test facility (BUR)	A	80%	62% (162/ 260)	90% (217/240)	80%	86.2% (207/240)	80%	80%	0%	80%
Contributing Programs	OEMM-Oil Spill Research									
Comments	*Ohmsett is the National Oil Spill Response Test Facility located in New Jersey. At Ohmsett, clients can test oil spill response equipment in realistic conditions and have training in the use of the equipment. This measure evaluates the utilization level of the facility. Between 2004 and 2006 Ohmsett utilization rates were higher because of planned maintenance cycles. Those cycles ended in 2006 and although no major upgrades are planned in the near future, expanded uses for the facility (e.g., dispersant training, and renewable energy wave tests) have been identified to sustain overall utilization rates at around 80%.*									
Total Number of Compliance Inspections Completed (PART/ABC-DOI)	A	19,961	20,567	25,650	20,000	26,978	22,000 (revd)	23,000	1,000	23,000
Total Actual/Projected Cost ($M)		39.8	40.3	44.1	45.2	44.5	48.5	48.7	0.2	--
Contributing Programs	OEMM-Regulatory									
Comments	*MMS has changed its inspection strategy to a more risk-based approach. 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 more comprehensive and consume more resources than sampling inspections. Recently a concentrated effort has been made to perform more production inspections (e.g., meter inspections); however, in future years MMS anticipates focusing more resources on fewer but higher risk facilities, particularly for the non-production inspections. In 2011, if additional experienced inspectors can be hired and two additional twin-engine helicopters can be added to the current fleet to support deepwater inspections, MMS expects to be able increase the target number of compliance inspections performed by 1,000.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Conduct full Coast Guard inspections on X% of manned offshore facilities annually (BUR)	A	13% (154/1,124)	20% (224/ 1,121)	14.7% (164/1112)	10%	11.7% (119/1015)	10%	10%	0%	10%
Contributing Programs	OEMM- 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 an annual target of conducting full FPSIP inspections on 10 percent of manned facilities. Although more is done when the resources are available, the targeted percentage of full FPSIP inspections performed by MMS inspectors has not increased because it 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)	A	68% (530/785)	69% (259/374)	41.2% (898/2181)	50%	65.3%* (431/660)	50%	55%	5%	55%
Total Actual/Projected Cost ($M)		15.6	13.3	14.0	14.4	12.5	13.7	13.7	0.0	--
Contributing Programs	OEMM-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 5-year Program includes a 500 percent expansion of acreage for Alaska and a 10 percent increase in the Gulf of Mexico, which will likely 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 result in some sales being above the baselines of 600 and 90 tracts receiving bids. In FY 2008, GOMR Sales 205 and 206 had 723 and 615 tracts receiving bids respectively, and Alaska Sale 193 resulted in 488 tracts receiving bids. The higher number of tracts being bid upon, coupled with the increased amount of geological and geophysical data that must be incorporated into current FMV evaluations, lowered the percentage of bids MMS was be able to evaluate within 60 days in FY 2008.* **Note: The FY 2009 results include bid evaluations that MMS conducted for BLM's lease sale in the National Petroleum Reserve-Alaska.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Percent of tracts with high bids rejected in a previous lease sale receiving acceptable bids the next time the tracts are made available (PART) (FY)	A	39% (9/23)	33% (1/3)	51.9% (14/27)	50%	17.1% (6/35)	35% (revd)	35%	0%	35%
Contributing Programs	OEMM-Resource Evaluation									
Comments	*This metric compares the success of rejected tracts from a previous sale the first time these tracts are made available again. High bids for tracts are rejected as inadequate if they do not meet MMS's threshold of an acceptable bid based on our economic evaluation. Between FY 2005 and 2008, a little over half of the rejected tracts received acceptable bids in subsequent sales. The reduced percentage in FY 2009 most likely reflects the economic downturn and the decrease in oil and gas prices. The number of variables that affect this measure (i.e., predicted oil and gas and associated price paths, predicted costs associated with exploring and developing the leases, changes in royalty rates, royalty relief or other incentives, etc.) makes the percentage that will be rejected difficult to predict; therefore the FY 2010 and 2011 targets are reduced based on consideration of recent historical trends and current economic conditions.*									
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	2.1 to 1	2.49 to 1	1.8 to 1 (+/- 0.4)	1.7 to 1	1.8 to 1 (+/- 0.4)	1.8 to 1 (+/- 0.4)	0%	1.8 to 1 (+/- 0.4)
Contributing Programs	OEMM-Resource Evaluation									
Comments	*MMS's current tract evaluation procedure is designed to assure that the government receives fair value for leased tracts. This measure compares the accepted high bid on each tract to the government's estimated value for that tract. Industry corporate strategy with respect to acquiring specific acreage could lead to a company raising its bid above this analytical value to improve their chances of winning the lease. MMS estimates are based on a discounted cash flow analysis of a tract and are not designed to predict the high bid. Therefore, the value of this indicator should always be greater than one to achieve fair value for OCS leases. The annual target ratio of 1.8 to 1 means that on average, the industry bids received are expected to be $1.80 (+/- 0.4) for every dollar of the estimated value for each tract. This target was set using several years of historical bid data and is reviewed annually to confirm its validity.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Reserves recovered per dollar of funding for the conservation management component of the program (PART)	A	20.4 BOE	62.7 BOE	28.9 BOE (85,811,266/ 2,972,207)	5.2 BOE	27.08 (60,923,024/ 2,249,708)	5.2 BOE	5.2 BOE	0	5.2 BOE
Contributing Programs	OEMM-Regulatory									
Comments	*A Conservation Information Document (CID) details the operator's initial development plan and proposed depletion scenario for a deepwater project. Operators have the tendency to propose a field depletion scenario where marginally economic reservoirs will be bypassed in favor of more prolific reservoirs. MMS conducts an independent evaluation of the data to determine if any additional economically producible reservoirs not proposed for development by the operator should be developed. A final CID may require operators to produce reservoirs that they might otherwise bypass, which results in reserves recovered. This metric estimates the return on investment for MMS conservation activities. The fixed annual target reflects the fact that as the price of oil and gas fluctuates, it is difficult to predict the number of reservoirs operators will propose to bypass in their CIDs or how much those reservoirs will produce.*									
Blocks/Tracts Evaluated (ABC)	A	10,996*	18,645**	8,341	9,300	11,287	9,300	9,300	0	TBD
Total Actual/Projected Cost ($M)		47.4	44.8	43.1	44.2	43.8	47.7	48	0.3	--
Contributing Programs	OEMM-Resource Evaluation									
Comments	*To determine the potential resources on the OCS and the fair market value of those resources, MMS must conduct detailed evaluations of the blocks and tracts offered for lease each year as well as conduct regular resource assessment activities. On average MMS currently evaluates approximately 9,300 individual blocks/tracks annually; however, special evaluations (e.g., regional evaluations for hydrates) may increase that number significantly in some years. In FY2009, a special 3-D seismic interpretation was conducted over six large protraction areas in the deep water Gulf of Mexico and additional blocks were made available in the Central Gulf of Mexico sale. These additional assessments covered over 3,000 blocks and contributed to the increased number of blocks/tracts evaluated during the fiscal year.* **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.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Estimated net return (in dollars) to the government through Royalty in Kind (RIK) (SP/PART/300)	C	$67.1M (cum)	$130.3M (cum)	$236.3M (cum)	$210M (cum)	$261.3M * (cum) (est.)	N/A **	N/A **	N/A **	N/A **
Total Actual/Projected Cost ($M)		17.3	20.0	20.1	22.0	22.0	22.0	12.0	-10.0	--
Contributing Programs	MRM-Compliance and Asset Management									
Comments	*This measure monitors the cumulative outcome of MMS's decision to take royalties in kind (RIK). The MMS collects royalties in kind if there is economic advantage to the government. The outcome includes three components: (1) the amount by which RIK royalties exceed estimated fair market value benchmark (estimated in value royalties); (2) the positive "time value of money" benefit resulting from collecting RIK royalties more quickly than in value royalties; and (3) the estimated administrative costs savings resulting from RIK operations versus RIV operations. The sum of the dollar value of these three components comprises the RIK Net Return.* ** Final result will be published in the FY 2009 RIK Annual Report to be published during 2010.* *** On September 16, 2009, the Secretary announced to the House Committee on Natural Resources that he was ordering the termination of the MMS royalty-in-kind program, thus this performance metric is discontinued for FY 2010 forward.*									
Percent of late disbursements (SP)	C	1.13% ($0.145B / $12.831B)	0.74% ($0.086B / $11.671B)	0.11% ($0.025B / $23.373B)	0.9%	0.10% ($0.011B / $10.68B)	0.8%	N/A *	N/A *	N/A *
Contributing Programs	MRM-Revenue and Operations									
Comments	*This measure reports the percent of Federal and Indian revenues not paid to states or allocated to BIA timely compared to total disbursements.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Cumulative percent of unique mineral royalty companies covered by compliance activities (2008-2012) (PART)*		N/A	N/A	28.7%* (525/ 1,832)	37.8% (675/ 1,787)	50.7% ** (906/ 1,787)	53.0% (933/ 1,761 est.)	55.3% (974/ 1,761 est.)	2.3%	57.6% (1,014/ 1,761 est.)
Cumulative percent of unique mineral royalty properties covered by compliance activities (2008-2012) (PART) *		N/A	N/A	12.8%* (3,100/ 24,164)	16.7% (4,004/ 23,984)	26.6% ** (6,374/ 24,565 est.)	29.0% (7,125/ 24,565 est.)	32.0% (7,861/ 24,565 est.)	3.0%	35.0% (8,598/ 24,565 est.)
Total Actual/Projected Cost ($M)		53.2	53.7	55.5	59.5	59.5	63.5	75.5	12.0	--
Contributing Programs	MRM-Compliance and Asset Management									
Comments	*These are new MMS compliance measures implemented in FY 2009, in response to OIG recommendations and in coordination with OMB. They measure the cumulative percent of unique royalty companies and properties covered by MRM audits, compliance reviews, or RIK compliance strategy. The MRM compliance risk strategy provides the data to determine properties and companies to be covered, the mix of audits vs. compliance reviews, and the number of repeat vs. unique royalty companies and properties. Only the unique companies and properties will be added to calculate the cumulative results from FY 2008 baseline year forward.* ** In FY 2009, MMS provided compliance coverage for about 50% of all royalty revenues, ensuring compliance for about $5.3 billion in royalty revenues. MMS covered 96.4% of high-significant risk companies and 32.9% of high-significant risk properties in FY 2009. MMS will cover about 86% of high-significant risk companies each year and approximately 43% of high-significant properties in FY 2010 and 2011. Royalty dollars are one key component of the risk determination; therefore, there is strong probability of high revenue companies and properties being selected.*									
Percent of companies' royalty information reported accurately the first time (PART)	A	97.4% (3.084M lines / 3.167M lines)	97.3% (3.094M lines / 3.180M lines)	98.3% (3.464M lines / 3.523M lines)	98%	98.1% (3.649M lines / 3.720M lines)	98%	98%	0%	99%
Contributing Programs	MRM-Revenue and Operations									
Comments	*This measure of royalty reporting accuracy is based on the number of accurate company-reported royalty lines compared to the total number of royalty lines. This measure is particularly important in meeting our goals of distributing state and Indian revenue dollars and lease royalty distribution data timely. The MRM influences this metric by providing reporter training free of charge to companies in various geographic locations and targeting specific companies for additional assistance to ensure that royalty reporting accuracy remains high.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Late disbursement interest costs (PART)	C	Baseline $1.851M	- 9.5% - $0.176M / $1.851M	-80% -$1.481M / $1.851M	-60% -$1.111M / $1.851M	-97.6% -$1.807M / $1.851M	-90% -$1.666M / $1.851M	-90% -$1.666M / $1.851M	-0% -$0.0M	-90% -$1.666M / $1.851M
Contributing Programs	MRM-Revenue and Operations									
Comments	*MMS's goal is to decrease taxpayer dollars spent on late disbursement interest (LDI) by 90% from the baseline of $1.851M in FY 2006. Per statute, revenue is due the states not later than the last business day of the month following the month of receipt, and interest is due for onshore revenues not disbursed timely to states. LDI costs in FY 2009 were only $44,221, a 97.6% reduction from the $1.851 million in FY 2006. Based on FY 2009 performance, targets for FY 2010 forward were revised to ensure MRM remains at least 90% below the FY 2006 baseline.*									
Transfer X percent of revenue to OST within 1 business day of receipt (BUR)	A	100% ($157.1M/ $157.1M)	100% ($124.3M/ $124.3M)	100% ($139.8M/ $139.8M)	100%	100% ($79.8M/ $79.8M)	100%	100%	0%	100%
Contributing Programs	MRM-Revenue and Operations									
Comments	*This measures the percentage of all Indian revenue received on a daily basis that is transferred to OST within one business day of identification. The MMS monitors the timeliness of the data transfer to ensure fulfillment of MMS's Indian Trust responsibilities.*									
Percent of royalties for which lease data provided to BIA by first semi-monthly distribution (PART)	A	94.7% ($130.0M / $137.3M)	96% ($126.8M / $132.1M)	97.1% ($121.5M / $125.1M)	96.5%	97.7% ($94.8M / $97.0M)	97%	98%	1%	98%
Contributing Programs	MRM-Revenue and Operations									
Comments	*The MMS's goal is to provide BIA the lease data needed to disburse revenue to individual Indian mineral owners (no later than the first semi-monthly distribution following the month of receipt of the revenue). The BIA needs this lease data so that OST can disburse revenues to correct recipients.*									
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 2003; (2,246 properties / 2,246 properties)	100% of CY 2004; (2,295 properties / 2,295 properties)	100% of CY 2005 (2,370 properties / 2,370 properties)	100% of CY 2006	100% of CY 2006 (2,392 properties / 2,392 properties)	100% of CY 2007	100% of CY 2008	0%	100% of CY 2009
Contributing Programs	MRM-Compliance and Asset Management									
Comments	*This measure supports MMS efforts to provide the highest possible Indian Trust protection and enforce the unique terms contained in Indian leases.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Compliance benefit/cost efficiencies (PART)	A	1 : 2.63 (Baseline)	1 : 4.27	1 : 7.08 **	1 : 4.60	1 : 6.72 * **	1 : 4.75	1 : 4.75	1 : 0.00	1 : 4.75
Contributing Programs	MRM-Compliance and Asset Management									
Comments	*This measure is a ratio of costs to collections for compliance reviews and audits. 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.* ** In FY 2006-2008 (reported in FY 2009), MMS collected $6.72 in additional royalties.* *** The $7.08 overall (Audits + CRs) result for FY 2008, and the $6.72 result for FY 2009 become $5.08 and $4.62, respectively, without the $105,300,000 settlement with Burlington. This large settlement, which occurred in 2007, is a non-recurring event.*									
Ensure systems availability (300)		100% (553,729 min / 554,430 min)	100% (537,785 min / 537,884 min)	100% (577,950 min / 578,040 min)	99%	99.4% (197,453 min / 198,558 min)	99%	99%	0%	99%
Contributing Programs	MRM-Revenue and Operations									
Comments	*This measures the overall, online availability of the Minerals Revenue Management Support System (MRMSS). The MRMSS is comprised of the MRM Financial System, the RIK (Nucleus) System, and the MRM Data Warehouse.* *The methodology for calculating system availability changed with the new Accenture contract. Hence, the magnitude of the numerator and denominator changed in FY 2009.*									
End Outcome Goal: Improve protection of lives, resources, and property										
GPRA End Outcome Measures										
Level of emergency preparedness as measured by the Interior Readiness (I-READ) Index	A	N/A	N/A	82.7% (Baseline)	86.8%	92.3%	92%	92%	0%	92%
Contributing Programs	MMS Administration and Budget									

Table 6: Budget At A Glance - MMS Activity/Subactivity Funding
(dollars in thousands)

			2011 Initiatives									
	FY 2009 Enacted	FY 2010 Enacted	RIV Transition	Ensure Fair Market Value and Safe Operations	Enhance Capabilities & Integration of Compliance Tools	Renewable Energy	Marine Spatial Planning	Ensure Proper Royalties Paid on Processed & Transported Natural Gas	DOI-Wide Changes	CMRET	Offsetting Collections	2011 President's Request
Offshore Energy and Minerals Management												
Renewable Energy [a/]		21,413				+2,500			-73		-205	23,635
Leasing & Environmental	54,963	59,461		-1,150		+1,000	+1,000		-203		-568	59,540
Resource Evaluation	33,698	35,285		+2,680					-117	-900	-329	36,619
Regulatory Program	57,268	60,261		+900					-205		-576	60,380
Information Management	20,270	20,454										20,454
Total OEMM	**166,199**	**196,874**	**0**	**+2,430**	**0**	**+3,500**	**+1,000**	**0**	**-598**	**-900**	**-1,678**	**200,628**
Minerals Revenue Management												
Compliance & Asset Mgmt	47,965	50,940	+7,077		+1,717			+1,850	-150			61,434
Revenue & Operations	38,719	38,434	+879						-226		-117	38,970
Total MRM	**86,684**	**89,374**	**+7,956**	**0**	**+1,717**	**0**	**0**	**+1,850**	**-376**	**0**	**-117**	**100,404**
General Administration												
Executive Direction	2,741	2,818	+394						-14		-2	3,196
Policy & Mgmt Improvemt	4,236	4,328	+102						-16		-3	4,411
Administrative Operations	17,654	20,029	1,013					+150	-335		-7	20,850
General Support Services	26,589	28,524	+535						-38		-33	28,988
Total GA	**51,220**	**55,699**	**+2,044**	**0**	**0**	**0**	**0**	**+150**	**-403**	**0**	**-45**	**57,445**
ROMM	**304,103**	**341,947**	**+10,000**	**+2,430**	**+1,717**	**+3,500**	**+1,000**	**+2,000**	**-1,377**	**-900**	**-1,840**	**358,477**
Offsetting Collections	**-146,730**	**-166,730**									**-8,160**	**-174,890**
Oil Spill Research	**6,303**	**6,303**										**6,303**
Minerals Management Service	**163,676**	**181,520**	**+10,000**	**+2,430**	**+1,717**	**+3,500**	**+1,000**	**+2,000**	**-1,377**	**-900**	**-10,000**	**189,890**

[a/] To reflect OEMM's new authority and responsibility for OCS renewable energy, MMS has established a new subactivity, Renewable Energy, in FY 2010. Environmental studies for renewable energy will continue to be funded from the Leasing and Environment subactivity as these studies may benefit both the Oil & Gas and Renewable Energy Programs.

Table 7: Summary of Requirements Table - Royalty and Offshore Minerals Management (ROMM)														
Offshore Energy and Minerals Management (OEMM)	**2009 Enacted**		**2010 Enacted**		**DOI-Wide Changes**		**Programmatic Changes**		**Offsetting Collections Changes**		**2011 President's Request**		**Inc(+) Dec(-) From 2010**	
	FTE	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**
Renewable Energy														
Appropriation	0	0	40	7,413	0	-73	+14	+2,500	0	0	54	9,840	+14	+2,427
Offsetting Collections	0	0	0	14,000	0	0	0	0	0	-205	0	13,795	0	-205
Subtotal	NA	NA	40	21,413	0	-73	+14	+2,500	0	-205	54	23,635	+14	+2,222
Leasing & Environmental														
Appropriation	235	20,457	227	24,955	0	-203	4	+850	0	0	231	25,602	+4	+647
Offsetting Collections	0	34,506	0	34,506	0	0	0	0	0	-568	0	33,938	0	-568
Subtotal	235	54,963	227	59,461	0	-203	4	+850	0	-568	231	59,540	4	+79
Resource Evaluation														
Appropriation	218	19,572	218	21,159	0	-117	+4	+1,780	0	0	222	22,822	+4	+1,663
Offsetting Collections	0	14,126	0	14,126	0	0	0	0	0	-329	0	13,797	0	-329
Subtotal	218	33,698	218	35,285	0	-117	+4	+1,780	0	-329	222	36,619	4	+1,334
Regulatory														
Appropriation	325	36,219	324	29,212	0	-205	+6	+900	0	-10,000	330	19,907	+6	-9,305
Offsetting Collections	0	21,049	0	21,049	0	0	0	0		-576	0	20,473	0	-576
Inspection Fee	0	0	0	10,000	0	0	0	0	0	+10,000	0	20,000	0	+10,000
Subtotal	325	57,268	324	60,261	0	-205	+6	+900	0	-576	330	60,380	+6	+119
Information Management														
Appropriation	64	721	64	9,205	0	0	0	0	0	0	64	9,205	0	0
Offsetting Collections	0	19,549	0	11,249	0	0	0	0	0	0	0	11,249	0	0
Subtotal	64	20,270	64	20,454	0	0	0	0	0	0	64	20,454	0	0
Total OEMM														
Appropriation	842	76,969	873	91,944	0	-598	+28	+6,030	0	-10,000	901	87,376	28	-4,568
Offsetting Collections	0	89,230	0	104,930	0	0	0	0	0	+8,322	0	113,252	0	+8,322
Total	**842**	**166,199**	**873**	**196,874**	**0**	**-598**	**+28**	**+6,030**	**0**	**-1,678**	**901**	**200,628**	**+28**	**+3,754**

Table 7: Summary of Requirements Table - ROMM (continued)

Minerals Revenue Management (MRM)	2009 Enacted		2010 Enacted		DOI-Wide Changes		Programmatic Changes		Offsetting Collections Changes		2011 President's Request		Inc(+) Dec(-) From 2010	
	FTE	($000)	FTE	($000)	FTE	($000)	FTE	($000)	FTE	($000)	FTE	($000)	FTE	($000)
Compliance & Asset Mgmt														
Appropriation	377	26,465	398	27,887	0	-150	+11	+10,644	0	0	409	38,381	+11	+10,494
Offsetting Collections	0	21,500	0	23,053	0	0	0	0	0	0	0	23,053	0	0
Subtotal	377	47,965	398	50,940	0	-150	+11	+10,644	0	0	409	61,434	11	+10,494
Revenue & Operations														
Appropriation	173	18,719	177	16,883	0	-226	0	+879	0	0	177	17,536	0	+653
Offsetting Collections	0	20,000	0	21,551	0	0	0	0	0	-117	0	21,434	0	-117
Subtotal	173	38,719	177	38,434	0	-226	0	+879	0	-117	177	38,970	0	+536
Total MRM														
Appropriation	550	45,184	575	44,770	0	-376	+11	+11,523	0	0	586	55,917	+11	+11,147
Offsetting Collections	0	41,500	0	44,604	0	0	0	0	0	-117	0	44,487	0	-117
Total	**550**	**86,684**	**575**	**89,374**	**0**	**-376**	**+11**	**+11,523**	**0**	**-117**	**586**	**100,404**	**+11**	**+11,030**

Table 7: Summary of Requirements Table - ROMM (continued)

General Administration (GA)	2009 Enacted		2010 Enacted		DOI-Wide Changes		Programmatic Changes		Offsetting Collections Changes		2011 President's Request		Inc(+) Dec(-) From 2010	
	FTE	($000)	FTE	($000)	FTE	($000)	FTE *	($000)	FTE	($000)	FTE	($000)	FTE	($000)
Executive Direction														
Appropriation	27	1,741	27	1,818	0	-14	0	+394	0	0	27	2,198	0	+380
Offsetting Collections	0	1,000	0	1,000	0	0	0	0	0	-2	0	998	0	-2
Subtotal	27	2,741	27	2,818	0	-14	0	+394	0	-2	27	3,196	0	+378
Policy & Mgmt Improvement														
Appropriation	31	3,236	31	3,328	0	-16	0	+102	0	0	31	3,414	0	+86
Offsetting Collections	0	1,000	0	1,000	0	0	0	0	0	-3	0	997	0	-3
Subtotal	31	4,236	31	4,328	0	-16	0	+102	0	-3	31	4,411	0	+83
Admin Operations														
Appropriation	153	16,099	160	17,474	0	-335	+1	+1,163	0	0	161	18,302	+1	+828
Offsetting Collections	0	1,555	0	2,555	0	0	0	0	0	-7	0	2,548	0	-7
Subtotal	153	17,654	160	20,029	0	-335	+1	+1,163	0	-7	161	20,850	+1	+821
Gen Support Services														
Appropriation	0	14,144	0	15,883	0	-38	0	+535	0	0	0	16,380	0	+497
Offsetting Collections	0	12,445	0	12,641	0	0	0	0	0	-33	0	12,608	0	-33
Subtotal	0	26,589	0	28,524	0	-38	0	+535	0	-33	0	28,988	0	+464
Total General Administration														
Appropriation	211	35,220	218	38,503	0	-403	+1	+2,194	0	0	219	40,294	+1	+1,791
Offsetting Collections	0	16,000	0	17,196	0	0	0	0	0	-45	0	17,151	0	-45
Total	**211**	**51,220**	**218**	**55,699**	**0**	**-403**	**+1**	**+2,194**	**0**	**-45**	**219**	**57,445**	**+1**	**+1,746**
Total ROMM	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**
Appropriation	1,603	157,373	1,666	175,217	0	-1,377	+40	+19,747	0	-10,000	1,706	183,587	40	+8,370
Offsetting Receipts	0	146,730	0	166,730	0	0	0	0	0	+8,160	0	174,890	0	+8,160
Total	**1,603**	**304,103**	**1,666**	**341,947**	**0**	**-1,377**	**+40**	**+19,747**	**0**	**-1,840**	**1,706**	**358,477**	**+40**	**+16,530**

Table 8: Summary of Requirements Table - Oil Spill Research (OSR)

Oil Spill Research	2009 Enacted		2010 Enacted		DOI-Wide Changes		Programmatic Changes		Offsetting Collections Changes		2011 President's Request		Inc(+) Dec(-) From 2010	
	FTE	($000)	FTE	($000)	FTE	($000)	FTE *	($000)	FTE	($000)	FTE	($000)	FTE	($000)
Appropriation	18	6,303	18	6,303	0	0	0	0	0	0	18	6,303	0	0
Offsetting Collections	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**18**	**6,303**	**18**	**6,303**	**0**	**0**	**0**	**0**	**0**	**0**	**18**	**6,303**	**0**	**0**

Table 9: Summary of Requirements Table - Total MMS Funding

Total MMS	2009 Enacted		2010 Enacted		DOI-Wide Changes		Programmatic Changes		Offsetting Collections Changes		2011 President's Request		Inc(+) Dec(-) From 2010	
	FTE *	($000)	FTE *	($000)	FTE	($000)	FTE *	($000)	FTE	($000)	FTE*	($000)	FTE *	($000)
ROMM Direct Appropriation	1,603	157,373	1,666	175,217	0	-1,377	+40	19,747	0	-10,000	1,706	183,587	+40	+8,370
OSR Appropriation	18	6,303	18	6,303	0	0	0	0	0	0	18	6,303	0	0
Total Appropriated	1,621	163,676	1,684	181,520	0	-1,377	+40	19,747	0	-10,000	1,724	189,890	+40	+8,370
Offsetting Collections	0	146,730	0	166,730	0	0	0	0	0	+8,160	0	174,890	0	+8,160
Total	**1,621**	**310,406**	**1,704**	**348,250**	**0**	**-1,377**	**+40**	**+19,747**	**0**	**-1,840**	**1,724**	**364,780**	**+40**	**+16,530**

* This table does not include FTE in the Coastal Impact Assistance Program (CIAP), a mandatory account for 2009, 2010, or 2011.

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FY 2011 PERFORMANCE BUDGET REQUEST
Offshore Energy and Minerals Management

Table 10: Offshore Energy and Minerals Management Summary of Budget Request

Offshore Energy and Minerals Management (OEMM)		2009 Enacted	2010 Enacted	FY 2011 DOI-Wide Changes (+/-)	FY 2011 Program Changes (+/-)	FY 2011 Budget Request	Change from 2010 (+/-)
Renewable Energy	($000)	NA	21,413	-73	2,295	**23,635**	**2,222**
	FTE	NA	40	0	14	**54**	**14**
Leasing and Environmental	($000)	54,963	59,461	-203	282	**59,540**	**79**
	FTE	235	227	0	4	**231**	**4**
Resource Evaluation	($000)	33,698	35,285	-117	1,451	**36,619**	**1,334**
	FTE	218	218	0	4	**222**	**4**
Regulatory	($000)	57,268	60,261	-205	324	**60,380**	**119**
	FTE	325	324	0	6	**330**	**6**
Information Management	($000)	20,270	20,454	0	0	**20,454**	**0**
	FTE	64	64	0	0	**64**	**0**
Total, OCS Lands Act Activities	**($000)**	**166,199**	**196,874**	**-598**	**4,352**	**200,628**	**3,754**
	FTE	**842**	**873**	**0**	**28**	**901**	**28**
Other Major Resources							
Oil Spill Research Appropriation [1/]	($000)	**6,303**	**6,303**	0	0	**6,303**	**0**
	FTE	**18**	**18**	0	0	**18**	**0**
Coastal Impact Assistance Program [2/]	($000)	**250,000**	**250,000**				
	FTE	**22**	**24**				

[1/] *Oil Spill Research is discussed under a separate tab.*

[2/] *Congress approved Coastal Impact Assistance Program (CIAP) for four years, FY 2007-FY 2010. While appropriation of new funds has ended, grant awards, administration, and monitoring will continue for several years.*

The Federal Outer Continental Shelf (OCS) is a major supplier of energy for the domestic market. In calendar year 2008, OCS leases offshore California, Alaska, and in the Gulf of Mexico provided 447 million barrels of oil and 2,327 billion cubic feet of natural gas, accounting for almost 25 percent of the Nation's oil production and 11 percent of domestic natural gas production.

The MMS is responsible for managing the Nation's oil, natural gas, renewable energy, 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 1.7 billion acres of the OCS offshore Alaska, the Atlantic and Pacific coasts, and in the Gulf of Mexico. OEMM is working to ensure that the OCS remains a solid contributor to the Nation's energy needs through facilitation of a new offshore renewable energy industry, oil and gas development and careful regulation to provide for the conservation of nonrenewable resources.

Interest in offshore oil and gas development remains extraordinarily strong. The eight lease sales scheduled and held through August 2009 under the 2007-2012 5-Year Program have brought in $10.8 billion dollars in bonus bids alone to the Nation's Treasury. Three of these lease sales - two in the Central Gulf of Mexico and one in the Chukchi Sea - account for $9.1 billion of this total.

The MMS also manages the Renewable Energy Program on the Federal OCS. This authority was granted under the Energy Policy Act of 2005 (EPAct 2005). It added section 8(p) to the Outer Continental Shelf Lands Act (OCSLA), giving the Department the 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, such as research, education, recreation, and support for offshore 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 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) was changed to Offshore Energy and Minerals Management (OEMM). MMS also created an Office of Offshore Alternative Energy Programs to develop and implement policy and provide overall management of the OCS renewable energy leasing and operations programs. In FY 2010, a new Renewable Energy Program budget subactivity was established. The new office and budget structure raises the renewable energy program's profile and best allows OEMM to meet the new statutory mandates and respond to unique needs of the regulated community. Also, on December 9, 2009, Secretary Salazar announced plans to establish an Atlantic Renewable Energy Regional Office.

The Energy Policy Act of 2005 also established the Coastal Impact Assistance Program (CIAP), which authorizes funds to be distributed to coastal oil and gas producing states to conserve, protect and restore coastal areas and natural resources and mitigate the impacts of OCS oil and gas activities. OEMM administers this program through the approval of state plans and grant administration and monitoring. Congress approved appropriation of CIAP funds for four years, FY 2007 - FY 2010. While appropriation of new funds has ended, grant awards, administration, and monitoring will continue for several years.

PROGRAM OVERVIEW

The OEMM program manages the Nation's Outer Continental Shelf (OCS) energy resources, both oil and gas and renewable energy, 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. It is headquartered in Washington, DC and Herndon, Virginia, with regional offices in three locations: (1) New Orleans, Louisiana, for the Gulf of Mexico OCS Region, including the Atlantic OCS area; (2)

Camarillo, California, for the Pacific OCS Region; and (3) Anchorage, Alaska, for the Alaska OCS Region.

The OEMM program oversees resource production on the OCS to ensure minimal environmental impacts and safe operations in mineral extraction and renewable energy activities. Leasing, inspections, plans and permits, and assessment activities account for the majority of the work that contributes to resource management on the OCS.

In calendar year 2008, OCS leases offshore California, Alaska, and in the Gulf of Mexico provided 447 million barrels of oil and 2,327 billion cubic feet of natural gas, accounting for almost 25 percent of the Nation's oil production and 11 percent of domestic natural gas 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 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 (2006). While the majority of this resource is in areas that were already open to leasing, significant resources are also located in areas that were under moratoria prior to October 2008. With the expiration of the annual Congressional moratoria, OCS areas with estimated technically recoverable resources of about 14 billion barrels of oil and 55 trillion cubic feet of gas are no longer subject to moratorium. Whether or how much of these areas to make available for development is under review as the Administration develops its comprehensive OCS energy strategy.

Increasingly the Nation is turning to renewable energy as it reshapes its energy future. Great strides have been made towards development of renewable energy projects on the Federal OCS. The final regulatory framework was announced in April 2009. On June 23, 2009, MMS offered five noncompetitive Interim Policy (IP) limited leases offshore Delaware and New Jersey which would authorize meteorological and data gathering activities on the OCS from six to 18 miles offshore. Four leases were signed in November 2009 - three are offshore New Jersey, and one offshore Delaware. The fifth lease offering was declined. Another notable milestone occurred in September 2009, when MMS received its first two applications under its new regulatory structure for commercial leasing offshore the Atlantic coast. Also, MMS has now formed five Federal/State task forces to expedite additional renewable energy production; with at least three more anticipated in FY 2010.

Conventional Energy

Gulf of Mexico Deepwater Activities, and the first Floating Production, Storage, and Offloading Facility

The strongest trend on the OCS today is the continuing development of the Gulf of Mexico (GOM) deepwater (i.e., more than 1,000 feet deep). The MMS Deepwater Gulf of Mexico 2009 Report (www.gomr.mms.gov/PDFs/2009/2009-016.pdf) highlights the activities, offers trend analyses and describes technological advancements in this important portion of the GOM for

2008. Deepwater has continued to be a very important part of the total GOM production, providing approximately 74 percent of the oil and 43 percent of the gas from the region in 2008 (production data for all the Deepwater Reports is reported with a 1 year delay). In 2009, MMS approved 14 new technologies for use in the GOM deepwater for projects planned for first production from 2009 through 2011.

The first oil production is expected in 2010 from the first floating production, storage, and offloading (FPSO) facility in the U.S. Gulf, the *BW Pioneer* vessel. It will develop the Cascade and Chinook Fields in the Walker Ridge area. This development project will utilize four technologies considered new to the U.S. Gulf, including free-standing hybrid risers to support subsea production flow lines from subsea wells, polyester mooring lines for the disconnectable floating production turret system that connects to the FPSO, electric submersible booster pumps to assist the flow of oil in subsea flow lines, and double-hulled shuttle tankers to transport oil production to U.S. Gulf Coast ports. The *BW Pioneer FPSO* will be able to disconnect from the moored floating turret system and sail out of the path of hurricanes moving into the Gulf. Another first for the Gulf will be the use of a ship-shape, floating production unit, the *Helix Producer I* vessel, for the Phoenix development in Green Canyon, with a planned production start in 2010. A disconnectable transfer system will be used to connect the subsea wells to the *Helix Producer I*, also a first for the U.S. Gulf.

Another notable deepwater development, Perdido Regional Host, is one of the world's deepest spars. Named for logs used as buoys in shipping and moored in place vertically, spar platforms are among the largest and most stable platforms in use in the Gulf of Mexico. It is designed to be nearly as tall as the Eiffel Tower, weigh as much as 10,000 family cars, and its moorings span an area of the seafloor roughly the size of downtown Houston. The Perdido Regional Host was designed to produce oil and gas from existing and potential fields within a 30 mile radius of the host facility in Alaminos Canyon Block 857. Installation of the topside drilling and production platform atop its 555-ft tall cylindrical spar was completed in March 2009 about 200 miles south of Freeport, Texas. The cylindrical spar floating in about 8,000 feet of water was installed and moored to the seafloor in August 2008. The Perdido Regional Host is designed with the capacity to process 130,000 barrels of oil equivalent per day with startup expected early 2010.

In 2009, deepwater continued to play an important role in supplying our energy needs with 13 deepwater discoveries announced and eight production start-ups from new deepwater projects in the Gulf including Chevron USA Inc's Tahiti SPAR. Tahiti was installed in Green Canyon 641 and started production in June 2009. According to Chevron, the Tahiti development is associated with over 400 million BOE of reserves. Another discovery announced in 2009 includes BP's Tiber project. The Tiber well is located about 250 miles south east of Houston at Keathley Canyon 102, and is the deepest well drilled to date in the GOM, with a measured depth of 35,055 feet. According to BP, it may contain up to 3 billion barrels of oil. Also in 2009, Mariner Energy announced a shallow water deep gas discovery with "more than 200 ft tvt (true vertical thickness) net gas pay in multiple zones" at the Smoothie #2 well on South Timbalier Block 49.

Current OCS 5-Year Oil and Gas Leasing Program

Sales under the current 2007-2012 Five-Year Oil and Gas Leasing Program have been very successful. To date, there have been eight lease sales in the Gulf of Mexico and Alaska planning areas resulting in high bids of $10.8 billion dollars.

In the first quarter of FY 2010, MMS approved two separate exploration plans for Shell to drill up to two exploratory wells in the Beaufort Sea and up to three exploratory wells in the Chukchi Sea during the 2010 open water season.

In July 2007, DOI was sued over various alleged deficiencies in the 5-Year Program for 2007-2012. On April 17, 2009, the U.S. Court of Appeals for the District of Columbia ruled in favor of DOI in all but one issue. The Court vacated and remanded the Program on the single issue of the environmental sensitivity analysis. On May 11, 2009, the Department of Justice filed a Petition for Rehearing, seeking clarification of the Court's ruling, and an accompanying Declaration of the factual situation and the potential impacts of the ruling on the Program. On July 28, 2009, the Court issued an Order staying its mandate until DOI completed its environmental sensitivity analysis and balancing under section 18 of the OCS Lands Act. The Court also limited the April 17 decision to three Alaska areas only--Chukchi Sea, Beaufort Sea, and North Aleutian Basin. Subsequently, MMS developed a new environmental sensitivity analysis and prepared an updated 2007-2012 Program decision document for review and decision by the Secretary. The Secretary is now reviewing the 2007-2012 decision document, and will decide what changes, if any, should be made to the Final Program. Once his decision is announced, following a 30-day public comment period, the Secretary will approve a final remanded Program, having taken into consideration all the comments received on the new analysis and required balancing.

Next OCS 5-Year Oil and Gas Leasing Program

In the summer of 2008, the previous Administration directed MMS to begin the initial steps for developing a new 5-Year Program. On August 1, 2008, MMS published a *Federal Register* Notice requesting information on whether to start a new program and what areas should or should not be included in a new program. More than 152,000 comments from the general public and nearly 200 comments from state and local governments, Congress, other Federal agencies, environmental and other interest groups, and energy and non-energy businesses and associations were received regarding the next 5-Year Program for oil and gas leasing on the OCS.

The development and publication of the Draft Proposed Program (DPP) on January 16, 2009 was the second step in a multi-year process to develop a new oil and gas leasing program. The DPP sought public comment on all aspects of the new 5-Year Program, including energy development and economic and environmental issues in the OCS areas. The DPP is designed to encourage discussions about the OCS areas of greatest interest and potential. Any new areas that would be included in the final program will not be available for leasing until the 5-Year Program has been completed and approved, because no area can be leased without being included in the then current approved 5-Year Program.

In February 2009, Secretary Salazar announced his strategy for developing an offshore energy plan that includes conventional and renewable energy resources. As part of his plan, the comment period for the DPP was extended for an additional 180 days to September 21, 2009, in order to provide additional time for input from states, stakeholders and affected communities. Following the closing of the comment period, all comments were summarized and categorized, and provided to the Secretary, who is currently examining options for a new 5-Year leasing program.

Also at the direction of Secretary Salazar, the MMS worked with the U.S. Geological Survey to assemble a report on offshore resources along with information regarding sensitive areas and resources on the OCS. This report synthesized the vast knowledge-base on OCS energy resources and environmental factors in one concise document. The report was delivered to the Secretary at the end of March 2009. Following publication of the report, the Secretary conducted four regional meetings, covering the Atlantic Coast on April 6 in Atlantic City, NJ; Gulf Coast, on April 8 in New Orleans, LA; Alaska on April 14 in Anchorage, AK; and, Pacific Coast on April 16 in San Francisco, CA in an effort to gain insight and comment from all stakeholders of OCS energy. Substantive comments received at these meetings were summarized, and will be considered in the Secretary's decision.

Renewable Energy

The OCS also has significant potential as a source of new production from renewable energy resources. Section 388 of the Energy Policy Act of 2005 (EPAct 2005) grants the Department and MMS new responsibilities over Federal offshore renewable energy and related-uses of the OCS. These projects include wind, wave, ocean 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.

Technology and Resource Testing

The MMS completed a Programmatic Environmental Impact Statement (EIS) in November 2007, which examines the interface between the marine and human environment and the technologies and activities that generate energy from ocean renewable energy resources. Also published was an interim policy for Offshore Renewable Energy Resource Assessment and Technology Testing Activities. The interim policy invited the public to nominate areas of the OCS in which MMS would consider awarding limited leases that authorize data collection and technology testing. The interim policy was developed as a means to jumpstart resource data collection and technology testing activities on the OCS in advance of the final regulations.

MMS received more than 40 nominations of areas proposed for limited leasing off the West and East coasts. In April 2008, based on a set of criteria including geographical and resource balance (e.g., East, West; wind, wave, ocean current) MMS identified a subset of 16 proposed lease areas for priority consideration and provided public notice of those areas for the purpose of determining competitive interest, as required by the Energy Policy Act of 2005, and also for

receiving relevant environmental or other information. MMS received applications for six of the 16 proposed lease areas (offshore Delaware, New Jersey, and Florida).

On June 23, 2009, MMS offered five noncompetitive Interim Policy (IP) limited leases offshore Delaware and New Jersey that would authorize the installation of meteorological and data gathering equipment on the OCS from six to 18 miles offshore. Four of the leases were signed and effective November 2009. The fifth lease offering was declined.

Regulatory Framework and Commercial Leasing

On April 22, 2009, President Barack Obama announced that the MMS finalized the regulatory framework for renewable energy generation on the OCS. The framework establishes an MMS program to issue leases, easements, and rights-of-way for orderly, safe, and environmentally responsible renewable energy development activities, such as the siting and construction of offshore wind facilities on the OCS. Just prior to the announcement, the Interior Department and the Federal Energy Regulatory Commission (FERC) signed an agreement that clarified jurisdictional responsibilities for leasing and licensing renewable energy projects on the OCS. Under the agreement, the MMS has exclusive jurisdiction with regard to the production, transportation, or transmission of energy from non-hydrokinetic renewable energy projects, including wind and solar. FERC will have exclusive jurisdiction to issue licenses for the construction and operation of hydrokinetic projects, including wave and current, but companies will be required to first obtain a lease through MMS.

MMS is currently planning to initiate commercial leasing activities offshore Delaware, New Jersey, Rhode Island, Massachusetts, and Virginia in 2010 and has established Federal/State task forces with these states to help inform MMS leasing decisions. The first task force meetings were held in fall 2009. The publication of the Requests for Interest (RFIs) for these states could take place as early as the first quarter of 2010.

Other states that have requested that MMS formally institute Federal/State task forces include Maryland, New York, Florida, and South Carolina. These states are evaluating their options for moving forward with commercial development under the new renewable energy framework in line with their individual and respective state renewable energy siting initiatives/plans.

Industry has also expressed interest in creating an Atlantic coast transmission highway located primarily on the OCS. The transmission line would be designed to handle large amounts of electricity generated from offshore wind and would connect offshore wind facilities to substations in states along the Atlantic coast. The transmission line would require a renewable energy right-of-way (ROW) to be issued by MMS. Also in the Atlantic, MMS received in September 2009 its first two commercial leasing requests for renewable energy off the coast of Virginia.

The MMS is also evaluating the proposed Cape Wind Energy Project identified by the Energy Policy Act of 2005. The Final EIS, which assesses the physical, biological and social/human impacts of the proposed Cape Wind Energy Project and all reasonable alternatives and proposed mitigation, was announced on January 16, 2009. MMS is in the process of completing Section

106 consultations under the National Historic Preservation Act. Once consultations are complete MMS will issue a Record of Decision (ROD) for the project. The Secretary of the Interior has announced his intent to reach a final decision on the project by the end of April 2010.

In FY 2010, MMS anticipates a substantial increase in work in support of leasing OCS sites for the commercial generation and transmission of renewable energy, in direct relation to the efforts of coastal states to meet tangible goals established in the form of renewable energy portfolio standards (RPSs). This includes activities occurring beyond those applicable to the Mid and North Atlantic coasts discussed above. Elsewhere in the mid to North Atlantic, MMS is discussing with North Carolina the formation of a possible task force there in anticipation of future commercial leasing activities, and is also coordinating with Maine on renewable energy issues related to offshore wind. In the South Atlantic, MMS could issue up to six interim policy limited leases for resource assessment or technology testing: three leases for meteorological towers offshore Georgia and three leases for ocean current technology testing offshore the southeastern coast of Florida. Additionally, Florida and South Carolina have requested task forces and initial meetings are likely to be held in the second quarter of FY 2010. On the West Coast, MMS is coordinating with California, Oregon, and Washington on renewable energy planning issues through the West Coast Governors' Agreement. Areas of interest there are ocean wave and wind-generated electricity. Also MMS participates on the state of Hawaii's evaluation committee, reviewing proposals for a joint Federal/State EIS covering an inter-island cable that will transmit wind-generated electricity among Oahu, Molokai, Lanai, and Maui.

Marine Spatial Planning

"With the ever-expanding uses of coastal and ocean areas there is a need now, more than ever before, to consider the entire range of uses and users. From the basic concept of their value as ecosystems and habitats to their economic importance to communities, a more comprehensive approach must be taken during planning and decision making processes. Today, this approach is referred to as Coastal and Marine Spatial Planning, or CMSP." [1]

Coastal and Marine Spatial Planning (CMSP) was identified as a priority by the President when he established the Interagency Ocean Policy Task Force (Task Force) on June 9, 2009. The Task Force has submitted a draft "Interim Framework for Coastal and Marine Spatial Planning" that defines CMSP as a "comprehensive, adaptive, integrated, ecosystem-based, and transparent spatial planning process, based on sound science, for analyzing current and anticipated uses of ocean, coastal, and Great Lakes areas". The Minerals Management Service is the only agency authorized to grant renewable energy, marine mineral (sand and gravel) and oil and gas leases on the Outer Continental Shelf and therefore plays an integral role in the CMSP process.

MMS has, for many years, used the principles of CMSP in carrying out is day-to-day regulatory and stewardship responsibilities. In its final report, *An Ocean Blueprint for the 21st Century*, the U.S. Commission on Ocean Policy found that the OCS oil and gas program"…. has a well institutionalized and reasonably comprehensive management regime and ….seeks to balance the

[1] MMS Ocean Science, Volume 6, Issue 4, October/November/December 2009

many competing interests involved in offshore energy activity…". One specific example of this adaptive and ecosystem-based approach is MMS' collaborative approach to its leasing process that includes other Federal, state, and local agencies, and other stakeholders, to identify and minimize user conflicts, protect the environment, and balance multiple needs.

The MMS also updates and advances information that guides its stewardship of the ocean environment. For example, in cooperation with NOAA and other Federal agencies, MMS led the development of the Multipurpose Marine Cadastre (MMC). The MMC is a web-based spatial information system that shows how a particular marine area is being used, the legal boundaries, and more. It also allows us to "see" what natural resources, habitats, ecosystems, and species are in that area.

MMS will continue its long standing practice of employing CMSP principals in its stewardship of the Nation's energy resources.

Coastal Impact Assistance Program

OEMM administers the Coastal Impact Assistance Program (CIAP) that was authorized by the Energy Policy Act of 2005. It provided $250 million annually, from 2007-2010, to coastal oil and gas producing states to conserve, protect and restore coastal areas and natural resources and mitigate the impacts of OCS oil and gas activities. Funding for the administration of the program was provided through appropriations, with three percent of the annual program allocation provided in Fiscal Years 2007-2009, and 4 percent in 2010. While appropriation of new funds has ended, activities, such as grant awards and monitoring, will continue for several years.

All states have begun submitting grant applications. As of December 30, 2009, 216 grant applications for $203.2 million have been received, and 102 grants have been awarded for a total of $131.4 million.

The ongoing workload now consists of amendments to state Plans, grant project submittals, amendments, or modifications of ongoing projects, and monitoring of projects. Some grant closeouts have occurred already as well. All versions of the multiple Plans and grants require additional technical review. The MMS utilizes a number of specialized staff to manage the CIAP grant process. Among them are Regional Project Officers, Grant Officers, and Fiscal Administrators. More information on the CIAP program can be found at http://www.mms.gov/offshore/CIAPmain.htm.

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 five subactivities that roll up to the OCS Lands Activity. These are Renewable Energy (REN), Leasing and Environmental (LE); Resource Evaluation (RE); Regulatory (RG); and the Information Management Program (IMP).

- The *Renewable Energy Subactivity* funds: program implementation and development; environmental analysis, assessment, compliance work needed to plan and effect competitive and non-competitive leasing actions; consultation with state and local governments, Federal agencies, and other stakeholders; and development of a multipurpose marine cadastre.

- The *Leasing and Environmental Subactivity* includes: 5-Year Program implementation, planning and execution; assessment of environmental impacts; protecting the coastal environment; protecting the OCS through compliance with guiding statutes; the Marine Minerals Program; and the Environmental Studies Program, which also supports the Renewable Energy Program.

- The *Resource Evaluation Subactivity* includes: acquisition of geological and geophysical data; development and implementation of the Resource Modeling Program, including resource assessment and estimation; tract evaluations; 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, and security activities; maintenance and technical support; the Technical Information Management System; and OCS Connect.

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 Department's 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.

FY 2011 Budget Request: In FY 2011, OEMM's net OCS Lands Act Activities request is $3.8 million and 28 FTE greater than the FY 2010 enacted budget. This figure represents increases of $8.9 million for new and priority program funding requirements, offset by programmatic decreases of $5.2 million, for a net program increase of $3.8 million. Please see the table below for a listing of OEMM's budgetary changes.

Table 11: OEMM Program Request Compared to FY 2010

Request Component	Subactivity	Amount	FTE
Program Changes			
• Renewable Energy	**Total** Leasing & Environmental Renewable Energy	**+3,500,000** +1,000,000 +2,500,000	**+14** +0 +14
• Fair Market Value & Safe Operations	**Total** Leasing & Environmental Resource Evaluation Regulatory	**+4,430,000** +850,000 +2,680,000 +900,000	**+10** +0 +4 +6
• Marine Spatial Planning	**Total** Leasing & Environmental	**+1,000,000** +1,000,000	**+4**
• **Subtotal – OEMM Increases**		**+8,930,000**	**+28**
• Environmental Studies	**Total** Leasing & Environmental	**-2,000,000** -2,000,000	**-0**
• Efficiencies & Offsetting Collections	**Total** Renewable Energy Leasing & Environmental Resource Evaluation Regulatory	**-2,276,000** -278,000 -771,000 -446,000 -781,000	**-0**
• CMRET	**Total** Resource Evaluation	**-900,000** -900,000	**0** 0
• **Subtotal – OEMM Decreases**		**-5,176,000**	**-0**
• **Total, Program Changes**		**+3,754,000**	**+28**

Fair Market Value and Safe Operations: Assuring receipt of Fair Market Value on OCS lands is mandated by the OCS Land Act and its amendments and remains a critical responsibility of the Resource Evaluation Program. Regional offices, in conjunction with headquarters oversight, perform the functions necessary to thoroughly assess the oil and gas potential and fair market value of OCS tracts offered for lease. The FY 2011 budget request includes funding to ensure fair market valuation of oil and gas resources and continued safe operations on the Federal Outer Continental Shelf.

Table 12: Summary of Fair Market Value and Safe Operations – All OEMM Subactivities

	($000)	FTE	Short Description
Program-Wide	***2,650***	***1***	
FMV Database Development	1,300	1	Database development, design, and maintenance to support critical fair market value business processes (RE)
FMV System Upgrades	500	0	Contractor support to implement software upgrades and modify current MMS applications using ARC-GIS (RE)
Block and Boundary Support	850	0	MMS has unique functional requirements that are not available in a commercial off-the-shelf (COTS) GIS program. Integration of GIS software with the TIMS database is needed so that existing TIMS programs used by other MMS units will continue to be supported. (LEA)
Gulf of Mexico	***900***	***6***	
Inspectors	900	6	Additional inspectors to address the current and anticipated increase in deepwater fixed and floating facilities and the number of components that must be inspected offshore. ($900K) (RG)
Alaska	***880***	***3***	
Geosciences	450	3	Geologic assessments, FMV determinations, and technology training (RE)
GIT	430	0	Geological Interpretive technology tools and software licenses (RE)
Ensure FMV & Safe Operations	***4,430***	***10***	
Environmental Studies Redirection	-2,000	0	Lower priority oil and gas studies will be discontinued to focus on the higher priority program activities listed above.
Total Ensure FMV & Safe Operations	***2,430***	***10***	

Renewable Energy: To continue development and implementation of the Outer Continental Shelf (OCS) renewable energy program, $3,500,000 and 14 FTE is requested.

MMS has established a firm foundation for its program. The final Renewable Energy regulatory framework was published in the Federal Register on April 29, 2009. We have made great strides in coordinating and consulting with our counterparts in the Federal, state, local, and tribal government bodies throughout the rulemaking effort, the development of studies and research plans, and most notably, in implementing the interim policy. Four interim policy leases were signed and effective in November 2009.

Now that the program regulatory framework is complete, MMS needs to focus its attention to those regions of the country where activity is most likely to take place. More than half of the country's identified offshore wind potential is located off the New England and Mid-Atlantic Coasts, where water depths deepen gradually with distance from the shore. A staff dedicated to working with states needs to be established to provide an easily accessible point of contact that is familiar with the state and local governments and sensitive to the issues and efforts underway in the region. Likewise, the Pacific Region expects that extensive stakeholder outreach, expansive and substantial analyses, and recruitment of disciplines specific to renewable energy activities will be required. On both coasts, environmental studies will be needed to support any consideration of conducting renewable energy activity on the OCS. At the same time the MMS

Headquarters will need to conduct relevant environmental studies on issues that affect multiple coasts.

The $24 million increase in MMS renewable energy funding in FY 2010 provided a strong foundation for the program, allowing MMS to add significant new staff and fund critical environmental studies that will support future agency permitting decisions. However, additional resources are requested in FY 2011 to meet the growing demands for the program moving forward. A detailed accounting of the requested increases are provided below, and explained in greater detail in the relevant subactivity discussion:

Table 13: FY 2011 Renewable Energy Request – All OEMM Subactivities

	($000)	FTE	Short Description
Atlantic/National Office	***2,550***	***9***	
Workforce	1,350	9	Staff needed to support regional and national renewable energy activities. (REN)
Environmental Studies	1,000	0	Marine Mammals, Sea Turtles, Energy Market & Infrastructure, Seabirds, etc. (ESP/LEA)
Inspection Services	200	0	Inspection activity of interim policy leases (REN)
Pacific	***950***	***5***	
Workforce	750	5	Staff needed to support regional renewable energy activities, including leasing and electrical engineering disciplines. (REN)
Task Force Support	200	0	Needed for at least 3 Pacific states – California, Washington, Oregon (REN)
Renewable Energy	***3,500***	***14***	

Marine Spatial Planning: CMSP will provide numerous ecological, social, and economic benefits. MMS is requesting $1,000,000 and 4 FTE to support the significant role MMS will have in implementing the President's goal of developing a coastal and marine spatial planning framework. In FY 2011, support for Gulf of Mexico CMSP activities will be a significant focus of this initiative. Anticipated needs to support CMSP include funds for:

- 2 CMSP Coordinators
- 1 CMSP Environmental Scientist
- 1 CMSP Geospatial Scientist
- Cost sharing projects with other Federal and state bodies; data acquisition, distribution, and quality control; electronic archiving and coordination support costs.

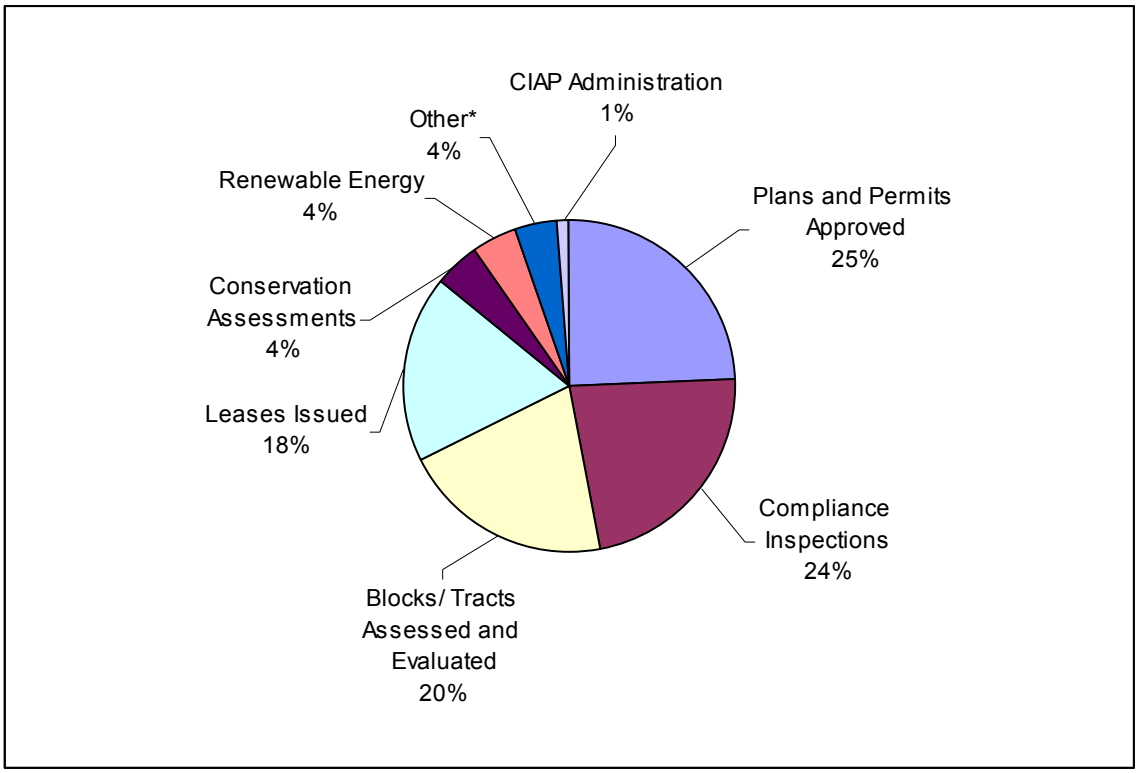
Table 14: FY 2011 Marine Spatial Planning

	($000)	FTE	Short Description
Workforce	600	4	2 CMSP Coordinators, 1 CMSP Environmental Scientist, and 1 CMSP Geospatial Scientist (LEA)
CMSP Projects and Data Needs	400	0	Cost Sharing Projects with Federal and state agencies, data acquisition, sharing, coordination, quality control (LEA)
Marine Spatial Planning	***1,000***	***4***	

PERFORMANCE OVERVIEW

The OEMM budget request supports the accomplishment of the Department's strategic goals. Key performance indicators of the program's success include holding OCS lease sales on schedule, ensuring safety of operations, and minimizing oil spills.

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 following figure, which illustrates program dollars spent in end output categories established in the ABC framework:



** Includes: Lease Administrative Changes, Production Verifications, Environmental Compliance Assessments, Incident Investigations, Civil Penalty Cases*

Figure 6: Approximate Distribution of 2009 Costs by End Output

FY 2011 PERFORMANCE BUDGET REQUEST

Offshore Energy and Minerals Management

Renewable Energy Subactivity

Table 15: OEMM Renewable Energy Subactivity Budget Summary

				FY 2011			
		2009 Enacted	2010 Enacted	DOI-Wide Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2010 (+/-)
Renewable Energy	($000)	NA	21,413	-73	2,295	**23,635**	**2,222**
	FTE	NA	40	0	14	**54**	**14**

SUMMARY OF FY 2011 PROGRAM CHANGES

Request Components	**($000)**	**FTE**
Program Changes		
• Renewable Energy	+$2,500	+14
• Department-Wide Changes	-73	+0
• Offsetting Collections Reductions	-205	0
Total, Program Changes	**+2,222**	**+14**

The entire renewable energy initiative totals $3.5 million. Of this amount, $2.5 million and 14 FTE are requested in the Renewable Energy subactivity and $1.0 million in the Leasing and Environmental subactivity. A program-wide chart can be viewed in the OEMM Overview.

JUSTIFICATION OF FY 2011 PROGRAM CHANGES

The FY 2011 budget request for the Renewable Energy Subactivity is $23.6 million and 54 FTE, a net program increase of $2.2 million and 14 FTE from the FY 2010 enacted budget.

Renewable Energy (+$2,500,000; +14 FTE)

In FY 2010, the President's Budget requested resources needed to start development and implementation of a national renewable energy program. Prior to FY 2010, modest funding was used primarily for salaries and limited environmental work needed to establish a regulatory framework for the renewable energy program, which was completed in FY 2009. With the regulatory framework in place, MMS requested in the FY 2010 budget the resources needed to begin building a robust national program. The MMS has made great strides in moving towards the goals it established for itself in FY 2010, and these accomplishments are discussed in the FY 2011 Program Performance section.

In FY 2011, MMS is requesting only those additional funds needed to shift its attention towards region-specific needs in frontier areas. The FY 2011 request will provide for the development of regional expertise and coordination for frontier areas; knowledge of local resources; local

stakeholder consultation and collaboration; and development of substantial and expansive region-specific environmental analysis. These efforts will enable MMS to further identify and address any major challenges to issuing commercial leases for generation of renewable energy by increasing its visibility and accessibility to major stakeholders.

The request will focus on funding Atlantic/Pacific specific needs, including increasing the capacity of the Atlantic Renewable Energy Office. The Atlantic Renewable Energy Office will lead pre and post-lease activities associated with developing the exceptional wind resources found in the OCS Mid and North Atlantic Planning Areas, driven in part by the demands of coastal states' aggressive endeavors to meet renewable portfolio standards (RPS). An RPS is a regulation that requires the increased production of energy from renewable energy sources, such as wind, solar, biomass, and geothermal. The RPS mechanism generally places an obligation on electricity supply companies to produce a specified fraction of their electricity from renewable energy sources. Likewise, funding is needed for similar leasing and environmental activities on the west coast offshore California, Oregon, Washington and the state of Hawaii, which is currently discussing with MMS the placement of an inter-island transmission cable.

Resource Needs

Atlantic and National Offices (+$1,550,000; + 9 FTE)

More than half of the country's identified offshore wind potential is located off the New England and Mid-Atlantic Coasts, where water depths generally deepen gradually with distance from the shore. On December 9, 2009, Secretary Salazar announced plans to establish an Atlantic Renewable Energy Regional Office. Given the extent and magnitude of activity in Mid and North Atlantic, a dedicated regional staff will provide all Atlantic states with an easily accessible point of contact that is familiar with the state and local governments and sensitive to the issues and efforts underway in the region. The new office will enable MMS to be better situated to enable renewable energy development activities in an effective, efficient and consistent manner while being responsive to the states and developers. Additional positions will be needed to complete staffing of the National Office. The number and type of disciplines to be allocated between the Atlantic and National office will be finalized in the coming months, as the national program matures and regional activity increases.

The Atlantic staff included in this request will lead preleasing and leasing activities for the Atlantic seaboard. During the transition to a fully functional Atlantic Regional Office, and subsequent funding for post-lease activities, the Gulf of Mexico office will provide post-lease technical expertise as needed using existing resources. This arrangement will support consistent and reliable interaction with states and stakeholders based on localized knowledge of the resources, issues and processes affecting renewable energy development in these areas and make optimal use of existing resources.

To address and administer the rapid expansion of renewable energy activities occurring in all coastal states (Atlantic and Pacific) on a National basis, the MMS must further develop its National Office, or the Renewable Energy Division. The National office for renewable energy is expected to be positioned to address a wide range of policy issues related to this burgeoning

industry. The National office would serve as headquarters for MMS renewable energy activities, providing leadership, direction and guidance for all MMS regional offices involved with renewable energy activities. Additional staff is needed to build out staffing of the National Office. Currently, staff dedicated to oil and gas related work functions are assuming similar roles for renewable energy.

The MMS anticipates the need for FTEs representing some or all of the following disciplines: data management and analysis, economic analysis, ocean engineering, environmental studies management, program analysis, FOIA, budget, and leasing adjudication. MMS anticipates there will be a modest need for inspection activity by 2011.

Pacific Region (+$950,000; + 5 FTE)

In FY 2011, MMS anticipates a significant increase in work required to implement the Renewable Energy Program on the West Coast and Hawaii. Since the area for each of these activities is considered to be the frontier for OCS renewable energy, extensive stakeholder involvement will be necessary, along with substantial and expansive analyses, to fulfill MMS responsibilities under the OCS Lands Act (OCSLA), as amended by the Energy Policy Act of 2005, and various environmental laws and regulations. Resources requested include:

- *Workforce ($750,000; 5 FTE).* FTE to support increased workload. This estimate includes disciplines such as leasing, electrical engineering, program analysis, and records management.

- *Task Force Support ($200,000).* An Offshore Renewable Energy Task Force is needed for the Pacific states (California, Oregon and Washington), including tribal governments, to ensure that the full spectrum of agencies are involved in advising MMS about the interests and issues, and to define a "way forward" for providing access to OCS renewable energy resources.

Environmental Studies: In addition to the above, MMS is requesting $1,000,000 in the Leasing and Environmental subactivity for studies needed to prepare for lease issuance and/or post lease environmental monitoring in the Atlantic and/or the Pacific offices.

Performance Change Statement:

The need to diversify and identify viable additional energy resources is a major priority for the American public and the Administration. This initiative will help MMS accelerate the use of the OCS to develop renewable energy sources while enabling MMS to maximize its responsiveness and efficiency to state, industry and stakeholder requests concerning renewable energy development on the OCS.

The requested funding will enable MMS to initiate commercial lease sales and noncompetitive lease issuances in the Atlantic where development is anticipated to occur.

The MMS plans to issue a Request for Interest (RFI) for commercial wind facilities offshore New Jersey, Delaware, Maryland and Virginia in FY 2010. Rhode Island and Massachusetts

have expressed interest in moving forward with an RFI off their respective states in FY 2010 when their state renewable energy siting initiatives are complete.

Funding will enable MMS to form task forces to work closely with Federal and state agencies and elected leaders of local and tribal governments to address OCS renewable energy issues at a high level. These activities will include development of Marine Spatial Planning efforts on the east and west coasts. Task forces have been established with New Jersey, Massachusetts, Rhode Island, Delaware, and Virginia. The governors of South Carolina, Maryland and New York have formally requested that MMS facilitate formation of State Task Forces. North Carolina has had discussions with the MMS regarding Task Force formation in anticipation of future commercial leasing activities.

MMS will also be able to address its legislative mandate to ensure safe and sound operations by conducting inspections and enforcement activities of renewable energy technology testing and resource data collection facilities (meteorological towers) that are anticipated to be installed in spring/summer 2010 as a result of limited leases issued in FY 2009 and FY 2010 off the Atlantic. Renewable energy facilities/structures are new to the United States and it is imperative that thorough inspections are conducted from the beginning and a comprehensive approach to inspecting commercial facilities is developed.

The areal extent for renewable energy technology continues to expand as technological improvements allow for renewable energy development to be sited in deeper water and new technologies come-on-line. Funding would allow MMS to continue to conduct needed baseline studies, monitoring studies and issue-specific studies, ensuring leasing decisions are based on sound science.

If MMS does not address the needs for renewable energy projects, the government will not be responsive to OCSLA and the Energy Policy Act of 2005. Requests from industry for leases will not be processed in an orderly manner and revenues anticipated from associated activities could be lost. Moreover, MMS would hinder greatly the ability for states to meet their RPSs, particularly those with prime renewable energy resources located offshore their coasts.

PROGRAM OVERVIEW

The Outer Continental Shelf (OCS) has significant potential as a source of new domestic energy generation from renewable energy resources. Section 388 of the Energy Policy Act of 2005 gave the Secretary of the Interior the lead over Federal offshore renewable energy and alternate uses of the OCS. These renewable energy and alternate use 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. On March 20, 2006, the Department delegated the authority to implement these new programs to MMS.

Subsequent to passage of the Act, the Federal Energy Regulatory Commission (FERC) expressed concern regarding jurisdictional responsibilities governing hydrokinetic projects in Federal waters. On April 9, 2009, the Interior Department and the Federal Energy Regulatory Commission (FERC) signed an agreement that clarified their agencies' jurisdictional

responsibilities for leasing and licensing renewable energy projects on the OCS. Under the agreement, the MMS has exclusive jurisdiction with regard to the production, transportation, or transmission of energy from non-hydrokinetic renewable energy projects, including wind and solar. FERC will have exclusive jurisdiction to issue licenses for the construction and operation of hydrokinetic projects, including wave and current, but companies will be required to first obtain a lease through MMS.

On April 22, 2009, President Barack Obama announced that the MMS finalized the framework for renewable energy generation on the OCS. The framework establishes a MMS program to issue leases, easements, and rights-of-way for orderly, safe, and environmentally responsible renewable energy development activities, such as the siting and construction of offshore wind facilities on the OCS.

MMS activities include:

- Program implementation;
- Environmental analysis, assessment, and compliance for both competitive and non-competitive lease sales;
- Conducting environmental studies to establish baseline information and determine the environmental effects from renewable energy development activities; and
- Consultation with state and local and tribal governments, Federal agencies, and other stakeholders.

PERFORMANCE OVERVIEW

Alternative Energy/Alternate Use Program: The MMS authority for the Outer Continental Shelf (OCS) Alternative Energy and Alternate Use program under Section 388 of the Energy Policy Act of 2005 (PL 109-58) is important for future U.S. energy supplies. Under this authority, MMS will regulate renewable energy projects and alternate use of existing oil and gas platforms on the OCS. Renewable energy includes wind, wave, solar, ocean current, and generation of hydrogen. Alternate uses of existing facilities may include, but are not limited to, 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 that appropriate revenue is shared with adjacent coastal states, as required by law.

The MMS completed a Programmatic Environmental Impact Statement (EIS) in November 2007 that examined the interface between the marine and human environment and the technologies and activities that generate energy from ocean alternative energy resources. The final Renewable Energy regulatory framework was published in the Federal Register on April 29, 2009.

MMS also announced in November 2007 the establishment of an interim policy for Offshore Alternative Energy Resource Assessment and Technology Testing Activities. The interim policy invited the public to nominate areas of the OCS in which MMS would consider awarding limited leases that authorize data collection and technology testing. The interim policy was developed as a measure to jumpstart resource data collection and technology testing activities on the OCS in advance of the final regulations.

The Energy Policy Act of 2005 also directs the Secretary of the Interior, together with other agencies, to establish an OCS Mapping Initiative to assist in decision making related to renewable 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 (FGDC)-Marine Boundary Working Group.

The MMS, through the Energy Policy Act of 2005, also assumed responsibility for two existing offshore wind energy projects: the Cape Wind Energy project in the Nantucket Sound offshore Massachusetts, and the Long Island Offshore Wind Park offshore New York.

With regard to the Long Island Offshore Wind Park, the Long Island Power Authority (LIPA) has been reevaluating its offshore wind park development strategy. The MMS will work with the State to address the disposition of the Long Island Offshore Wind Park project.

For the Cape Wind Energy project, MMS published a Notice of Intent to prepare an EIS for the project in May 2006. The Draft EIS was published in the *Federal Register* on January 17, 2008 and public hearings were held in March 2008. The final EIS was published on January 16, 2009. MMS is in the process of completing Section 106 consultation under the National Historic Preservation Act. Once consultations are complete, MMS will issue a Record of Decision (ROD) for the project. Secretary Salazar has announced his intent to reach a final decision on the project by the end of April 2010.

Within its Activity-Based Costing (ABC) system, MMS is able to allocate expenses to the Renewable Energy activities and operations they support. Through FY 2009, the majority of spending for Renewable Energy has been focused on program development and environmental analysis and has been funded in other subactivities. As the program matures, more funding will be directed to providing access to the OCS for renewable energy activities as well as regulatory and compliance efforts. The following chart shows the estimated spending profile for FY 2009.

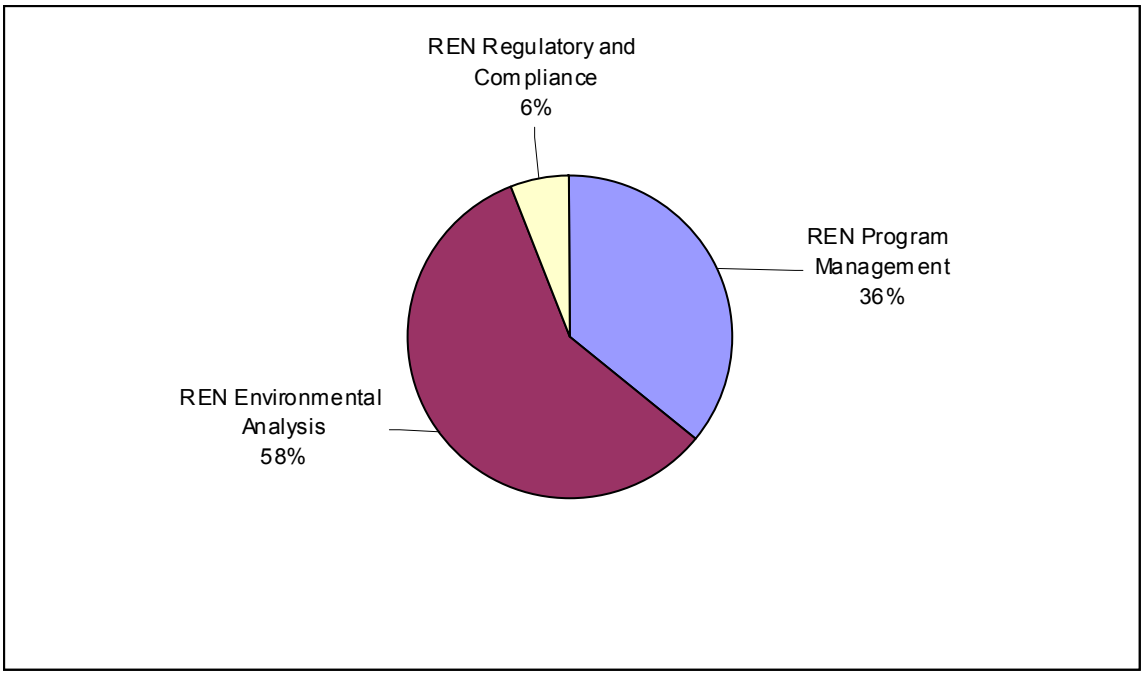


Figure 7. Estimated FY 2009 Renewable Energy Spending Profile[1]

FY 2011 PROGRAM PERFORMANCE – RENEWABLE ENERGY

The MMS has made significant progress towards achieving the goals it established in the FY 2010 President's Budget Request. As of January 2010, the follow major activities have taken place:

- *Program Development and Implementation*
  - Five Federal/State task forces have been established (Delaware, New Jersey, Rhode Island, Massachusetts, and Virginia) and meetings held in the fall of 2009.
  - Requests have been received from four other states (Maryland, New York, Florida, and South Carolina) to establish task forces and initiate discussions related to offshore renewable energy.
  - Recruitment of positions provided in the FY 2010 budget is well underway. A variety of position descriptions for professional and administrative support positions have already been classified. Positions have been, and are currently being, widely advertised through both competitive examining and merit promotion procedures. Many of the selectees are already on board and other positions are pending selections.
  - A Reorganization package to include the Atlantic Regional Office has been completed and is waiting approval.
- *Environmental Studies* – Approximately 15 environmental studies are planned for FY 2010, and most are expected to be awarded by the third quarter.

[1] The funding for these activities was included in the Leasing and Environmental, Regulatory, and Resource Evaluation subactivities.

- *Technology Assessment and Research Studies* – All TAR studies scheduled for FY 2010 have been awarded.
- *Multipurpose Marine Cadastre* – the MOA with NOAA has been signed, and funds are scheduled to be provided to NOAA in February 2010 to begin work on the cadastre.
- *Block and Boundary Delineation Tool* – Procurement award is pending a routine legal review.
- *Fair Market Return models* – three of the four projects are pending procurement award and the statement of work for the fourth is under revision.
- *Development of Environmental Protocols and Monitoring* - The MMS, under the National Ocean Partnership Program and in collaboration with NOAA and DOE, has released the Broad Agency Announcement (BAA): Developing Environmental Protocols and Monitoring to Support Ocean Renewable Energy and Stewardship. MMS anticipates award of up to $6.5 M in joint funding, over three to five years, to support needed work on relevant topics. Background information on NOPP can be found here: http://www.nopp.org and the actual BAA solicitation can be found at: http://www.mms.gov/adm/PFD/MMS_BAA_Final_29Dec09_Release_version.pdf

Other milestone events in recent months include the signing of four Interim policy leases, three with New Jersey and one with Delaware, and the receipt of two commercial leasing requests for renewable energy off the coast of Virginia.

Activities in FY 2011 will continue the momentum and projects begun in FY 2010. A substantial increase in work is expected to support leasing of OCS sites for the commercial generation of renewable energy, which can be categorized as follows.

- **Review of Renewable Energy Lease Proposals and Applications.** While MMS cannot predict the exact number and locations of lease and Right-of-Way applications, it is likely that early interest in accessing OCS renewable energy resources will focus on the Atlantic and Pacific OCS areas and will result in the MMS initiating competitive and noncompetitive leasing processes. Several companies have approached MMS with wind, ocean wave and current energy and subsea power cable project proposals, and several states on both coasts have initiated efforts to accommodate offshore renewable energy development (e.g., New Jersey, Rhode Island, Massachusetts, Delaware, Virginia, Florida, California, Oregon, and Hawaii). Substantial environmental review associated with these lease applications and individual noncompetitive proposals will be necessary. This will also require extensive consultation with affected coastal states, tribal governments and regulatory agencies.

- **Preparation for Renewable Energy lease sales in FY 2011 - 2014.** Work will continue to identify areas of competitive interest, contract environmental studies, interpret study results, prepare environmental compliance documents, reach out to stakeholders and interested parties, and begin the formal lease issuance process.

- **Post Lease Monitoring**. MMS will need to plan and conduct post lease monitoring, inspection, and enforcement activities for the Interim Policy limited leases issued in FY 2010, and the Cape Wind Offshore Wind Project, if approved.

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.*

In FY 2011, MMS will continue its efforts to establish a strong MMS presence in the Atlantic to be responsive to expected rapid development in the Mid and North Atlantic; to increase capacity and capabilities of MMS offices in the Pacific Region to respond to renewable energy development; and to continue its work on the Multi-purpose Marine Cadastre.

The Renewable Energy Subactivity Performance Overview Table is shown on the following pages.

Table 16: OEMM Performance Overview – Renewable Energy

Performance Overview - Renewable 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.

End Outcome Goal: Manage or influence resource use to enhance public benefit, responsible development, and economic value.

Measure	2006 Actual	2007 Actual	2008 Actual	2009 Plan	2009 Actual	2010 Plan	2011 Plan	Change from 2010 Plan to 2011	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									
Number of renewable energy leasing processes initiated (e.g., Requests for Interest) (BUR)	N/A	N/A	N/A	1	1	3	4.0	1.0	4.0
Total Actual/Projected Cost ($M)	--	--	--	7.7	9.0	25.1	26.8	1.7	TBD
Comments	*To enable renewable energy development on the OCS, MMS must conduct a lengthy, multi-step process entailing information gathering, consultation with interested and affected parties, NEPA review and compliance, and analysis in light of other applicable federal requirements for each affected state. The first step in each decision process will be to identify a proposed lease area and determine whether or not there is competition for that area. If MMS determines that there is competitive interest, it will undertake an approximately 2-year public consultation and decision process. This metric counts the number of formal actions MMS publishes in the Federal Register to initiate the leasing process for renewable energy. In FY 2009, an Interim Policy Determination of Competitive Interest Notice was published in the Federal Register. Assuming that identified projects will move forward on a competitive basis, we anticipate initiating 3 leasing processes in FY 2010 and 4 in FY 2011.* **NOTE: The Renewable Energy metrics presented are subject to revision as the Program matures. The projected costs for this performance measure include all funding associated with renewable energy performance.**								
Number of MMS-supported stakeholder collaboratives for renewable energy (BUR)	N/A	3	5	8	2	8	10	2	12
Comments	*MMS recognizes the importance of coordinating and consulting with local and federal stakeholders to develop a comprehensive renewable energy program for the OCS. This metric quantifies the number of cooperative planning and leasing efforts undertaken with relevant federal agencies and affected state, local, and tribal governments. MMS has actively sought and will continue to solicit stakeholder input through collaborative partnerships with federal agencies, state governments and other affected stakeholders. Following publication of the final renewable energy framework in April 2009, the MMS held eleven informational meetings across the country to discuss its content and also held 2 interim policy stakeholder meetings in New Jersey and Delaware. In the first quarter of FY 2010, MMS established and held initial Federal/State Task Force meetings with 5 states (i.e., Delaware, Rhode Island, Massachusetts, New Jersey, and Virginia). Additional task forces are being considered.* **NOTE: The Renewable Energy metrics presented are subject to revision as the Program matures.**								

Performance Overview - Renewable Energy (continued)									
Measure	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Total number of renewable energy leases or grants issued (competitive or noncompetitive; limited or commercial) (BUR)	N/A	N/A	N/A	7	0	5 (revd)	2	-3	5
Number of limited leases for renewable energy testing and data collection (BUR)	N/A	N/A	N/A	4	0	4	0	-4	0
Number of commercial leases for the development of renewable energy (BUR)	N/A	N/A	N/A	0	0	1	0	-1	5
Number of right-of-way/ right-of-use and easement grants issued (BUR)	N/A	N/A	N/A	N/A	N/A	0	2	2	TBD
Comments	*MMS offered 5 noncompetitive limited leases for data collection and technology testing in June 2009. Four of the five offered were accepted and issued in the first quarter of FY 2010. A commercial lease may be issued for the existing Cape Wind project later in the year. In FY 2011, there is the potential for 2 right-of-way/ right-of-use and easement grants to be issued. After the required public consultation and environmental analyses are completed, which may take up to 2 years, the MMS anticipates being able to issue its first commercial competitive leases for the offshore development of renewable energy in FY 2012.* **NOTE: The Renewable Energy metrics presented are subject to revision as the Program matures.**								
Number of Ongoing EA/EISs for Renewable Energy Development (BUR)	N/A	N/A	N/A	3	0	1 (revd)	6	5	8
Number of Completed EA/EISs for Renewable Energy Development (BUR)	N/A	N/A	N/A	3	3	0	1	1	3
Comments	*Comprehensive environmental analyses are an essential but lengthy part of the overall OCS lease planning process. The number of ongoing EIS or EAs will be highly dependent on the level of interest in potential leasing areas and whether the lease issuance process will be competitive or non-competitive. For a non-competitive process, the financial burden of conducting the environmental assessment is borne by the applicant. In a competitive process, MMS will fund the EA or EIS. Estimated performance targets for FY 2011 are based on the assumption that all projects will move forward on a competitive basis. If some areas move forward non-competitively, additional EAs or EISs may be initiated.* **NOTE: The Renewable Energy metrics presented are subject to revision as the Program matures.**								

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FY 2011 PERFORMANCE BUDGET REQUEST

Offshore Energy and Minerals Management

Leasing and Environmental Subactivity

Table 17: OEMM Leasing and Environmental Subactivity Budget Summary

				FY 2011			
		2009 Enacted	2010 Enacted	DOI-Wide Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2010 (+/-)
Leasing and Environmental Assessment Program	($000)	30,270	29,958	-203	1,282	**31,037**	**1,079**
	FTE	235	227	0	4	**231**	**4**
Environmental Studies Program	($000)	24,693	29,503	0	-1,000	**28,503**	**-1,000**
	FTE	0	0	0	0	**0**	**0**
Leasing and Environmental Subactivity	($000)	**54,963**	**59,461**	**-203**	**282**	**59,540**	**79**
	FTE	**235**	**227**	**0**	**4**	**231**	**4**

SUMMARY OF FY 2011 PROGRAM CHANGES

Request Components	**($000)**	**FTE**
Program Changes		
• Ensure Fair Market Value and Safe Operations	+850	+0
• Environmental Studies Reduction	-2,000	+0
• Renewable Energy – Environmental Studies	+1,000	+0
• Marine Spatial Planning	+1,000	+4
• Department-Wide Changes	-203	+0
• Offsetting Collections Reductions	-568	+0
Total, Program Changes	**+79**	**+4**

Additional resources for the Ensure Fair Market Value and Safe Operations are requested in the Resource Evaluation subactivity ($2.7 million; 4 FTE); and the Regulatory subactivity ($900,000; 6 FTE). The initiative in its totality is for $4.4 million and 10 FTE. A detailed listing can be found in the OEMM Overview section. The cost of this initiative is partially offset by a $2.0 million reduction in Environmental Studies

Additional resources for the Renewable Energy Initiative are also requested in the Renewable Energy Subactivity ($2.5M; 14 FTE).

JUSTIFICATION OF FY 2011 PROGRAM CHANGES

The FY 2011 budget request for the Leasing and Environmental Subactivity is $59.5 million and 231 FTE, a net program increase of $0.08 million and 4 FTE from the FY 2010 enacted budget.

Ensure Fair Market Value and Safe Operations (+$850,000; +0 FTE)

Assuring receipt of Fair Market Value on OCS lands is mandated by the OCS Land Act and its amendments and remains a critical responsibility of the Leasing and Environmental Program.

Fair Market Value System Upgrades (+$850,000; +0 FTE):

- *Block and Boundary Support: $850,000; 0 FTE*. Accurate offshore lease boundary lines are a foundational requirement for all MMS offshore leasing activities. Our current software for computing these boundaries and recording the results in the Technical Information Management System (TIMS) was originally written over 20 years ago for a punch card system – long before the availability of modern GIS software. Some new computational requirements were never fully supported by our old system. Even those that are supported require months of work with our current system. Some of those computations could be done in days or hours when MMS converts to modern GIS software. The major costs for the conversion are to add some unique MMS functional requirements that are not available in the commercial off the shelf GIS program, and to integrate the GIS software with our TIMS database, so that existing TIMS programs used by other MMS units will continue to be supported.

Impacts of Not Funding:

The difficulties with the current software will continue to thwart the efforts of MMS cartographers to produce products in an efficient and timely fashion. With the impending retirement of Mapping and Boundary Branch employees with expert knowledge of the old software, a complete halt to production of Official Protraction Diagrams and Supplemental Official Block Diagrams is possible. Official Protraction Diagrams (OPD) and Leasing Map (LM) boundaries cover areas of the OCS within Federal jurisdiction. They are generated by the Minerals Management Service (MMS) in accordance with Section 30 of the Code of Federal Regulations (CFR), Part 256.8. Leasing Maps are irregularly shaped areas, developed early in the MMS offshore minerals management program, for near-shore areas in the Gulf of Mexico. Official Protraction Diagrams cover the remainder of the area included in the MMS offshore minerals management program.

A Supplemental Official OCS Block Diagram (SOBD) is prepared for each block intersected by an offshore boundary (Submerged Lands Act Boundary, Limit of "8(g) Zone", National Marine Sanctuaries, etc.); a diagram of a specific OCS Block showing official boundaries and areas, also known as a "split block."

A failure to have the capacity to update the offshore boundaries on these diagrams would have a direct impact on determining the fair market value, and resulting revenues, of potential lease areas.

Environmental Studies -$2,000,000; +0 FTE

This initiative requires the redirection of $2.0 million from Environmental Studies funding to the Ensure Fair Market Value initiative. Lower priority oil and gas studies will be deferred or cancelled.

Environmental Studies for Renewable Energy (+$1,000,000)

The environmental research needs in support of potential offshore Renewable Energy activities should focus on the existing scientific knowledge base and the information gaps that need to be addressed should Renewable Energy activities take place off the coasts. The U.S. Atlantic and Pacific seaboards have not been developed for renewable energy. These coastal and offshore waters are home to diverse ecosystems with a wide range of marine organisms including sea turtles, sea birds and waterfowl, fishes and marine mammals, some of which are considered threatened or endangered. In addition, it remains unknown the extent to which bat populations may utilize the offshore environment. There remains considerable uncertainty as to where future renewable energy projects may occur and as these events unfold it will be necessary to gather additional scientific information to examine the potential socioeconomic and cultural effects of these projects on local communities. Studies will be designed to fill critical information gaps to meet the needs for future MMS environmental assessments. These studies will be designed to provide up-to-date information for the environmental reviews that will be conducted for energy projects focused in the Atlantic and Pacific. Specific research projects will be determined based on program developments and energy projects under consideration during FY 2011. Based on public input at scientific workshops, numerous stakeholder meetings, and ongoing syntheses of existing information, potential research likely would address marine mammals, sea turtles, and seabird and waterfowl distribution, abundance and use of the coastal and offshore areas and high resolution bathymetric mapping of topographic features. In addition to studies of living marine resources, research in the Pacific Region is also likely to include studies of wave attenuation for various designs of wave-energy devices since the Pacific area is more suitable for potential wave-energy projects.

Impacts of Not Funding:

Funding is needed to initiate studies to prepare for lease issuances and for post lease environmental monitoring in the Atlantic and Pacific and will address physical, biological and social resource issues in the areas where renewable energy applications are initially expected. Prior to approval of any of these activities, MMS needs baseline environmental information about the areas and must make an evaluation of the potential impacts of these activities on the marine and human environment.

The timely acquisition of environmental information is crucial to issuing leases on the Atlantic and Pacific coasts. Given that these areas are considered frontier areas for energy development, numerous baseline and issue-specific studies are required and will take a substantial amount of time to complete. Without sound science for decision-making, opportunities for renewable energy development could be hindered or delayed. Adequate funding for environmental studies is critical for the success of the Renewable Energy Program.

Marine Spatial Planning (+$1,000,000; +4 FTE).

Coastal and Marine Spatial Planning (CMSP) was identified as a priority by the President when he established the Interagency Ocean Policy Task Force (Task Force) on June 9, 2009. The Task Force has submitted a draft "Interim Framework for Coastal and Marine Spatial Planning" that defines CMSP as a "comprehensive, adaptive, integrated, ecosystem-based, and transparent spatial planning process, based on sound science, for analyzing current and anticipated uses of ocean, coastal, and Great Lakes areas". The Minerals Management Service is the only agency authorized to grant renewable energy, marine mineral (sand and gravel) and oil and gas leases on the Outer Continental Shelf and therefore plays an integral role in the CMSP process.

The proposed initiative will enable MMS to coordinate CMSP efforts within and outside the Agency, determine information and data needs, and make sure these needs are met to effectively implement CMSP policy. Coordination of CMSP with other OCS users and regulators is becoming more important as new uses and potential conflicts grow. With oil and natural gas, renewable energy, marine minerals, shipping/navigation, military uses, fishing, and others, competing for space on the OCS, it is becoming more important to coordinate the growing demand for multiple uses of the OCS. This function is critical to the integrity of the 5-Year Leasing Program that inherently balances these various competing interests and determines the size, timing, and location of leasing activity on the OCS. The CMSP affects the programs mandated by OCSLA and NEPA that are key components of the MMS mission. 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.

CMSP Coordinators: **(2 FTE):** Staff will coordinate CMSP activities related to oil and gas activity, marine minerals, and renewable energy. Specific examples of duties include:

- Serve as representative for inter-agency collaboration with other Federal agencies to try and accommodate other federal concerns and national policy, while actively protecting the mission of MMS.
- Facilitate issues affecting CMSP regional planning entities and state concerns, while maintaining national goals.
- Work closely with OEMM counterparts in other divisions and regional offices to establish communication, engage in data sharing and products, determine data information and needs and explore regulatory efficiencies.

CMSP Environmental Scientist (1 FTE): Staff will incorporate CMSP principles and regulatory requirements in environmental assessments and impact analyses. Specific duties include:

- Identify data and information needs required for CMSP.
- Coordinate and implement CMSP-related environmental requirements into MMS rules, regulations and environmental review procedures.
- Coordinate and develop regional guidance for implementing MSP requirements and processes in environmental analyses and review including the Five-Year EIS.

CMSP Geospatial Scientist (1 FTE)
Staff will address basic information and data requirements necessary to effectively implement CMSP. Specific examples include:

- Organize, maintain, and develop geospatial data relevant to marine spatial planning.
- Coordination with subject matter experts such as biologists, oceanographers, and social scientists within MMS to determine the data needs, suitability, and relevance.
- Conduct data quality control and assurance for MMS environmental data as well as the suitability of third party data for CMSP.
- Identify data and information requirements for CMSP and develop scientific studies to address these needs.

Cost Share and Data Information Needs: $400,000. The MMS will be participating in working groups with state/regional planning bodies and Federal agencies to coordinate CMSP activities and gain information on new projects that plan to use Federal resources as early as possible. This provides a cooperative approach for organizing and supporting state, regional and Federal management working groups and for funding and identifying studies and resource evaluation projects which are of mutual benefit. Project topics may include data information plans, improved data accessibility, research of new technologies, and governance process as well as outreach efforts. Additionally, it is anticipated that data will need to be acquired, organized, quality checked, archived, and distributed. Support costs, such as workshops, travel, training and education, will also be incurred.

The CMSP process will improve coordination and collaboration among stakeholders in the ocean, facilitate the dissemination of scientific information for decision-making, and allow a more comprehensive approach to management. Substantial ecological, economic, and social benefits will result from these efforts including:

- Ecosystem Based Management - The CMSP process is regional in scope and allows greater incorporation of ecosystem based management into the decision making process.
- Climate Change - Flexible CMSP planning allows consideration and adaptation of management to climate change by considering large scale cumulative effects such as the changing distribution of species and habitats.
- Efficient use of Ocean Space – The ability to optimally site ocean use for economic benefit.
- Cost Savings - Increased coordination will increase sharing information and reduce redundancy in efforts such as environmental assessments.
- Greater Transparency – Greater inclusion of stakeholders in the decision process will encourage investment in new ocean uses such as renewable energy.

Impacts of Not Funding: The impacts of not funding this initiative include lost opportunities to encourage renewable energy development, reduce conflict among ocean uses, efficiently use ocean space and meet the environmental and economic challenges posed by climate change.

PROGRAM OVERVIEW

The MMS plays a key role 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 energy and 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 about 8,124 active mineral leases on approximately 43 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 calendar year 2008, OCS leases offshore California, Alaska, and in the Gulf of Mexico provided 447 million barrels of oil and 2,327 billion cubic feet of natural gas, accounting for almost 25 percent of the Nation's oil production and 11 percent of domestic natural gas production.

PERFORMANCE OVERVIEW

The Leasing and Environmental (LE) subactivity funds the Leasing and Environmental Assessment Program and the Environmental Studies Program. A key indicator of performance is the ability to hold offshore lease sales as scheduled in the Secretary's 5-Year Oil and Gas Leasing Program. The 5-Year Program 2007-2012 was developed through an extensive consultation process prescribed by the OCS Lands Act, and is effective from July 1, 2007 through June 30, 2012. The Program 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 Program. The 2007-2012 lease sale schedule can be found at: http://www.mms.gov/offshore/2007-2012LeaseSaleSchedule.htm

Offshore oil and gas leases are 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. Results of scheduled 2007-2012 offshore lease sales currently include a return of over $10.8 billion dollars:

- Sale 204, Western Gulf of Mexico, was held on August 22, 2007 and MMS accepted high bids valued at $287,081,023 and awarded 274 leases to the successful high bidders.
- Sale 205, Central Gulf of Mexico, was held on October 3, 2007 and MMS accepted high bids valued at $2,812,953,879 and awarded 682 leases to the successful high bidders.
- Sale 193, Alaska Chukchi Sea, was held on February 7, 2008 and MMS accepted high bids valued at $2,662,059,563 and awarded 487 leases to the successful high bidders.
- Sale 206, Central Gulf of Mexico, was held on March 19, 2008 and MMS accepted high bids valued at $3,671,052,702 and awarded 603 leases to the successful high bidders.
- Sale 224, Eastern Gulf of Mexico, was held on March 19, 2008 and MMS accepted high

bids valued at $64,713,213 and awarded 36 leases to the successful high bidders.

- Sale 207, Western Gulf of Mexico, was held on August 20, 2008 and MMS accepted high bids valued at $483,959,404 and awarded 313 leases to the successful high bidders.

- Sale 208, Central Gulf of Mexico, was held on March 18, 2009 and MMS accepted high bids valued at $690,163,194 and awarded 328 leases to the successful high bidders.

- Sale 209, Beaufort Sea, has been moved to ensure adequate environmental review and is tentatively scheduled for June 2010.

- Sale 210, Western Gulf of Mexico, was held on August 19, 2009 and MMS accepted high bids valued at $111,385,124 and awarded 155 leases to successful high bidders.

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 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. In FY 2008, MMS completed approximately 318 Environmental Assessments.

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

Within its Activity-Based Costing (ABC) system, MMS is able to allocate both EA and ESP expenses 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.

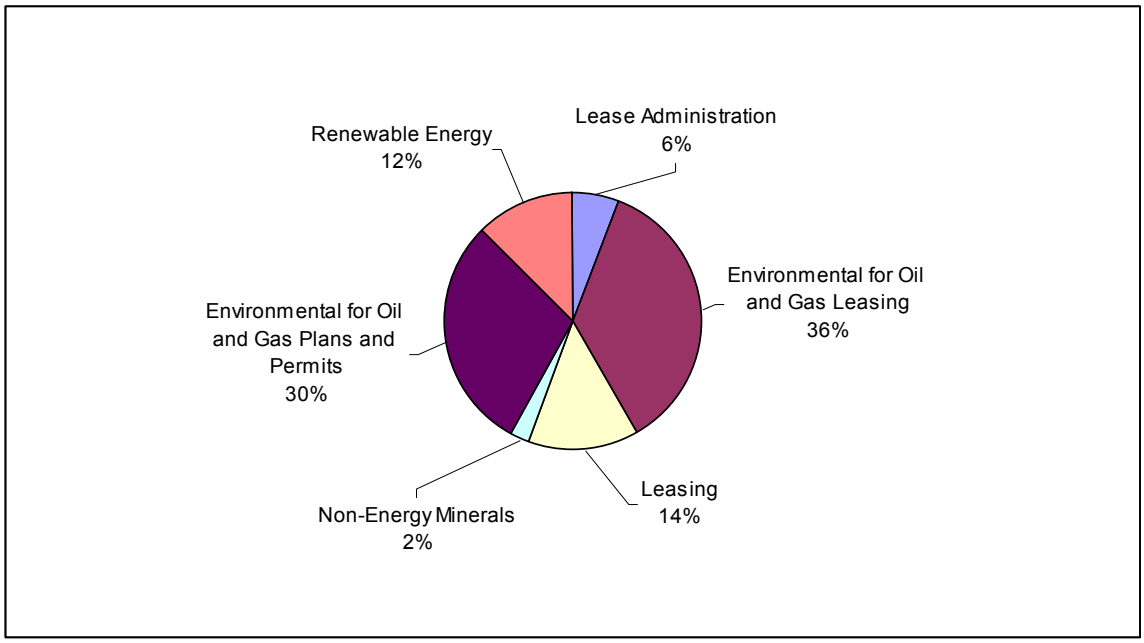

Figure 8. Estimated FY 2009 Leasing and Environmental Spending Profile

2011 PROGRAM PERFORMANCE – LEASING & ENVIRONMENTAL ASSESSMENT

Leasing Program: The MMS will continue to play a vital role in providing access to domestic energy resources by implementing the OCS leasing program on a predictable schedule as part of a comprehensive energy plan that includes both conventional and renewable energy resources. 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 5-Year Program 2007-2012 was approved on June 29, 2007, and is effective from July 1, 2007 through June 30, 2012. Shortly after the effective date of the 2007-2012 program, the Department was sued on the 2007-2012 plan on several grounds. On April 17, 2009, the U.S. Court of Appeals for the D.C. Circuit issued a ruling that vacated and remanded the program on the issue of the environmental sensitivity analysis. On July 28, 2009, the Court issued an Order staying its mandate until the Department completed its environmental sensitivity analysis and balancing under the OCS Lands Act; the Court also clarified that its decision was limited to the Beaufort, Chukchi, and Bering Seas off Alaska. MMS developed a new environmental sensitivity analysis and prepared an updated 2007-2012 Program decision document for review and decision by the Secretary. The Secretary is now reviewing the 2007-2012 decision document, and will decide what changes, if any, should be made to the Final Program. Once his decision is announced, following a 30-day public comment period, the Secretary will approve a final remanded Program, having taken into consideration all the comments received on the new analysis and required balancing.

In mid-2008, the previous Administration began preparation of a 5-year program with the intent to have a new program in place two years ahead of the usual schedule and issued a Draft Proposed Program for 2010-2015 on January 16, 2009 with a 60-day comment period. The Secretary extended the comment period an additional 180 days and held four regional meetings to allow for greater public input. Over 530,000 comments were received, and were tabulated,

summarized, and will be considered for the next decisions, beginning with the announcement of public meetings for scoping issues for preparation of a draft EIS. The scoping meetings will be followed by preparation and publication of a Proposed Program and Draft EIS for a minimum 90-day public comment period. This will be followed by preparation and publication of a Proposed Final Program and Final EIS, submitted to the President and Congress for a minimum 60 days before the Secretary may approve a new program.

The 5-Year Program is a pivotal element of managing the Nation's offshore mineral assets. The OCS Lands Act (OCSLA) requires the Department 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.

Environmental Assessment Program: As manager of energy and non-energy mineral resources, renewable energy resources and, alternate and related uses of existing facilities 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:

- 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 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 5-Year 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 5-Year 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 operators' plans for exploration and development, pipeline permit applications, seismic survey permit applications, decommissioning permit applications, and other 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 reviews under an EA or EIS. CERs also identify mitigation measures to avoid or minimize adverse effects of the proposed action or denote which proposals should be elevated to review by an EA.

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.

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 workload data monitored in the ABC and GPRA systems include the number of sand and gravel agreements and cubic yards conveyed. Performance measures include the timeliness with which MMS processes these agreements. Since 1995, the program has fulfilled every request for resources, conveying rights to nearly 34 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, pipelines 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.

MMS has established working groups with state and Federal agencies in Florida and Louisiana and one for the Mid and South-Atlantic states 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 in Virginia, and four in Florida. An additional 14 projects have been completed which utilized OCS sand borrow areas identified by other state or Federal agencies for a total of 25 coastal restoration projects.

2011 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 renewable energy resources and other marine minerals and energy-related alternate uses of OCS structures.

The Environmental Studies Program effectively develops mission oriented scientific research while simultaneously successfully leveraging funds through partnerships such as the National Oceanographic Partnership Program (NOPP). Studies developed and cosponsored through NOPP address topics of shared federal interest ranging from environmental response to an ice-diminished arctic, to studies of noise and marine mammals and topics related to exploration of deepwater ecosystems in areas undergoing oil and gas exploration in the Gulf of Mexico.

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 ESP 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.

The ESP funds applied research through environmental and socioeconomic studies to predict potential impacts from offshore energy and mineral development and to provide information for developing scientifically sound mitigating measures. Our comprehensive approach to studies planning and development integrates science needs from multiple energy resources and mineral uses of the OCS to create cost-effective and efficient research efforts to meet the needs of resource managers. A major program component of the ESP is focused on improving scientific understanding of the fate, transport and effects of discharges, and spilled materials such as oil, in the marine environment. The Environmental Studies Program research strategy supports gathering of baseline or reconnaissance information in areas before activities occur, along with ecosystem research and monitoring studies to meet the needs for an ecosystem-based approach to management decisions.

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. Importantly, ESP monitoring research is designed and undertaken to consider the influences of extreme weather conditions and climate change.

***External Contributions**:* The planning process emphasizes communication within MMS as well as with Federal, state, and local governments, academia, industry, and non-government organizations. Additionally, 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 recommendations 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:

Award Winning Partnerships:

- *The MMS Environmental Studies Program (ESP) and NOAA received the DOI Partners in Conservation Award in recognition of "…their collaboration in protecting the Flower Garden Banks in their pristine condition for the enjoyment of future generations." The ESP has funded research and long term monitoring around this coral reef located adjacent to active oil and gas production in the Gulf of Mexico. These studies effectively document the value of MMS research and the mitigations designed to protect the environment.*

- *The NOPP presented the "Excellence in Partnering" Award to the jointly sponsored MMS-NOAA study of archeological and biological aspects of World War II shipwrecks in the Gulf of Mexico. This important collaboration featured a multifaceted research effort that provided new insights into the potential for deepwater artificial reefs and provided additional information to make management decisions regarding protection of deepwater shipwrecks. This project was further recognized in the June 2009 issue of Oceanography, the peer-reviewed journal of the Oceanography Society, devoted to the tenth anniversary of NOPP highlighting the programs greatest achievements over the past decade.*

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 thereby provides us greater flexibility in achieving research projects of mutual benefit to both MMS and Alaska. We plan to fully tap the world class expertise of the University of Alaska to carry out multi-disciplinary scientific studies vital to offshore operations. The Louisiana CMI conducted through the Louisiana State University continues to provide MMS with focused research vital to the safe and environmentally sound oil and gas development activities in the Gulf of Mexico. In addition, the CMI programs have provided an important vehicle for controlling MMS costs because CMI studies are awarded based on the availability of 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 has long been involved in marine spatial planning for offshore energy and minerals and this has positioned MMS and the ESP to play an important role in the development of georeferenced ecological information. Here our experience in integrating state-of-the-art science into resource

management decisions and our expertise in applying the principles of adaptive and ecosystem-based management should prove invaluable.

Strategic Initiatives: The OEMM 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 2009, MMS funded the development of an Atlantic Ocean circulation model to be used in oil spill modeling, should any portions of the Atlantic be leased for oil and gas in the future. 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. MMS now generates an inventory every three years, mirroring the EPA's inventory cycle. 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 holds an Information Transfer Meeting (ITM) every other year to share findings from MMS funded studies. The GOMR has also developed and implemented a science and technology journal to disseminate environmental research findings, on both the environmental and technical fronts, to the interested public. The journal *MMS Ocean Science* chronicles the science and technology used by MMS to manage offshore energy and 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 along with educational materials to assist teachers in preparation of lessons about the ocean environment.

Environmental research conducted in Alaska continues to reflect focus on marine mammals' use of the ecosystem with studies of the right whale, bowhead whale, polar bear, and bearded seals, as well as several other studies to develop baseline environmental and socioeconomic information and increased understanding of ecosystem processes in the Beaufort, Chukchi and North Aleutian Planning areas.

Program-wide, the Environmental Studies Program will continue to seek opportunities to learn from global offshore energy activities and seek international research partnerships which enhance ecosystem knowledge and protection.

Table 18: OEMM Performance Overview – Leasing and Environmental

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: Manage or influence resource use to enhance public benefit, responsible development, and economic value.									
Measure	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**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)	2	2	5	2	2	4*	3*	-1	3
Total Actual/Projected Cost ($M)	33.1	33.2	39.4	40.4	40.9	44.6	44.8	0.2	--
Comments	*This measure counts lease sales conducted under the OCS Oil and Gas Leasing Program as defined in the Secretary's Five-Year Program. The three scheduled sales in 2011 are Sale 216 (Central GOM), Sale 217 (Beaufort Sea), and Sale 218 (Western GOM). There is the potential for a fourth "special interest" sale in Alaska's Cook Inlet. This area has had low industry interest in the past and based on the current outlook we do not anticipate this sale will be held.* *The costs associated with holding lease sales cover pre-sale preparation, conduct of the sale, post-sale bid evaluation, and post-sale lease administration relating to more sales than the ones conducted in that year. Although a lease sale occurs in one year, costs for holding that sale are incurred over several years and can vary depending on the location of the sale, the level of environmental documentation required, whether litigation is involved, and the number of leases issued. Because of such differences in these variables from sale to sale, there is generally not a direct correlation between annual costs and the number of lease sales held.* **Note: Pending litigation may impact the number of sales that will be held in FY 2010 and FY 2011. Pending the Secretary's review of the current 5-Year Leasing Program in accordance with the court ordered remand, MMS is continuing to work on the potential to hold up to five lease sales in Fiscal Year 2011.*								
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)	94%	35% (44.6/ 127.3)	88% (175.2/ 198.5)	99%	99.9% (91.35/91.42)	72%	76%	+4%	79%
Percent of available OCS oil and gas resources offered in each year's lease-sales (PART)	> 98%	35.6%* (19.5/ 54.7)	98.9% (161.2/ 162.9)	99%	100% (77.99/77.99)	98%	98%	0%	99%
Total Actual/Projected Cost ($M)	33.1	33.2	39.4	40.4	40.9	44.6	44.8	0.2	--
Comments	*These measures count the acreage and resources offered (in BBOE - billion barrels of oil equivalent) 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 lower value in FY 2010 and 2011 targets for the percentage of acres offered, without a corresponding reduction in the planned percentage of resources offered, indicates that the excluded acreage contains few estimated technically recoverable resources.* **As a result of a settlement of litigation brought by the State of Louisiana, MMS postponed Central Gulf of Mexico Sale 201 scheduled for March 2007, which decreased the quantity of resources offered in that year.*								

Performance Overview - Leasing and Environmental (continued)									
Measure	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Percentage of Environmental Studies Program projects rated "Moderately Effective" or better by MMS internal customers (PART)	92% (baseline)	100% (12/12)	85% (29/34)	85%	91% (20/22)	85%	87%	2%	87%
Percent of ESP Projects delivered on time (PART)	68% (26/38)	54% (7/13)	74% (25/34)	60%	91% (20/22)	60%	70%	10%	70%
Comments	*These measures evaluate the effectiveness and timeliness of the ESP's projects. MMS will need a full range of updated environmental information for the North Aleutian Basin (NAB) NEPA pre-lease/post-lease analyses, as well as post-lease monitoring information for the Chukchi and Beaufort Seas. Concerted environmental data gathering related to oil and gas will be needed in all these areas, especially in the NAB where little has been collected in the past 15 years.* *Performance results are very sensitive to the number and types of projects evaluated. In FY 2009, a large number of projects were completed. The proposed targets for FY 2011 consider recent historical results as well as the nature of planned studies; however, the field work required to complete these studies is in general, and especially in the Alaskan environment, subject to unpredictable changes that affect planned timing, e.g., weather conditions or equipment availability.*								

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FY 2011 PERFORMANCE BUDGET REQUEST

Offshore Energy and Minerals Management

Resource Evaluation Subactivity

Table 19: OEMM Resource Evaluation Subactivity Budget Summary

				FY 2011			
		2009 Enacted	2010 Enacted	DOI-Wide Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2010 (+/-)
Resource Evaluation	($000)	33,698	35,285	-117	1,451	**36,619**	**1,334**
Subactivity	FTE	218	218	0	4	**222**	**4**

SUMMARY OF FY 2011 PROGRAM CHANGES

Request Components	**($000)**	**FTE**
Program Changes		
• Ensure Fair Market Value and Safe Operations	+2,680	+4
• Department-Wide Changes	-117	+0
• Offsetting Collection Reductions	-329	+0
• Center for Marine Resources and Environmental Technology	-900	+0
Total, Program Changes	**+1,334**	**+4**

Additional resources for the Ensure Fair Market Value and Safe Operations are also requested in the Leasing and Environmental subactivity ($850,000; 0 FTE) and the Regulatory subactivity ($900,000; 6 FTE). The initiative in its totality is for $4.4 million and 10 FTE. A detailed listing can be found in the OEMM Overview section.

JUSTIFICATION OF 2011 PROGRAM CHANGES

The FY 2011 budget request for the Resource Evaluation Subactivity is $36.6 million and 222 FTE, a net program increase of $1.3 million and 4 FTE from the FY 2010 enacted budget.

Ensure Fair Market Value and Safe Operations (+$2,680,000; +4 FTE)

Assuring receipt of Fair Market Value on OCS lands is mandated by the OCS Land Act and its amendments and remains a critical responsibility of the Resource Evaluation Program. Regional offices, in conjunction with headquarters oversight, perform the functions necessary to thoroughly assess the oil and gas potential and fair market value of OCS tracts offered for lease.

Ensure Fair Market Value and Safe Operations (+$880,000; +3 FTE):

- Workforce - $450,000 and 3 FTE. The 2007-2012 Five-Year Program calls for up to four lease sales in Alaska during 2011-2012. The compressed lease sale schedule will result in a large increase in the demand for geologic assessments and Fair Market Value determinations in a condensed period of time. While some legal hurdles remain with lease sales, the Ninth Circuit Court recently cleared all challenges to the 2007 Beaufort Sea Sale 202. The 3 FTE will enable these activities to take place without disrupting ongoing activities such as national assessments, geological & geophysical permitting, EIS analysis, and subsurface reservoir analysis for proposed development & production plans.

- GIT - $430,000. Additional staff will require technical tools and GIT software licenses, as well as traditional workstation tools such as personal computers and related software licensing. Additional data storage capacity is also required.

Fair Market Value Development (+$1,300,000; +1 FTE)

The Resource Evaluation (RE) program is in need of database development, design and maintenance to support our fair market value critical business processes. MMS is requesting funding to complete and implement the following RE IT initiatives:

- *Petrophysical Database Development ($300,000)*. This database was designed as a basis of workflow improvements identified in the OCS Connect process and is meant to store petrophysical analyses (sand counts, pay, porosity, etc.) for all wells. The analyses are to be done as the well data is received by the region and are designed to support all regional organizations that use petrophysical analyses ranging from lease sale evaluations to reserves estimates. Currently RE does not have a petrophysical database and data from multiple hundreds of well evaluations are stored in individual MS Excel spreadsheets in a file folder type system. This data can not be queried against, limiting the effectiveness of this information. The longer it takes to complete this database, the more data there will be to migrate to the database, placing more strain on our limited IT resources. Although the petrophysical database does not exist, detailed system requirements were completed as part of the original OCS Connect Project.

- *Fair Market Value Database Development ($100,000*). The FMV database was designed to capture the results of prospect analyses done for lease sales. This data is valuable for a wide variety of uses ranging from wide-area resource assessments to field reserves studies. The current FMV database was developed in MS Access. This data is at risk and is not accessible to anyone outside of the Geological and Geophysical Section of RE and is not easily searchable. Detailed requirements for the development of an FMV database were completed during the OCS Connect process. This effort will be contracted out.

- *Deep Shelf and Ultra Deep Water Play Data Sets ($500,000).* Leading-edge, complex data sets are needed in order to analyze deep shelf plays and ultra-deepwater plays, like

the Lower Tertiary, and associated reservoirs. Before data sets can be developed, studies are needed to provide the information on which data analysis can be performed. MMS will need to contract with industry experts to perform studies that will ultimately provide such analysis as rock properties of reservoirs and seismic data inversion, and then train MMS employees to integrate this new data into the current workflow process. Industry is currently using these analyses in determining their bids, and in decisions related to drilling, developing, and producing certain fields.

- *Expansion of the Exploration, Development, and Production Model ($400,000/1FTE)*. The current EDP model is Gulf-specific only. OEMM needs to expand this model for use in the Atlantic, Alaska, and Pacific Regions to assess the impact of OCS oil and gas activities in these areas as well. This includes economic, socio-economic, and environmental impacts. A geoscientist is needed to run, maintain, and coordinate the use of this multi-region EDP model.

Fair Market Value System Upgrades (+$500,000; +0 FTE)

- *ARC-GIS Version 9.3 or higher - $500,000 and 0 FTE.* The MMS (GOM) is behind in providing timely upgrades to GIS software. The contractor provides MMS with the latest versions as soon as they are published. The cost of these annual upgrades is already covered in the Department wide Enterprise GIS Contract. However, there are additional costs for MMS to implement these updates because many custom MMS applications are built on top of this software. These applications must all be modified and undergo testing and security audits before any new version can be deployed. The existing budget is not adequate to complete these tasks in a timely manner. Development and Production Plans and Lease activities are dependent on GIS more now than ever. This funding will be used to obtain contractors to implement ARC-GIS software upgrades and modify current MMS applications that use ARC-GIS.

Impacts of Not Funding:

- Reliance on antiquated systems and databases for information and data analysis jeopardizes and compromises our ability to perform the functions necessary to thoroughly assess the oil and gas potential and fair market value of OCS tracts offered for lease.

- The current staffing level will not be able to handle the additional sales plus continue to do the upcoming national assessments, handle the increased geological and geophysical permitting, provide the geologic input into exploration/development scenarios for environmental impact statements, and do the subsurface reservoir analysis for proposed development and production plans.

- Inability to maintain technological and subject matter expertise parity with a rapidly advancing industry and provide adequate training to critical positions.

Center for Marine Resources and Environmental Technology (-$900,000; -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 $900,000 in FY 2010.

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 2011.

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 methane hydrates) through the acquisition and analysis of geological and geophysical data; estimate the 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. 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 exploration and production from these tracts. RE staff integrate geological & geophysical, engineering, 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. Performance data indicate that, over the 4-year period from 2005 to 2008, more than half of the tracts with bids rejected through these procedures did receive acceptable high bids when re-offered in a subsequent sale. The number of tracts evaluated is recorded on a quarterly basis in the bureau's ABC system. Data indicate that over the period from 1997 through 2008, tracts with high bids initially rejected, when re-offered in a subsequent sale, received high bids representing a net gain of $472 million, an increase of 325 percent over the original bids. 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.

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 $584.9 million in the Gulf of Mexico. Subsequently, the same blocks were re-offered and drew high bids of $1.521 billion, for a total net gain of $937.7 million.

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.

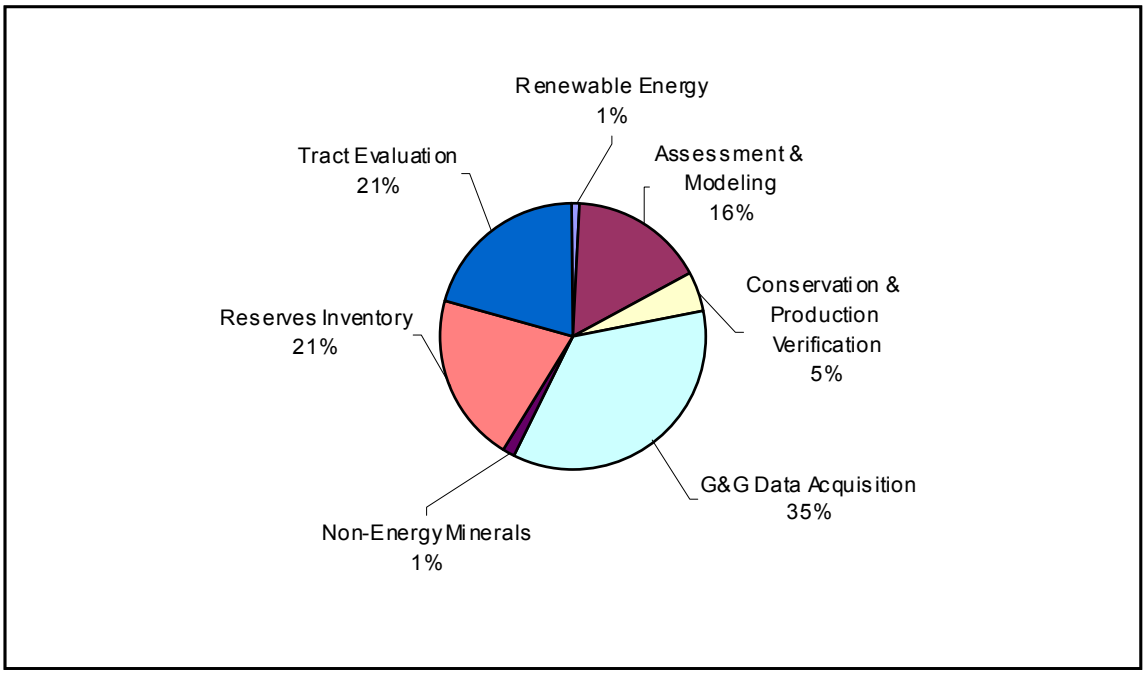

Figure 9. Estimated FY 2009 Resource Evaluation Spending Profile

Geological & Geophysical Data Acquisition: The MMS develops regulations governing the collection of geological & geophysical 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 geological & geophysical 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 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 750,000 square-miles of 3-D seismic data.

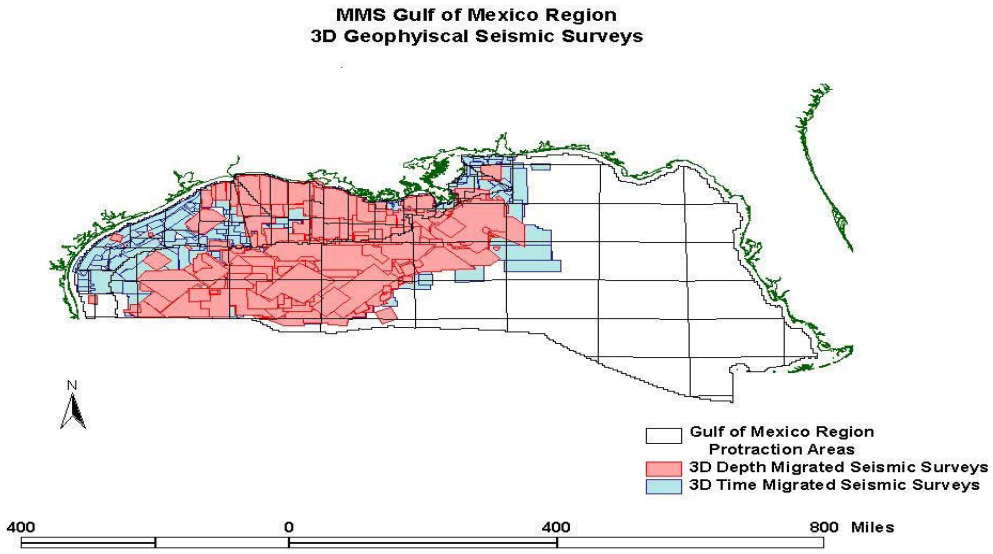

Figure 10: Existing MMS 3-D Seismic Data Inventory, Gulf of Mexico (through FY 2008)

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 geological & geophysical 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 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 performance 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 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 Resource Evaluation 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 evaluate proposed legislation and to support policies for lease terms, conditions, and bidding systems for individual lease sales and the 5-Year Program including similar activities for the renewable energy program;
- Developing, updating, and reviewing procedures to ensure receipt of fair market value including auction and lease sale design for the renewable energy program;
- Reviewing and designing policies affecting programmatic responsibilities and revenue receipts with concern for operator drilling and development diligence, government take, timely decommissioning of wells and structures, appropriate levels of governance, and reviewing requests for royalty relief;
- Developing and maintaining economic models/databases in support of sale design, resource evaluation, and post-sale operational activities including royalty relief requests;
- Designing policies and conducting analysis for implementation of fiduciary requirements of the Energy Policy Act of 2005 as it relates to the Coastal Impact Assistance and Renewable 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, the Department, Office of Management and Budget, the Department of Justice, the Council of Economic Advisors, the Government Accountability Office, and Congress.

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

Table 20: OEMM Resource Evaluation Program Performance Change

	2007 Actual	2008 Actual	2009 Actual	2010 Plan	2011 Plan	Program Change Accruing in 2011	Program Change Accruing in Out-years
				A	B=A+C	C	
Percent of high bids accepted or rejected within 60 days (PART)	69%	41%	65% *	50%	55%	5%	0
Total Actual/Projected Cost of All Metrics ($000)	$13,300	$14,100	$12,500	$13,663	$13,736	$73	0
Maintain the ratio of 1.8 to 1 (+/-0.4) of accepted high bids to MMS' estimated value (BUR)	2.1: 1	2.49 to 1	1.7 to 1	1.8 to 1 (+/- 0.4)	1.8 to 1 (+/- 0.4)	No Change	0
Comments	To ensure that the American public receives fair market value for the OCS resources, MMS must utilize similar methods and stay technologically close to industry capability. The data sets, tools, and technologies currently being used to identify and evaluate mineral resources have advanced in recent years and continue to evolve. This initiative will allow MMS to upgrade its resource evaluation tools to stay technologically relevant with industry and maintain its resource assessment and bid evaluation capacity. **Note: FY 2009 results include bid evaluations that MMS conducted for BLM's lease sale in the National Petroleum Reserve-Alaska.*						

2011 PROGRAM PERFORMANCE – RESOURCE EVALUATION

Program Performance – Resource Evaluation (RE) Program

Resource Assessment: The RE program, through its assessment procedures, identifies geologic plays on the OCS that offer the highest potential for the occurrence of oil and natural gas development and production. Following the identification of hydrocarbon plays, RE carries out thorough analysis of the play's hydrocarbon potential and its economic viability with the help of complex computer models and methodologies. The assessment process incorporates specific geologic information, mathematical and statistical analyses, risk and probability theories, economic scenarios, petroleum engineering data, and a variety of additional technical assumptions. Besides the estimation of the undiscovered hydrocarbon resources, these studies help identify environmental and operational constraints as well as assist in making leasing decisions. Resource estimates must also be developed to support critical analyses of potential impacts of policy options, legislative proposals, EIS's, and industry activities affecting OCS natural gas and oil activities — both current and future.

The Geosciences aspect of the resource assessment work involves the study of the geology of an area; its geologic history, regional stratigraphy and geologic trends; major structural features; exploration history; study of source rocks, reservoir rocks, seals and trapping mechanism; and, the identification of the most prospective portions of a planning area in terms of hydrocarbon

potential. Long lead times are often required to determine whether a basin may be oil- or gas-prone, to identify the presence of reservoir rocks, source rocks, and traps necessary for natural gas and oil accumulation. The results of this work are updated as new data and information are generated and acquired. The RE Program is beginning work on a new assessment to support the next 5-Year Oil and Gas Leasing Program.

The scale of the assessment activities range from large (i.e. regional or OCS-wide) to sale-specific, i.e., individual prospects. In the early stages, the focus is on regional areas, but as more data and information are acquired, the focus shifts to lease sales and prospect-specific areas to be offered for lease, or which are related to a specific issue, (i.e., moratoria, marine sanctuaries, quantitative analysis of legislative proposal, etc.). Once a sale area has been identified, the RE Program produces more detailed mapping and analyses needed to estimate the resource potential of individual prospects within that area. These prospect-specific data, maps, and analyses are also used to determine parameters for post-sale bid analyses.

Reserves Inventory: The DOI is required under the OCS Lands Act to "...conduct a continuing investigation… for the purpose of determining the availability of all oil and natural gas produced or located on the Outer Continental Shelf." MMS's Reserves Inventory Program represents a significant part of the Resource Evaluation scope and further contributes to:

Energy supply forecasting;
Public policy decisions;
Independent assessment/verification; and,
Assuring fair value in public/private transactions.

The reserves inventory component of the RE Program assigns new producible leases to fields and establishes field limits**.** The RE Program also develops independent estimates of original amounts of natural gas and oil in discovered fields by conducting field reserve studies and reviews of fields, sands and reservoirs on the OCS. The Program periodically revises the estimates of remaining natural gas and oil to reflect new discoveries, development information and annual production.

A *field* is an area consisting of a single reservoir or multiple reservoirs all grouped on, or related to, the same general geological structural feature and/or stratigraphic trapping condition. There may be two or more reservoirs in a field that are separated vertically by impervious strata, laterally by geologic barriers, or by both. Hydrocarbons (gas and oil) estimated on the basis of geologic knowledge to exist outside of known accumulations are *undiscovered resources*. Hydrocarbons whose location and quantity are known or estimated from specific geologic evidence are *discovered resources*.

Fair Market Value Determination: Assuring receipt of Fair Market Value on OCS lands was mandated by the OCS Land Act and its amendments and remains a critical responsibility of the RE Program. Regional RE offices, in conjunction with headquarters oversight, perform the functions necessary to thoroughly assess the oil and gas potential and fair market value of OCS tracts offered for lease. These tracts are offered through sales that are conducted in accordance

with the OCS 5-Year Oil and Gas Leasing Program. As a result of this program, the MMS has become one of the largest providers of revenue for the U.S. Federal Government.

Once a lease sale is completed and the high bidders for each tract are publicly announced, the MMS follows specific bid adequacy procedures to ensure that the government receives fair market value for the tracts receiving bids. This process is carried out in several phases and incorporates geological and geophysical data along with reserve, resource, engineering and economic information into a sophisticated discounted cash flow computer model. The goal of that model is to achieve estimates of fair market value on tracts receiving bids. In general, the tract evaluation process consists of Phase 1 and Phase 2 described below.

Phase 1 of the process is conducted on a tract-by-tract basis and is normally completed fairly early following the bid opening. It is designed to accept those high bids where the competitive market can be relied upon to assure receipt of FMV or where Government data indicate the tract does not contain a viable prospect.

Those high bids not accepted in *Phase 1* receive further evaluation in *Phase 2***.** For those high bids, MMS geologists, geophysicists, petroleum engineers, economists and computer scientists prepare detailed estimates of the economic value of oil and gas resources on each tract in *Phase 2*. The high bids are then compared to Government estimates of economic value of the corresponding tract. That value is determined by calculating the amount of economically recoverable resources, estimating recovery factors, production profiles, exploration and development costs, operating costs, revenue streams, and performing a discounted cash-flow analysis. The computer simulation model performing that task also incorporates geologic and economic risking. The prospect-specific analyses are incorporated into the regional maps. Most analyses are undertaken based upon data available at the time of the sale; however, additional geophysical and geological data may be obtained after the sale at the discretion of the Regional Director. Generally, the Regional Director must accept or reject all bids within 90 days after the date on which they are opened. Any bid not accepted within 90 days is rejected. Companies have 15 days to appeal any rejection.

Regulation of Prelease Geological and Geophysical (G&G) Exploration: The general purpose of the regulations is to ensure that prelease exploration, prospecting, and scientific research operations in Federal waters do not interfere with each other, with lease operations, or with other uses of the area. The regulations also encourage G&G data acquisition while adequately protecting the investment of data gathered and still assuring equal access and competitive balance. Adherence to these regulations will ensure that exploration and research activities will be conducted in an environmentally safe manner.

The permits, issued by the RE Regional Supervisors, set forth the specific details for each data-gathering activity, which include the area where the data are collected, the timing of the data-gathering activity, approved equipment and methods, and other similar detailed information relevant to each specific permit.

After data have been collected by permittees, the MMS selectively acquires data that are needed to update the existing database. Industry uses these G&G data to determine the areas having

potential for oil and gas production. Oil companies also use these data for preparing bids for lease sales. The MMS also acquires data that have been collected for scientific research activities, for which an approved permit or filing of notice is required.

For each approved application, the operator receives a signed copy of the permit that outlines policies regarding reporting, submission, inspection, and selection of data, reimbursement, disclosure of information, possible sharing of data with affected states, and policies regarding permit modifications.

Each Region has unique environmental concerns and these are addressed through mitigating measures at the Regional level. Such stipulations are available on each MMS Regional office's webpage.

The MMS tracks G&G permits by calendar year. Total permits demonstrate that most OCS oil and gas activity has been in the Gulf of Mexico. The Gulf of Mexico has issued 82 percent of all permits and is followed by the Alaska Region with 9 percent. The Pacific Region has issued 7 percent of the permits, followed by the former Atlantic Region with about 2 percent. However, since 1994 activities in the Atlantic have been assigned to the Gulf of Mexico Region. With the addition of these responsibilities, the percentage of total permits for the Gulf of Mexico Region increases to 85 percent. These statistics correlate extremely well with the dominant position of the Central and Western Gulf of Mexico planning areas in OCS oil and gas activities.

It should be noted that since 1969, approximately 95 percent of the permits issued were for geophysical exploration and that geological exploration permits accounted for only 5 percent. While the total number of 3-D permits compared to all permits issued is rather small (8 percent) when compared with the total geophysical permits issued, over the past 10 years, 3-D permits have averaged 49 percent of all geophysical permits. Permits for deep stratigraphic test wells or COST wells account for about 2 percent of the geological permits.

The overall trends in permitting for all the Regions (i.e. Gulf of Mexico, Alaska and the Pacific) are similar and reflect fluctuations in the price and supply of petroleum. Some regional differences can be detected that are related to leasing moratoria, operating conditions, and hydrocarbon discoveries. Leasing moratoria and bad weather conditions have an adverse effect on the exploration activities.

G&G Data Acquisition and Analysis: The main objective of the acquisition and analysis of G&G data is the development of maps identifying areas favorable for the accumulation of hydrocarbons. This is done by incorporating the data acquired through G&G surveys plus analyzing technical information to develop a basic knowledge of the geologic history of an area and its effects on hydrocarbon or strategic/critical minerals generation, distribution, and accumulation within the planning area.

The primary source of the G&G data and information used by the RE Program is the oil and gas industry, which conducts exploration, development, and production activities on OCS lands. The MMS issues permits to industry for collecting pre-lease as well as post-lease G&G data. RE Program approves the permits of pre-lease data acquisition, while other MMS programs (e.g.

Offshore Regulatory Program) issue permits for post-lease data collection. Permittees, as well as lessees, and operators are required by regulations to provide certain G&G data and information to MMS. The MMS selectively obtains copies of data acquired in these pre-lease activities. Permittees and lessees are normally reimbursed by MMS for only the cost of data reproduction. However, if industry has collected data in areas not under MMS jurisdiction, e.g., state waters or adjacent foreign waters, and MMS selects such data, MMS pays the significantly higher "market price" for obtaining copies of such data. The extensive amount of data and information acquired by MMS is used by RE geologists, geophysicists, petroleum engineers, modelers and IT specialists to perform a variety of analyses leading to resource evaluation, reserve inventory as well as determining fair market value of the auctioned tracts.

Table 21: OEMM 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: Manage or influence resource use to enhance public benefit, responsible development, and economic value.

Measure	2006 Actual	2007 Actual	2008 Actual	2009 Plan	2009 Actual	2010 Plan	2011 Plan	Change from 2010 Plan to 2011	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)	5.9% (119/2,023)	4.8% (86/1,778)	4.7% (71/1,526)	6.1%	2.5% (38/ 1,547)	2.5% (revd)	2.5%	0.0%	2.5%
Percent of leases drilled for 1st time - 8/10 Year Leases (PART)(CY measure)	1.1% (43/3,774)	1.2% (42/3,536)	1.2% (38/3,277)	1.2%	0.8% (36/4,652)	1.2%	1.2%	0.0%	1.2%
Comments	*The number of drilling rigs currently in use on shallow water leases in the Gulf of Mexico has decreased in recent years and significantly dropped from FY 2008 when oil prices were at record high levels (e.g., from 50 to 9). This decrease helps explain why the percent of 5-year leases drilled for the first time in FY 2009 was greatly reduced from the target and the actual results achieved over the past few years. Unless the economics of oil and gas exploration in the Gulf of Mexico change significantly, we would not expect this rate to return to previous levels in the near future.* *Deepwater lease (i.e., 8/10 yr) wells take longer to drill because of the increased depth, the potential need for multiple rigs to perform the work, and the harsh conditions involved. Due to the limited number of rigs available on the global market that can operate in these water depths and the pending litigation in Alaska that has prevented operators from drilling on many currently held leases, the FY 2009 results were also lower than the target. Again, we do not expect any increase in the percent of 8/10 year leases being drilled for the first time over the next few years.*								
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)	68% (530/785)	69% (259/374)	41.2% (898/2181)	50%	65.3%* (431/660)	50%	55%	5%	55%
Total Actual/Projected Cost ($M)	15.6	13.3	14	14.4	12.5	13.7	13.7	0	--
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 5-year Program includes a 500 percent expansion of acreage for Alaska and a 10 percent increase in the Gulf of Mexico, which will likely 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 result in some sales being above the baselines of 600 and 90 tracts receiving bids. In FY 2008, GOMR Sales 205 and 206 had 723 and 615 tracts receiving bids respectively, and Alaska Sale 193 resulted in 488 tracts receiving bids. The higher number of tracts being bid upon, coupled with the increased amount of geological and geophysical data that must be incorporated into current FMV evaluations, lowered the percentage of bids MMS was be able to evaluate within 60 days in FY 2008.* **Note: The FY 2009 results include bid evaluations that MMS conducted for BLM's lease sale in the National Petroleum Reserve-Alaska.*								

Performance Overview - Resource Evaluation (continued)

Measure	2006 Actual	2007 Actual	2008 Actual	2009 Plan	2009 Actual	2010 Plan	2011 Plan	Change from 2010 Plan to 2011	Long-term Target 2012
Percent of tracts with high bids rejected in a previous lease sale receiving acceptable bids the next time the tracts are made available (PART) (FY)	39% (9/23)	33% (1/3)	51.9% (14/27)	50%	17.1% (6/35)	35% (revd)	35%	0%	35%
Comments	*This metric compares the success of rejected tracts from a previous sale the first time these tracts are made available again. High bids for tracts are rejected as inadequate if they do not meet MMS's threshold of an acceptable bid based on our economic evaluation. Between FY 2005 and 2008, a little over half of the rejected tracts received acceptable bids in subsequent sales. The reduced percentage in FY 2009 most likely reflects the economic downturn and the decrease in oil and gas prices. The number of variables that affect this measure (i.e., predicted oil and gas and associated price paths, predicted costs associated with exploring and developing the leases, changes in royalty rates, royalty relief or other incentives, etc.) makes the percentage that will be rejected difficult to predict; therefore the FY 2010 and 2011 targets are reduced based on consideration of recent historical trends and current economic conditions.*								
Blocks/Tracts Evaluated (ABC)	10,996*	18,645**	8,341	9,300	11,287	9,300	9,300	0	TBD
Total Actual/Projected Cost ($M)	47.4	44.8	43.1	44.2	43.8	47.7	48.0	0.3	--
Comments	*To determine the potential resources on the OCS and the fair market value of those resources, MMS must conduct detailed evaluations of the blocks and tracts offered for lease each year as well as conduct regular resource assessment activities. On average MMS currently evaluates approximately 9,300 individual blocks/tracks annually; however, special evaluations (e.g., regional evaluations for hydrates) may increase that number significantly in some years. In FY2009, a special 3-D seismic interpretation was conducted over six large protraction areas in the deep water Gulf of Mexico and additional blocks were made available in the Central Gulf of Mexico sale. These additional assessments covered over 3,000 blocks and contributed to the increased number of blocks/tracts evaluated during the fiscal year.* **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.*								
Maintain the ratio of 1.8 to 1 (+/-0.4) of accepted high bids to MMS' estimated value (BUR)	2.1 to 1	2.1 to 1	2.49 to 1	1.8 to 1 (+/- 0.4)	1.7 to 1	1.8 to 1 (+/- 0.4)	1.8 to 1 (+/- 0.4)	0%	1.8 to 1 (+/- 0.4)
Comments	*MMS's current tract evaluation procedure is designed to assure that the government receives fair value for leased tracts. This measure compares the accepted high bid on each tract to the government's estimated value for that tract. Industry corporate strategy with respect to acquiring specific acreage could lead to a company raising its bid above this analytical value to improve their chances of winning the lease. MMS estimates are based on a discounted cash flow analysis of a tract and are not designed to predict the high bid. Therefore, the value of this indicator should always be greater than one to achieve fair value for OCS leases. The annual target ratio of 1.8 to 1 means that on average, the industry bids received are expected to be $1.80 (+/- 0.4) for every dollar of the estimated value for each tract. This target was set using several years of historical bid data and is reviewed annually to confirm its validity.*								

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FY 2011 PERFORMANCE BUDGET REQUEST

Offshore Energy and Minerals Management

Regulatory Subactivity

Table 22: OEMM Regulatory Subactivity Budget Summary

				FY 2011			
		2009 Enacted	2010 Enacted	DOI-Wide Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2010 (+/-)
Regulation of Operations	($000)	55,768	58,761	-205	324	**58,880**	**119**
	FTE	325	324	0	6	**330**	**6**
Technical Assessment and Research	($000)	1,500	1,500	0	0	**1,500**	**0**
	FTE	0	0	0	0	**0**	**0**
Regulatory Subactivity	($000)	**57,268**	**60,261**	**-205**	**324**	**60,380**	**119**
	FTE	**325**	**324**	**0**	**6**	**330**	**6**

SUMMARY OF FY 2011 PROGRAM CHANGES

Request Component	**($000)**	**FTE**
Program Changes		
• Ensure Fair Market Value and Safe Operations	+900	+6
• Department-Wide Changes	-205	+0
• Offsetting Collections Reductions	-576	+0
Total, Program Changes	**+119**	**+6**

Additional resources for the Ensure Fair Market Value and Safe Operations are also requested in the Leasing and Environmental subactivity ($850,000; 0 FTE) and the Resource Evaluation subactivity ($2.7 million; 4 FTE). The initiative in its totality is for $4.4 million and 10 FTE. A detailed listing can be found in the OEMM Overview section.

JUSTIFICATION OF FY 2011 PROGRAM CHANGES

The FY 2011 budget request for the Regulatory Subactivity is $60.4 million and 330 FTE, a net increase of $0.11 million and increase of 6 FTE from the FY 2010 enacted budget.

Ensure Fair Market Value and Safe Operations (+$900,000; +6 FTE): Increased lease sales and deepwater activity continue to present challenges. To ensure safe operations, MMS requests additional funds for inspection activities, particularly in the Gulf of Mexico, to continue to ensure safe operations and environmental protection and compliance.

- Workforce - $900,000; +6 FTE.
  - The Gulf of Mexico is in need of additional inspectors to address the current and anticipated increase in deepwater fixed and floating facilities and the number of components that must be inspected offshore.

- There are currently 42 deepwater fixed and floating production facilities installed in the Gulf of Mexico (GOM). Most of these are in areas of the GOM inspected by the New Orleans and Houma Districts, including Mississippi Canyon, Green Canyon, Viosca Knoll, and Ewing Banks.
- There are 8 facilities planned or in construction for deepwater, which are some of the largest and most complex in the world, including the Perdido Regional Host SPAR and Cascade-Chinook FPSO.
- GOMR also expects an additional 15 new build and 4 upgrade ultra-deepwater rigs to be added to the fleet of deepwater rigs operating in the GOM from 2009 through 2011. They are the most technically advanced drilling rigs in the world, and will require more time for inspections and travel to and from their remote locations in the GOM. These ultra-deepwater rigs will be capable of both exploration and development work in the Miocene and Lower Tertiary high pressure/high temperature (HP/HT) prospects and discoveries in water depths up to 12,000 feet and drilling depths up to 40,000 feet.
- Additionally, the GOMR has been collecting information on gas plants that process Federal gas production. These gas plants contain meters utilized in the determination of royalty payments due the Federal government. At this time, meter information is being collected and in the near future the information will be included in the TIMS database. Subsequent to this data entry, GOMR will likely be required to conduct measurement inspections at these gas plant facilities that would include the site security and witnessing of the calibrations of the meters associated with the Federal processed gas. This would include plant inlet meters along with tail end meters that measure the residual gas and natural gas liquids.

The above-mentioned activity along with the current work load on the inspection program associated with aging infrastructure, hurricane damage, and idle iron will require the additional FTEs in order to meet current mandated inspection goals.

Impacts of Not Funding:

- May not achieve number of required inspections.
- Pre-production inspections for the new deepwater facilities may not be able to be conducted in the shipyard.
- Gas plant meter inspections may not be completed.

Performance Change Statement:

Due to the increase in deepwater drilling and production operations and increased decommissioning work on the shelf to plug wells and remove platforms that are no longer useful for lease operations, MMS will need more inspectors to ensure these operations are conducted safe and pollution-free. Currently MMS conducts production inspections at least once per year on production facilities and every month on drilling rigs. MMS is seeing an increase in the number of deepwater major facilities being planned and installed. These facilities require a greater amount of time to inspect and have hundreds of safety devices installed. During a typical inspection each one of these safety devices may be tested along with doing paperwork checks for

all documentation performed since the last inspection. Additionally, there are other operations that take place that MMS inspectors have difficulty getting to because they are mandated to complete those production and drilling inspections. There are many more operations that use wireline, coiled tubing, cranes and cement pumping units. These operations are the ones that will require more attention as these are not the most high tech systems. Also, it is very important that MMS investigates all major accidents and pollution incidents. The results of these investigations are used to educate industry of the findings and try to prevent that same type of incident from recurring.

The MMS is in the process of stepping up its meter inspection program. In addition to conducting 100 percent site security inspections of offshore meters, MMS is now embarking on a mission to inspect all gas plant meters that handle Federal production (200+ meters). This will require additional inspection personnel to ensure we are able to conduct inspections on all these meters yearly. Without the additional inspectors MMS may not be able to complete the required inspections, much less accomplish the goal of inspecting those smaller operations that are using wireline, coiled tubing, crane and cementing units and meter inspections.

With this funding MMS will be able to improve the effectiveness of operator performance audits. More comprehensive information will be particularly useful for performance audits that relate to accident investigation follow-up. Information from these audits can be used to determine what safety or environmental management failure caused the accident. This information will allow MMS to work with operators to improve safety and environmental management processes and procedures. Over time, these efforts should assist with lowering the number of serious injuries and fatalities that occur and should result in an overall improvement in the operator's composite safety performance.

PROGRAM OVERVIEW

On behalf of the Nation, MMS regulates about 3,795 offshore production platforms and manages about 8,124 active oil and gas leases on approximately 43 million acres of the OCS. Recent noteworthy events concerning oil and gas production in the Gulf of Mexico include:

- In June 2008, BP's Thunder Horse PDQ (Production, Drilling, Quarters) facility began production of both oil and natural gas. Current production from this facility is 205,253 BOPD and 168 MMCFD from 10 subsea wells.

- In July 2008, BHP Billiton's Neptune facility (GC 613) began production of both oil and natural gas. Current production from this facility is 15,100 BOPD and 11.9 MMCFD from six subsea wells. The platform is located 112 miles off the coast of Louisiana in approximately 4,230 feet of water.

- In November 2008, Chevron's Blind Faith facility began production of both oil and natural gas. Current production from this facility is 58,000 BOPD and 42 MMCFD from four subsea wells. The platform is located over 75 miles off the coast of Louisiana in approximately 6,480 feet of water.

- 2009 Production:
    - In March 2009, BHP Billiton's Shenzi facility (GC 653) commenced production of both oil and natural gas. Current production from this facility is 126,800 BOPD and 47 MMCFD from seven subsea wells. The platform is located 175 miles off the coast of Louisiana in approximately 4,375 feet of water.
    - In May 2009, Chevron's Tahiti facility (GC 641) commenced production of both oil and natural gas. Current production from this facility is 123,500 BOPD and 67 MMCFD. The platform is located 125 miles off the coast of Louisiana in approximately 4,000 feet of water.
    - Murphy's ThunderHawk facility commenced production in July 2009. It is currently producing approximately 27,000 BOPD and 25 MMCFD from three subsea wells.

- Future Production 2010:
    - Shell's Perdido Regional Host facility (AC 857) is expected to commence production in early 2010.
    - Phoenix FPU (GC 237) is expected to commence production in the summer of 2010.
    - Cascade/Chinook FPSO (WR 249) is expected to commence production in the summer of 2010.
    - ATP's Mirage MinDoc (MC 941) is expected to commence production in 2010.

The MMS OEMM 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 a Program Assessment Rating Tool (PART) review of its *OCS Regulatory and Compliance* program. 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."

PERFORMANCE OVERVIEW

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 prevent waste and conserve the natural resources of the OCS, as well as protect the correlative rights therein.

For fiscal years 2002-2008, MMS conservation management efforts are estimated to have increased ultimate recovery by 278.5 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 performance 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 of resources. The following graph displays the approximate spending distribution as derived from the Bureau's ABC system.

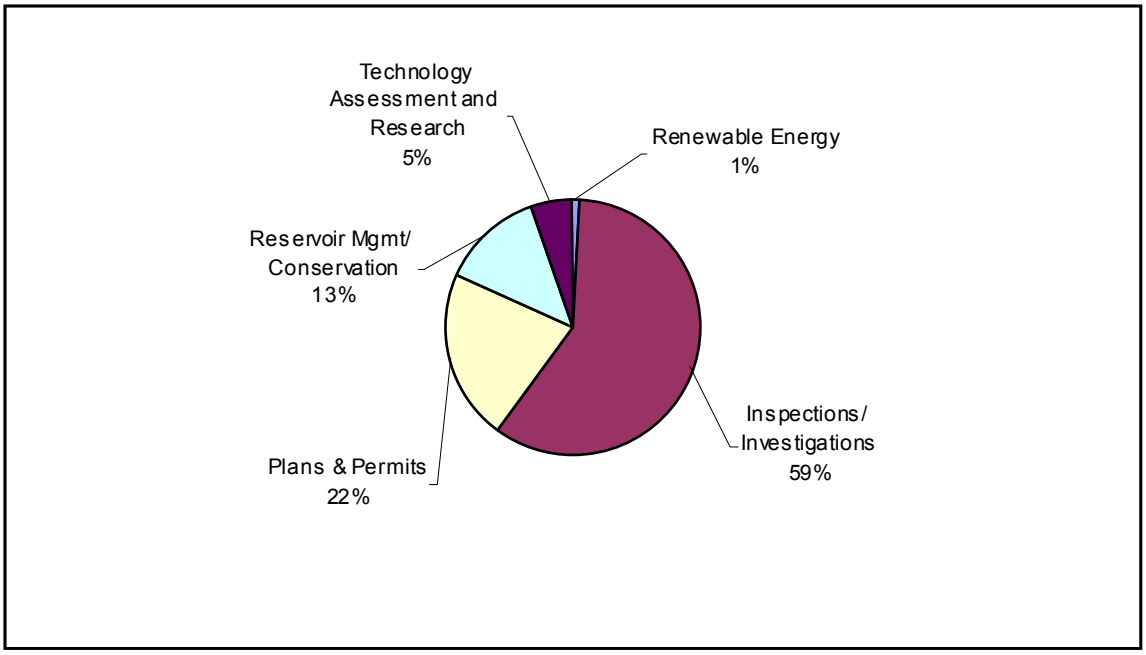

Figure 11. Estimated FY 2009 Regulatory Spending Profile

The MMS's Offshore Steering Committee issued an OEMM strategic plan that identifies specific objectives and initiatives OEMM plans to implement over the 5-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 25 percent of the Nation's domestically produced oil and 11 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. The long-term goal is to develop and implement 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.

2011 PROGRAM PERFORMANCE – REGULATION OF OPERATIONS

The MMS's comprehensive management program of energy and mineral operations on the OCS ensures that these operations 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 energy and 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 jurisdiction, 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 2009, MMS inspectors completed approximately 27,000 compliance 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, in environmentally sensitive areas, and to foster a climate of safe and pollution free 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 conducts investigations and analyzes incident-related data to understand the causes of incidents. Examination of long-term trends indicates that the safety and environmental record of the offshore industry has dramatically improved over the last 50 years. In 2006, MMS revised the regulatory requirements for incident reporting to clarify the reporting requirements and provide more precise definitions and reporting timeframes. These changes have resulted in a more consistent incident reporting program and the collection of more reliable incident information. The revisions also included requirements for reporting additional categories of incidents such as gas releases, incidents associated with lifting equipment, and incidents that result in less severe injuries than were previously reported. This additional information is helping MMS better identify safety concerns and trends. The MMS and other agencies, such as the U.S. Coast Guard, 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. The MMS - USCG interagency MOA for incident investigation was signed March 27, 2009. This MOA will ensure effective use and coordination of our respective resources. In FY 2009, MMS investigated 78 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. Incident investigation reports are published on MMS Regional websites, and MMS advises operators and lessees of safety concerns identified in the reports through the publication of Safety Alerts. Incident data are an important part of 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, or have the potential to 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 System (SEMS) to organize their activities to minimize risks to workers and the environment.

The SEMS 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 SEMS 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. The MMS proposes to require operators to develop and implement a SEMS to address oil and gas operations in the Outer Continental Shelf. The proposed SEMS rule would consist of four elements—Hazards Analysis, Management of Change, Operating Procedures, and Mechanical Integrity—that, until now, have not been covered in MMS regulations. The MMS analyzed accident panel investigation reports, incident reports, and incidents of noncompliance and determined that the root cause of most safety and environmental accidents and incidents is one or more of these four elements. The MMS believes that requiring operators to implement a SEMS will reduce the risk and number of accidents, injuries, and spills during Outer Continental Shelf activities. The proposed rule was published on June 17, 2009, in the Federal Register. The comment period closed September 15, 2009 yielding 62 separate comments. These comments will be weighed and analyzed and MMS will publish a final rule in 2010.

***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 and Criminal 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, or have the potential to 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. In FY 2009, 21 civil penalty cases were paid for a total of $1.2 million in assessment. 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).

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 of natural resources by preventing waste and ensuring ultimate recovery of the resources, as well as protecting the correlative rights of OCS lessees and the government. 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 reserves estimations and assessments of undiscovered resources.

2011 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 2009, the TA&R program co-funded five projects with other organizations. In 2010, the TA&R program expects to co-fund five 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 presents 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.

Table 23: OEMM Regulatory Program Performance Change

	2007 Actual	2008 Actual	2009 Actual	2010 Plan	2011 Plan	Program Change Accruing in 2011	Program Change Accruing in Out-years
				A	B=A+C	C	
Total Number of Compliance Inspections Completed	20,567	25,650	26,978	22,000	23,000	1,000	0
Total Actual/Projected Cost ($000)	40,300	44,100	44,500	48,500	48,700	200	0
Actual/Projected Cost Per Inspection	$ 1,959	$1,719	$ 1,649	$2,204	$ 2,117	- $87	0
Comments	In addition to increasing the number of compliance inspections performed by 1,000, this initiative would provide inspectors more time to conduct operator audits, compliance review cases, and incident investigations. It will also allow them to concentrate on measurement discrepancies and gas plant inspections. MMS is in the process of changing its inspection strategy to a more risk-based approach. 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 more comprehensive and consume more resources than sampling inspections. In 2008 and 2009, a concentrated effort has been made to perform more production inspections (e.g., meter inspections). In future years MMS anticipates focusing more resources on fewer but higher risk facilities particularly for the non-production type inspections.						

Table 24: OEMM Performance Overview – Regulatory Program

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: Manage or influence resource use to enhance public benefit, responsible development, and economic value.

Measure	2006 Actual	2007 Actual	2008 Actual	2009 Plan	2009 Actual	2010 Plan	2011 Plan	Change from 2010 Plan to 2011	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 operational offshore oil spilled per million barrels produced (excluding Hurricane-related spills) (SP)	3.0 (1383/ 464.6 million)	2.7 (1,359/ 503.3 million)	0.52 (243.8/469 million)	--	3.9 (est.) (2060/531 million)	<4.5	<4.5	0	<4.5
Total amount (in barrels) of offshore oil spilled per million barrels produced (including Hurricane-related spills)(BUR/ PART)	3.0 (1383/ 464.6 million)	64	12.8 (6007/ 469.1 million)	<5	3.9 (est.) (2060/531 million)	--	--	--	--
Actual/Projected Cost per Unit ($)	3.0	0	69.8	71.7	70.4	76.6	77	0.4	--
Comments	*Petroleum spillage resulting from offshore oil and gas activities in FY 2009 was less than 4 barrels per million produced. There were no major hurricanes and the largest oil spill, which is still under investigation, was a pipeline spill that is projected to be approximately 1,500 barrels. Total production in FY 2009 also increased significantly over FY2008 because there were no widespread production shut-ins due to storms and multiple large-scale deepwater projects came into production. The combination of MMS' continuous inspection of operator components to ensure safety, research to improve oil spill response planning and effectiveness, and a low occurrence of external incidents led to the final results. NOTE: Oil spill data are constantly updated as additional information becomes available through the completion of investigations and/or recovery operations. Occasionally, a spill may be deleted or added a year or more later and result in historical data revisions.*								
Process X% of exploration plans in less than 30 days (BUR)	75% * (259/345)	99.6% (276/277)	100% (253/253)	100%	98.6% (214/2170)	100%	100%	0%	100%
Total Actual/Projected Cost ($M)	6.5	6.5	7.2	7.4	7.3	7.9	7.9	0	0
Comments	*An Exploration Plan (EP) and its supporting information must be submitted for approval to MMS before an operator may begin exploratory drilling on a lease. The EP describes all exploration activities planned by the operator for a specific lease(s), the timing of these activities, information concerning drilling vessels, the location of each well, and other relevant information. Per statute, the MMS is required to process submitted exploration plans within 30 days of receipt. The measure evaluates how well MMS meets this requirement.* ** 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.*								

Performance Overview - Regulatory (continued)									
Process X% of development plans in less than 120 days (BUR)	94% * (293/313)	99.6% (478/480)	100% (224/224)	100%	100% (145/145)	100%	100%	100%	100%
Total Actual/Projected Cost ($M)	8.7	8.6	9.6	9.8	9.7	10.5	10.6	0.1	--
Comments	*A development and production plan or development operations coordination document and its supporting information must be submitted for approval to MMS before an operator may begin development or production activities. The plan describes a schedule of development activities, platforms, or other facilities including environmental monitoring features and other relevant information. Per statute, the MMS is required to process submitted development plans within 120 days of receipt. The measure evaluates how well MMS meets this requirement.* ** The 2006 actual reflects the closure of the MMS Gulf of Mexico Region and some associated District offices for as much as 62 days immediately prior to and following Hurricanes Katrina, Rita, and Wilma.*								
Process X% of right-of-way pipeline applications within 140 days (BUR)	97% (133/137)	99% (120/122)	98.2% (167/170)	90%	97.4% (74/76)	90%	95%	5%	100%
Total Actual/Projected Cost ($M)	4.3	4.3	4.8	4.9	4.8	5.3	5.3	0	--
Total Number of Compliance Inspections Completed (PART)	19,961	20,567	25,650	20,000	26,978	22,000 (revd)	23,000	1,000	23,000
Total Actual/Projected Cost ($M)	39.8	40.3	44.1	45.2	44.5	48.5	48.7	0.2	--
Comments	*MMS has changed its inspection strategy to a more risk-based approach. 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 more comprehensive and consume more resources than sampling inspections. Recently a concentrated effort has been made to perform more production inspections (e.g., meter inspections); however, in future years MMS anticipates focusing more resources on fewer but higher risk facilities, particularly for the non-production inspections. In 2011, if additional experienced inspectors can be hired and two additional twin-engine helicopters can be added to the current fleet to support deepwater inspections, MMS expects to be able increase the target number of compliance inspections performed by 1,000.*								

Performance Overview - Regulatory (continued)

Measure	2006 Actual	2007 Actual	2008 Actual	2009 Plan	2009 Actual	2010 Plan	2011 Plan	Change from 2010 Plan to 2011	Long-term Target 2012
Composite accident severity ratio (SP/PART)	0.1	0.075 (5,208/ 69,241)	0.21 (12,440/ 58,249)	<0.13	0.15 (E) (9,236/ 61,464)	<.093* (revd)	<.093	0	TBD
Comments	*MMS is committed to safety and environmental protection on the OCS as top priorities. For the composite accident severity ratio, MMS assigns a point value to each operator safety incident reported based on its severity, then divides total annual points by the number of components in service for all operators. In FY 2006, new MMS incident 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 FY 2007, the point matrix used to assign accident severity values was also updated to provide a better indication of the relative severity of the incidents (i.e., there is now a larger differential between the points assigned for major versus minor incidents).*								
	Since these changes have been implemented, there has been a noticeable increase in the number of injury incidents reported and the receipt of additional information has improved the MMS' s ability to categorize the severity of the injury based on the number of days of lost time/restricted work/job transfer. Although the target in FY09 was slightly missed, the composite accidently severity ratio improved over FY 2008. **NOTE: The FY 2010-11 targets are based on improving over the average of the FY2007-09 results during which both revisions were in place and a revised methodology for counting the number of components operated that will be implemented in FY 2010.*								
Maintain an annual composite operator performance index of X or less (PART)	0.15	0.15	0.28	<0.20	0.22	<.20	<0.20	0	0.2
Total Actual/Projected Cost ($M)	42.1	42.4	45.9	47.1	46.2	50.3	50.6	0.3	--
Comments	*The 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 (i.e., the composite accident severity ratio). Although the desired results for any type of accident or injury index is always zero, the FY 2008 results as well as the FY2009 -11 targets take into account impacts of recent changes MMS made to its accident severity point matrix and reporting requirements.*								

Performance Overview - Regulatory (continued)									
Measure	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Reduce number of fatalities among workers in DOI permitted or contracted activities (PART)	9	3	2	5	2	4	4	0	Reduce
Reduce number of serious injuries among workers in DOI permitted or contracted activities (PART)	29	32	31	30	25	29	29	0	Reduce
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 FY 2007 and FY 2008, there was a significant increase in the number of injury incidents reported and the receipt of additional information has improved the MMS's ability to categorize the severity of the injury based on the number of days of lost time/restricted work/job transfer. Targets for the fatalities and serious injury metrics are developed based on reducing a rolling multi-year average that is calculated after actual data for the current year becomes available. For this reason, FY 2011 targets are based on the current plan for FY 2010 and the long-term targets for 2012 are expressed in terms of a "reduction" versus a specific numeric target.*								
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)	20.4 BOE	62.7 BOE	28.9 BOE (85,811,266/ 2,972,207)	5.2 BOE	27.08 (60,923,024/ 2,249,708)	5.2 BOE	5.2 BOE	0	5.2 BOE
Comments	*A Conservation Information Document (CID) details the operator's initial development plan and proposed depletion scenario for a deepwater project. Operators have the tendency to propose a field depletion scenario where marginally economic reservoirs will be bypassed in favor of more prolific reservoirs. MMS conducts an independent evaluation of the data to determine if any additional economically producible reservoirs not proposed for development by the operator should be developed. A final CID may require operators to produce reservoirs that they might otherwise bypass, which results in reserves recovered. This metric estimates the return on investment for MMS conservation activities. The fixed annual target reflects the fact that as the price of oil and gas fluctuates, it is difficult to predict the number of reservoirs operators will propose to bypass in their CIDs or how much those reservoirs will produce.*								

FY 2011 PERFORMANCE BUDGET REQUEST

Offshore Energy and Minerals Management

Information Management Program Subactivity

Table 25: OEMM Information Management Program Subactivity Budget Summary

				FY 2011			
		2009 Enacted	2010 Enacted	DOI-Wide Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2010 (+/-)
Information Management	($000)	20,270	20,454	0	0	**20,454**	**0**
Subactivity	FTE	64	64	0	0	**64**	**0**

The FY 2011 budget request for the Information Management Program Subactivity is $20.4 million and 64 FTE, level with the FY 2010 enacted budget.

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. At the core of OEMM's IT capabilities is the legacy Technical Information Management System (TIMS). TIMS automates the business and regulatory functions of the OEMM and brings diverse information into a central database. This enables MMS's Regions and Headquarters to share and combine data; to standardize processes, forms, reports, and maps; to promote the electronic submission of data; to reduce the costs of establishing and maintaining duplicate databases and information storage and retrieval systems; to enforce data integrity through relational database technology; and to release accurate, consistent information to the public sector.

The Geological Interpretive Tools (GIT) system represents the basis of essentially all OEMM determinations requiring critical geoscience analysis. GIT allows OEMM to improve productivity by quantifying analyses, analyzing digital data in three-dimensions (3-D), fully integrating geophysical and geological data analysis, and reducing risks and uncertainty in decision making processes. In addition, OEMM has developed an extensive Geographic Information System (GIS) capability for nearly all MMS offshore maps and leasing processes, providing the MMS the means to define, describe, analyze, and account for every acre of Federal offshore submerged lands. In order to effectively perform its mission, OEMM must provide solutions to automate information exchange while reducing errors and maintaining data quality.

To satisfy the requirements of both internal and external stakeholders OEMM has undertaken the OCS Connect project. OCS Connect will leverage the existing TIMS database and integrate state-of-the-art technologies to enhance current capabilities and provide business functionality to meet business needs.

The OEMM IT Program supports 900 government and contractor staff in four major locations. The technical environment is comprised of approximately 215 servers, over 150 GIT workstations, and approximately 350 terabytes of electronic data storage. It manages a complex network infrastructure, data backup and recovery solutions and specialized printing and plotting capabilities. In addition, the OEMM manages a comprehensive IT security program that monitors, identifies and seeks to prevent malicious or unauthorized activity and has developed a proactive vulnerability and risk assessment capability.

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 the Department'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
- Support and provide 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.

- 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, enterprise contract support, and other enterprise-wide systems.

2011 PROGRAM PERFORMANCE

The OEMM IT program is operating in an environment of unprecedented new and changing mission needs as a result of MMS program responsibilities. These include:

- New MMS responsibilities for Federal offshore alternative energy and alternate uses of America's offshore public lands under the 2005 Energy Policy Act.
- Oversight of grants under the Coastal Impact Assistance Program (CIAP), a 4-year program also authorized by the Energy Policy Act.
- Implementation of revenue sharing requirements under the Gulf of Mexico Energy Security Act of 2006 (Pub. Law 109-432).
- Ongoing changes to improve revenue collections and management processes.

In addition to responding to conditions that affect the nature of its business, OEMM is under increasing pressure to address changes that affect how it will deliver IT. While the OEMM IT program operates in an environment of changing mission needs, new technologies and resource constraints, it remains committed to enhance mission support with the best technology and service possible.

To this end, the Offshore Steering Committee has developed an OEMM IT Program Strategic Framework and Goals Plan that will serve as direction for the Offshore Program. The following provides a broad outline of that plan:

Framework	Goal	*Principle(s)*
External	1. Align IT solutions with the OEMM business environment, policy, goals and statutory requirements.	***Collaboration*** ***Agility***
Internal	2. Deliver and maintain a secure, reliable, cost effective, responsive technology architecture.	***Value***
Control	3. Enhance the overall management of the information technology program and service. delivery	***Stewardship*** ***Transparency*** ***Governance***

The OEMM IT Strategic Plan will be used as a planning document that will be compared against progress and updated as needed, but at least annually. Tactical plans are being developed that will provide detailed tasks in support of each objective within three months of strategic plan approval.

In addition to implementation of the OEMM IT Strategic Plan, the following activities will be taking place:

- First completed in May 2004, certification and accreditation is required every three years. OEMM continues to be on schedule, with the next reaccreditation due in FY 2010.

- Internal Control Reviews for all OEMM systems:
    - To date, no material security weaknesses have been found and OEMM continues to be compliant with the Federal Information Security Management Act (FISMA).
- Annual training for general users and expanded training for systems administrators, security managers, and OEMM managers.
- Convening governance committees that regularly examine offshore IT needs, recommend reprioritization of needs based on new circumstances, and collectively recommend the most effective distribution of limited IMP resources.

Also, MMS continues work on the newly re-scoped OCS Connect project, approved by the Departmental CIO in 2009. The Development, Modernization, and Enhancement (DME) phase is estimated to continue until FY 2015. The new approach is iterative, builds increments of functionality, employs process adaptability, and promotes useful assets that provide desired business outcomes using a realistic schedule. OEMM will complete the DME phase with funding made available by deferred spending from prior years.

OCS Connect will narrow existing agency performance gaps by:

- providing better access to the public and industry for a host of MMS services and information products;
- decreasing cycle time to receive and process stakeholder requests;
- increasing collaboration and information sharing among MMS and external stakeholders;
- increasing the quantity and quality of value-added analysis of MMS data and resources; and
- improving data and information access for the public and industry.

The five high priorities identified for development and implementation are:

1. Electronic Document Management System (EDMS) and Geographic Information System (GIS) foundational capabilities
2. Lease Adjudication
3. Plan Submittals
4. Permit Requests
5. Inspections

OEMM will manage the development of OCS Connect by planning and executing three separate segments. The first segment began in August 2009. This segment includes EDMS, ArcGIS, and Company and Bonding processes and is scheduled to be complete in FY 2012. Segments 2 and 3 cover plans, permits, inspections, and lease adjudication.

Implementing electronic information exchange and workflow for these key business priorities will result in improved information access, faster processing, and greater accuracy of information required for OEMM and stakeholder decision-making.

The IMP subactivity funds IT personnel, systems, hardware, software, training, shared services, security activities, maintenance, and technical support, as well as the OCS Connect project. 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.

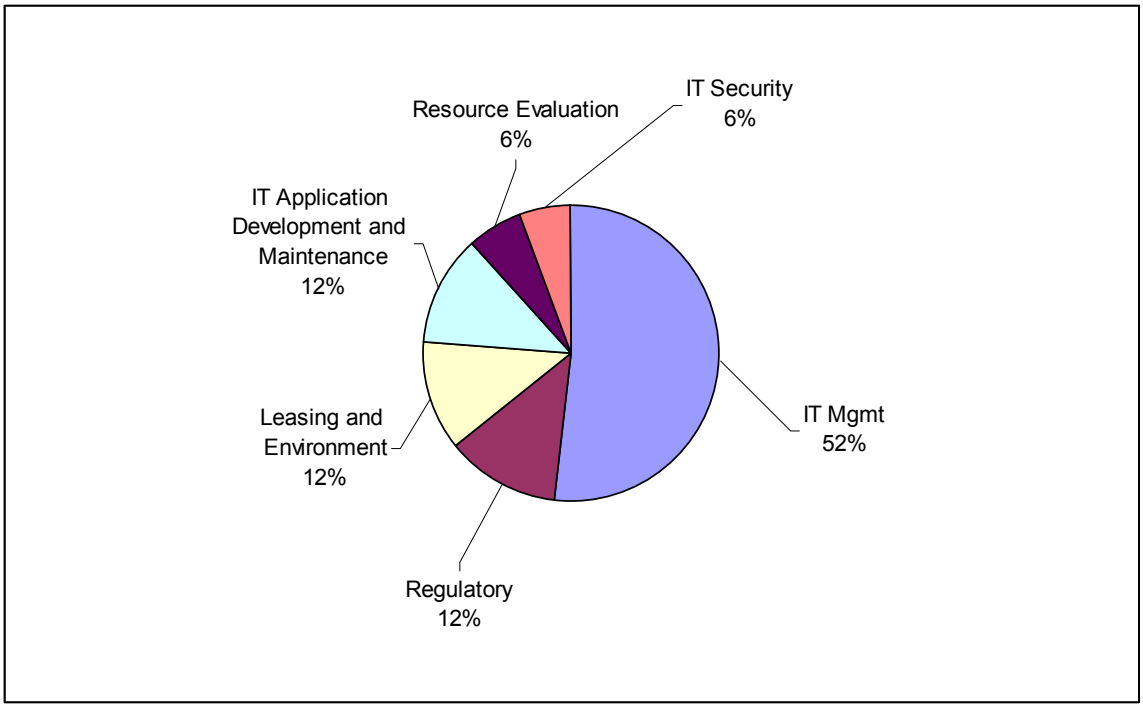

Figure 12. Estimated FY 2009 Information Management Spending Profile

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FY 2011 PERFORMANCE BUDGET REQUEST

Offshore Energy and Minerals Management

Oil Spill Research Appropriation

Table 26: OEMM Oil Spill Research Budget Summary

				FY 2011			
		2009 Enacted	2010 Enacted	DOI-Wide Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2010 (+/-)
Oil Spill Research	($000)	6,303	6,303	0	0	**6,303**	**0**
	FTE	18	18	0	0	**18**	**0**

PROGRAM OVERVIEW

The Oil Spill Research (OSR) appropriation funds oil spill response research, Ohmsett – the National Oil Spill Response & Renewable Energy Test Facility, oil spill prevention and response planning, and regulation of oil spill financial responsibility. These activities 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.
- **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.

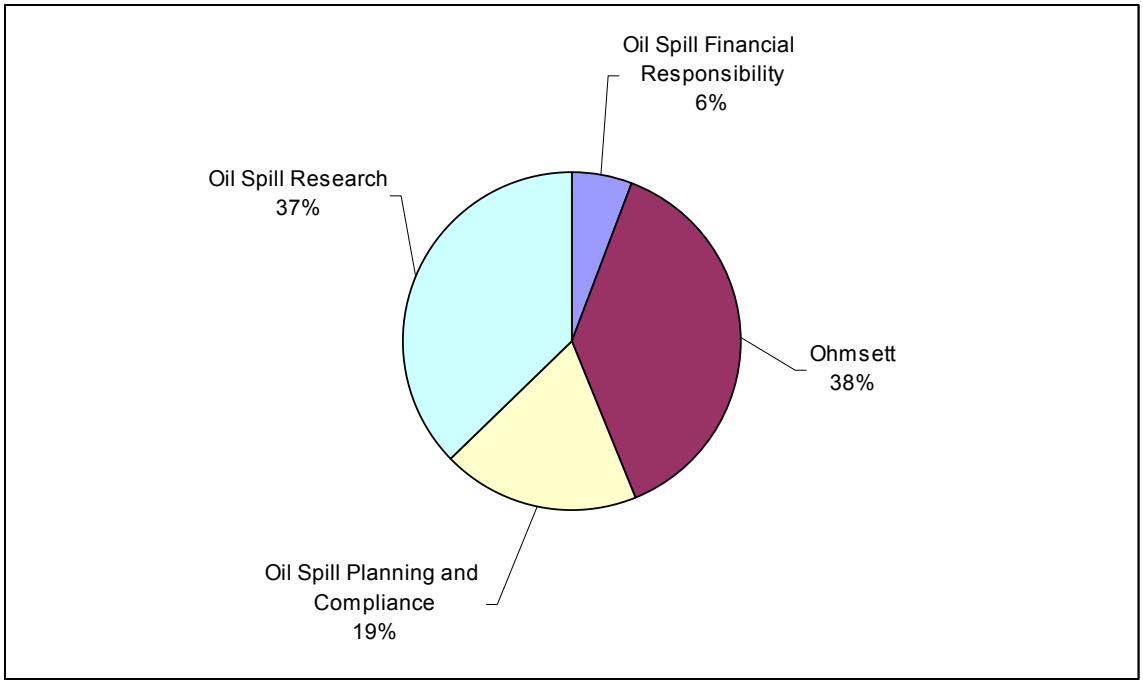

Figure 13. Estimated FY 2009 Oil Spill Research Spending Profile

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 Nation's record for safe and clean offshore oil and natural gas operations is excellent. According to a National Academy of Sciences (NAS) study, an estimated 1,700 bbl of oil seep naturally each day from the seabed or coastal areas into U.S. marine waters. The NAS report also made estimates for North America, where natural seepage is the largest input, contributing 63 percent of total inputs to the marine environment. In comparison, offshore oil and gas development, production, and transportation was found to be responsible for only 2 percent of the petroleum inputs in North America's marine environment. (**Citation:** *Oil in the Sea III: Inputs, Fates, and Effects*, National Research Council of the National Academies, 2003).

The loss of hydrocarbons from wells on the OCS during 2008 Hurricanes Gustav and Ike, 2005 Hurricanes Katrina and Rita, and 2004 Hurricane Ivan was minimized by the successful operation of the safety valves that are required to be installed at least 100 feet below the mudline in each wellbore. The pipeline valves limited the potential losses from damaged pipeline segments. All OCS facilities in areas threatened by the storms' approach were shut in prior to the hurricanes so that oil losses were mostly limited to the oil stored on the damaged platforms and rigs or contained in damaged pipeline sections between the check valves.

In addition to the oil spill research described below, MMS Safety and Engineering Research in the TA&R program includes technical studies to understand the effects of hurricane events on the integrity of offshore facilities. This information can be used to identify what can be done to improve the integrity of these facilities.

PERFORMANCE OVERVIEW

MMS administers many programs and activities aimed at the prevention and mitigation of oil spills:

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 of oil spill response research include an assessment of using chemical herders to respond to oil spills, burn residue and heavy oil projects, and a review of using chemical treating agents to clean up oil in brackish water. In 2010, MMS will review clean up technology for dielectric oils, clean up of oil under ice using ground penetrating radar and laser flurosensors, oil mineral aggregate formation to mitigate oil spills in cold water, and biofuel spill response.

Ohmsett - The National Oil Spill Response and Renewable Energy Test Facility: Ohmsett is one of the world's largest tow/wave tanks, designed to test and evaluate full scale equipment detection for the containment of cleanup oil spills. Ohmsett is also developing the capability to test renewable energy systems such as wave generating systems. 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. Some of the testing activities for 2009 included sunken oil detection, chemical herders to improve mechanical oil recovery, evaluation of the Tesoro-Crucial Skimmer, remote sensing, name-plate capacity pumping tests, and tests of mechanical response equipment.

In March, there was also the first renewable energy test of a current energy device developed by the University of Mexico. This was followed by another current energy test and two wave energy tests in late 2009. For 2010, there will be several wave system tests, oil herder tests, a grooved drum skimmer test, more remote sensing tests and several USCG oil spill response training classes. Information on Ohmsett can be found at www.ohmsett.com.

Figure 14: 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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FY 2011 PERFORMANCE BUDGET REQUEST
Minerals Revenue Management

Table 27: Minerals Revenue Management Summary of Budget Request

Minerals Revenue Management (MRM)		2009 Enacted	2010 Enacted	FY 2011 DOI-Wide Changes (+/-)	FY 2011 Program Changes (+/-)	FY 2011 Budget Request	Change from 2010 (+/-)
Compliance and Asset Management	($000)	47,965	50,940	-150	10,644	**61,434**	**10,494**
	FTE	377	398	0	11	**409**	**11**
Revenue and Operations	($000)	38,719	38,434	-226	762	**38,970**	**536**
	FTE	173	177	0	0	**177**	**0**
Total	**($000)**	**86,684**	**89,374**	**-376**	**11,406**	**100,404**	**11,030**
	FTE	**550**	**575**	**0**	**11**	**586**	**11**
Other Major Resources							
RIK Revenue Receipts for RIK/SPR Admin	($000)	**22,000**	**22,000**	0	-10,000	12,000	-10,000
RIK Revenue Receipts for RIK/SPR Transportation	($000)	**62,000**	**20,000**				

The MMS is entrusted with an important fiduciary role by and for all Americans. Through its Minerals Revenue Management (MRM) program, MMS efficiently and effectively utilizes its financial systems and human resources to collect, account for, substantiate, and disburse revenues associated with mineral production from leased Federal and Indian lands. In addition, MMS serves as a trustee of the royalty asset from Indian trust properties and as an advocate for the interests of Indian mineral owners, ensuring fulfillment of our Indian trust responsibility.

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 disbursements to the General Fund of the U.S. Treasury.

PROGRAM OVERVIEW

In FY 2009, MMS disbursed $10.68 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. Additionally, MMS delivered oil valued at an estimated $268.5 million in FY 2009 to the Department of Energy for the Strategic Petroleum Reserve.

The MMS exists in a dynamic environment, and its activities continuously evolve in response to Congressional mandates and industry changes. Since MMS's formation, energy legislation and the energy industry have undergone significant changes. Yet MMS has consistently adapted to these changes while always looking for innovative improvements and operational efficiencies to best serve the American people.

Who Benefited from MMS Mineral Revenues Disbursements in FY 2009

- ***U.S. Taxpayers — $5.74 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.

- ***States — $1.99 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 — $1.45 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. Spending from the account is subject to appropriation.

- ***Conservation and Recreation Programs — $899 Million***

MMS transfers nearly $900 million annually to the Land and Water Conservation Fund. 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 — $449 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.

- ***Preservation — $150 Million***

MMS annually transfers $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.

FY 2011 PEFORMANCE BUDGET OVERVIEW

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, MRM ensures optimal value for America's mineral resources, benefiting the American people, states, Indian tribes, and IIMOs. The MRM is funded through two subactivities that closely parallel its core business processes:

Compliance and Asset Management: This subactivity supports business processes focused on ensuring that the Nation's Federal and Indian mineral revenues are accurately reported and paid in compliance with laws, regulations, and lease terms. The subactivity also focuses on providing consistency and oversight in MRM's valuation regulations and determinations; market research and information gathering; and credit assurance. In addition, during FY 2010 and 2011, the subactivity will support management of the RIK Phase-Out Plan.

Revenue and Operations: This subactivity funds the Financial Management business process, which achieves economic value by ensuring that all revenues from Federal and Indian leases are efficiently, effectively, and accurately collected, accounted for, and disbursed in a timely manner.

PROGRAM MANAGEMENT

During 2008, MRM completed its Strategic Business Planning initiative by developing operational business plans through 2012 aligned with MRM program mission areas: Financial Management, Compliance, Indian Trust, Asset Management, and Resource and Information Management.

In October 2009, MRM implemented a strategic reorganization in response to its Strategic Business and Operational Plans and recommendations received from employees and the Government Accountability Office (GAO), Royalty Policy Committee (RPC), and Office of Inspector General (OIG) reviews. The new organization realigned the MRM Program into three core mission organizations:

- Asset Management,
- Financial and Program Management, and
- Audit and Compliance Management.

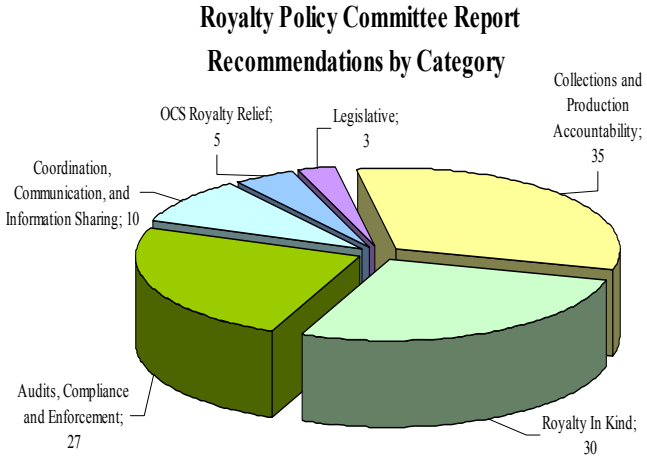
The MRM continues to strengthen its coordination with other bureaus. The working relationship between MMS and BLM is longstanding because of the interdependent nature of our missions. In recent years, MMS and BLM have become more proactive in jointly pursuing common issues and challenges. The bureaus are working together to improve seamless electronic transfer of data between bureau systems, which will reduce errors from manual data entry and improve the reliability of data. In response to an RPC Subcommittee recommendation, the Department established a Production Coordination Committee (PCC) in 2008. The PCC not only coordinates and implements the cross cutting recommendations contained in the RPC Subcommittee Report, but also provides ongoing coordination of issues related to the management of Federal and

Indian mineral leases. The PCC representatives are high-level managers from the bureaus. The Deputy Assistant Secretary for Lands and Minerals Management chairs the PCC. In addition, MMS is providing support to the Department's new Energy Reform Team, established to identify and implement important energy management reforms across the Department.

Implementation of Royalty Policy Committee Recommendations

On December 17, 2007, the Royalty Policy Committee, Subcommittee on Royalty Management issued a draft report titled, *Mineral Revenue Collection from Federal and Indian Lands and the Outer Continental Shelf*. The report contained 110 recommendations to improve royalty management. The areas with the most recommendations were Collections and Production Accountability, Royalty in Kind, and Audits, Compliance and Enforcement.

The RPC Subcommittee Stated in its December 17, 2007 Report: *"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 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."*



On January 25, 2008, the Secretary of the Interior ordered immediate implementation of recommended mineral management reforms. Many of the recommendations require coordination with multiple Department of the Interior agencies, including MMS, the Bureau of Land Management, the Bureau of Indian Affairs, and the DOI Solicitor's Office.

The Department developed a joint Action Plan to implement Report recommendations. The Assistant Secretary for Land and Minerals Management also established a coordination committee with representatives from BLM and MMS to coordinate crosscutting recommendations.

As of January 15, 2010, 72 of the 110 recommendations have been completed and actions on the remaining 38 recommendations are underway.

Since its inception in 1982, MMS, in partnership with BIA, BLM, and OST, has helped DOI fulfill its trust and fiduciary responsibilities to Indian beneficiaries. The MMS serves American Indian tribes and IIMOs by ensuring that they receive timely and accurate revenues for mineral

production on their land. The MMS also helps prepare tribes to assume a greater role in managing their mineral assets.

The MRM reports quarterly performance results and Activity Based Cost (ABC) data in a timely and consistent manner. The MRM managers review quarterly performance and ABC data to assist in making decisions on resource allocation.

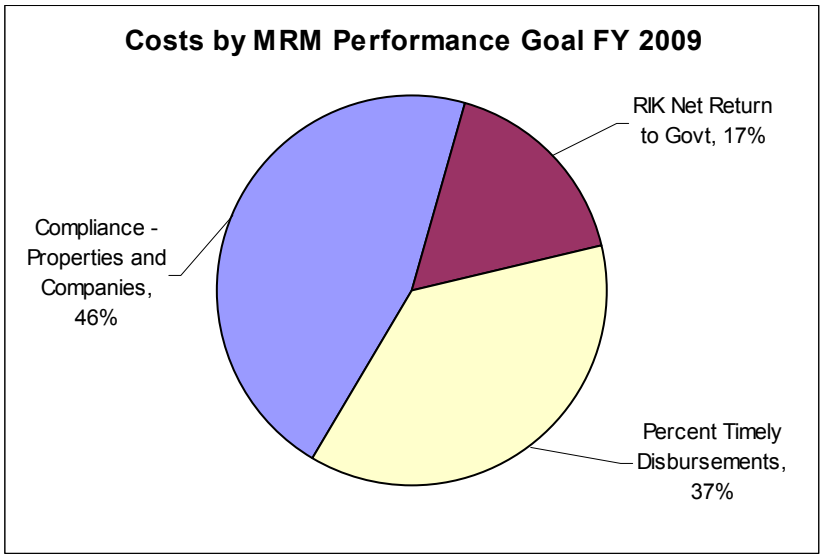


Figure 15: MRM Full ABC Costs, Allocated by Performance Goal

To ensure effective controls over program operations and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA), MRM conducts its assessments of internal controls with applicable laws and regulations in accordance with the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Controls*. The objectives of this assessment are to ensure that MRM programs achieve their intended results; resources are used consistent with agency mission; resources are protected from waste, fraud and mismanagement; laws and regulations are followed; and reliable and timely information is maintained, reported and used for decision making.

Based on the results of OMB Circular A-123 and internal control assessments during FY 2009, MMS can provide a reasonable assurance that the internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations, including FMFIA, are operating effectively. Further, MRM found no material weaknesses in the design or operation of internal controls. The MRM will also continue to follow DOI Internal Control and Audit Follow-up guidance and will submit a program-wide component inventory and 3-year internal control assessment strategy to DOI officials annually.

The MMS is entrusted with an important fiduciary role and values the continued oversight it receives from the Government Accountability Office (GAO), the Office of Inspector General (OIG), and other external organizations. Recently, the OIG issued a report titled, *Evaluation of Royalty Recommendations Made to the Department of the Interior Fiscal Year 2006 – February 2009*. This evaluation covered the 137 royalty-related recommendations from OIG, GAO, and

the RPC Subcommittee that were made to MMS since fiscal year 2006. The OIG concluded that 59 of the recommendations had sufficient actions taken to consider them implemented or closed. The OIG also confirmed the remaining 78 recommendations as having action initiated toward completion or a completion date established in the corrective action plan. The evaluation report stated that a sample of the actions taken was appropriate and properly approved, and the internal status reported in the DOI tracking system is current and accurate. The report did not make any new recommendations to MMS.

FY 2011 PERFORMANCE BUDGET REQUEST

Minerals Revenue Management

Compliance and Asset Management Subactivity

Table 28: MRM Compliance and Asset Management Subactivity Budget Summary

				FY 2011			
		2009 Enacted	2010 Enacted	DOI-Wide Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2010 (+/-)
Compliance and Asset Management Subactivity	($000)	47,965	50,940	-150	10,644	61,434	10,494
	FTE	377	398	0	11	409	11
Other Major Resources							
RIK Revenue Receipts for RIK/SPR Admin	($000)	22,000	22,000	0	-10,000	12,000	-10,000
RIK Revenue Receipts for RIK/SPR Transportation	($000)	62,000	20,000				

SUMMARY OF FY 2011 PROGRAM CHANGES

Request Components	Amount	FTE**
• Royalty In Kind Phase-Out/Transition to Royalty in Value*	+ $7,077,000	[26]
• Enhance Compliance Tools Integration and Capability	+$1,717,000	0
• Ensure Proper Royalties Paid on Transported and Processed Natural Gas	+$1,850,000	+11
• Department-Wide Changes	-$150,000	0
Total Program Changes	**+$10,494,000**	**+11**

* Bureau-wide, a total of $10 million is requested for the RIK-RIV transition in FY 2011. In addition to the funds requested here, an additional $879,000 and 8 FTE is requested in the Revenue and Operations subactivity, and $2.044 million is requested in the General Administration subactivity.

** Brackets indicate a non-add. Existing staff are being transitioned from in-kind to in-value activities and no additional FTE are requested.

JUSTIFICATION OF FY 2011 PROGRAM CHANGES

The FY 2011 Budget Request for the Compliance and Asset Management (CAM) Subactivity is $61.434 million and 409 FTE, a net increase of $10.494 million and 11 FTE over the FY 2010 enacted budget. As part of a comprehensive energy strategy that includes improving royalty and revenue management, the budget includes staffing increases to enhance compliance tools and ensure that proper royalties are paid for natural gas processing and transportation.

Royalty In Kind Phase-Out and Transition to Royalty in Value (+7,077,000; [+26 FTE])

On September 16, 2009, the Secretary of the Interior announced a transitional phase-out of the Royalty in Kind (RIK) Program. As a result, in FY 2011 MRM will require additional appropriated funds of $7.077 million to fund 26 FTE for compliance activities funded by the Compliance and Asset Management subactivity. This will ensure continued compliance coverage of the royalty stream.

Background:

As RIK oil and natural gas sales contracts expire, the oil and natural gas properties will revert to in-value status. As this transitional phase-out occurs, royalty obligations will revert from being collected in-kind to being collected in-value. There is little flexibility in transition timing because all existing RIK contracts expire by September 30, 2010. No new sales are anticipated.

The MMS has begun implementing a RIK Phase-Out Plan to shift all RIK properties and associated mineral revenue collection and compliance activities to royalty in value (RIV). The table below indicates when RIK volumes will be transitioned to in-value. The MMS projects that all transitions will be complete by September 30, 2010, and related closeout and reconciliation accounting will be complete by September 30, 2011.

Figure 16: RIK Oil and Gas Sales End Date Summary

RIK Oil Sales Contract Expiration Date	Offshore FMPs	Wyoming Properties	Daily Volume (bbls or mmbtu per day)	FMPs remaining	Volume remaining
December 31, 2009	48		70,600	45	34,600
March 31, 2010	6		2,800	39	31,800
June 30, 2010	4		5,000	35	26,800
September 30, 2010	35		26,800	0	0
Totals	**93**		**105,200**		
RIK Gas Sales Contract Expiration Date					
October 31, 2009	113	86	443,800		
March 31, 2010	117	55	196,600		
Totals	**230**	**141**	**640,400**		
BLM Helium Reserve - Gas Sales Contract Expiration Date					
March 31, 2010			**10,000**		

Justification:

In announcing his decision to terminate the RIK Program, the Secretary of the Interior directed MMS to *". . . ensure that the termination of the RIK program will not adversely affect the MMS's commitment to ensure that the nation's Federal and Indian energy and mineral revenues are accurately reported and paid in compliance with laws, regulations and lease terms and that the American people receive fair market value for their valuable energy and mineral resources."* As RIK oil and natural gas sales contracts expire, RIK properties will revert to in-value status. MMS is requesting additional appropriated funds for the increased in-value resource needs resulting from this transition. Workload shifts from in-kind to in-value will begin in FY 2011 and may continue through FY 2013. This transition has significant impacts on the MMS budget. In FY 2011, MMS projects that funding will be needed for the transition of 34 positions from in-kind to in-value activities, as well as for associated indirect costs throughout MMS. As a result, in FY 2011 MMS will require additional appropriated funds of $10 million.

Both direct and indirect costs of RIK operations are currently funded with RIK receipts, while non-RIK operations are funded with normal appropriated funding. As RIK operations are phased-out, ongoing indirect costs and costs associated with expanding in-value workloads will need to be funded from appropriated funds. The Department's 2006 appropriation language and the Energy Policy Act of 2005 both require that direct and indirect costs associated with RIK activities be funded with RIK receipts. Therefore, upon enactment of these laws, MMS instituted policies and practices to ensure that appropriated funds are not used to support either direct or indirect costs of RIK activities and that RIK receipts did not support non-RIK activities. As a result, direct and indirect costs of RIK operations are spread throughout MMS, but many of the indirect activities funded with RIK receipts will remain, even as RIK activities decline. Some of these activities are:

- a portion of the indirect costs of the MRMSS financial and compliance system,
- a portion of the MRM executive direction staff and their related costs,
- bureau-level administrative personnel costs that have supported RIK activities and will continue to be needed to support new royalty-in-value operations, and
- a portion of the MMS space rental, utilities and other ongoing infrastructure costs.

Other direct costs of RIK will be replaced by new direct costs associated with increased in-value workloads such as the direct costs of staff within MRM's Asset Sales office which will be transitioned to in-value activities.

The MMS projects that funding needs for the concurrent phase-out of RIK activities and the expansion of royalty-in-value audit and compliance activities very closely mirror each other in FY 2011 and FY 2012.

Impacts of Not Funding:

Since these funds are, in effect, replacing mandatory funding that was previously available from RIK receipts in FY 2010 and earlier years, the requested increase in discretionary appropriations is not a net increase in overall program funding. With the termination of the RIK program, mandatory funding through receipts will no longer be available to MRM. Thus, this increase in

discretionary funds is critical to avoid an overall decrease in funding for the MRM program. Not providing this funding would significantly disrupt the orderly phase-out of the RIK program and transition to in-value payments and would likely result in a significant reduction in compliance oversight capabilities within the MRM program. This, in turn, could be expected to result in a lower overall return to the Government from mineral revenue collections.

Enhance Capabilities and Integration of Compliance Tools (+$1,717,000; 0 FTE)

This 2-year initiative will fund MMS's integrated implementation of several overlapping recommendations from the Office of Inspector General (OIG), the Royalty Policy Committee, Subcommittee for Royalty Management (RPC Subcommittee), and the MMS Strategic Business Planning initiative which relate to MRM's mineral revenue compliance management tools.

Background:

Several recent external and internal assessments of the MMS Minerals Revenue Management (MRM) compliance activities have resulted in recommendations for significant improvement of MMS's compliance management information tools.

- The OIG's December 2006 Report on the MRM Compliance Review Process which emphasized the need for tools to provide reliable information for managing MRM compliance activities, a strategy for deploying personnel between audits and compliance reviews, and capability to provide accurate information to stakeholders including Congress and the state and tribal audit organizations.

- The RPC Subcommittee recommendations 4-9, 4-14, 4-17, and 4-18, emphasized improving the quality and reliability of compliance management information used in decision making, reducing manual data entry for compliance management information tools, and eliminating duplicate data.

- MRM's Strategic Business Planning initiatives (Compliance Business Plan and Indian Trust Business Plan) target integrated MRM, state, and tribal compliance activities to provide greater efficiency in identifying, organizing, maintaining, accessing, and analyzing information for effective regulatory compliance.

Currently, MMS compliance management information is extracted from Minerals Revenue Management Support System (MRMSS) and used to populate multiple compliance management tools. The MMS currently uses several independent compliance tools to track workload, work progress, audit and compliance review findings and collections and performance metrics. Establishing and maintaining workload information in these tools is manually intensive and often duplicative in nature. Due to the variety of independent compliance tools, the OIG and the RPC Subcommittee noted MMS's difficulty in accessing requested data, inconsistencies between tools, gaps in information, and duplication of manual data entry across separate tools.

The FY 2009 Omnibus Appropriations bill, signed by the President on March 11, 2009, included funding for MMS to develop and implement a Risk-Based Automated Compliance tool for use in

targeting audit and compliance resources. While working on the development of this tool, MMS has also initiated projects to identify requirements to address the above OIG, RPC Subcommittee, and MMS Strategic Business Plan recommendations. Through this effort, MMS has determined that the most effective and cost-efficient approach to addressing these requirements is to focus on integration among all compliance management information tools, including the Risk-Based Automated Compliance tool.

Justification:

The MMS is planning for an expanded, holistic, and integrated approach to provide a Compliance Program Tool (CPT) that is scalable and flexible to ensure long-term usefulness and future adaptability. Current manually-intensive compliance management tools that will be fully automated and integrated with the MRMSS Data Warehouse, include:

- Risk-Based Automated Compliance tool funded in FY 2009;
- Workload Analysis tool;
- Consolidated Work Planning process;
- Assignment and Tracking Tool;
- Electronic Workpapers; and
- Compliance Performance Tracking tool.

The MMS has developed requirements to demonstrate the inter-relationship of all of these compliance management tools, many of which are currently offline and very manually intensive to use and maintain. The MMS has also made significant progress in developing business requirements for a fully automated and integrated suite of Compliance Tools. These tools will provide one reliable and consistent source for automated, consolidated, and integrated compliance planning, analysis, tracking, performance accomplishment, and records management data in the MRMSS.

The MMS plans for a phased-in implementation approach, with a strong focus on integration throughout the implementation process, while also addressing security issues to ensure availability of tools to our state and tribal audit partners.

The phased-in implementation begun during FY 2009 focused on requirements for implementation of the risk-based automated compliance tool. That implementation will continue during FY 2010, ensuring focus on full integration capabilities with future phases. During FY 2010, MRM will also continue implementing the ongoing electronic records project, focusing on compliance workpapers and resulting performance tracking and reporting, ensuring full integration with risk-based automated compliance tool and future phases. During FY 2011 and FY 2012, the requested $1.7 million each year will provide for the fully integrated and automated Compliance Program Tool suite to be completed. This funding will also provide MMS the capability to address security issues, ensuring availability of the CPT to MMS's state and tribal audit partners.

Funding this initiative will ensure that MRM completes timely implementation of several open recommendations from the OIG and the RPC Subcommittee. The initiative will not directly impact achievement of MRM's mission performance metrics, but will positively impact the

reliability of performance data and is expected to result in better industry compliance and higher overall royalty revenues to the Government in the future.

Impacts of Not Funding:

If not funded, MMS will not be able to implement multiple outstanding recommendations from the OIG and the RPC subcommittee. Continued use of several separate and manually-intensive compliance management tools is likely to result in further external audit findings regarding the reliability of MMS's compliance management information.

Ensure Proper Royalties Paid on Transported and Processed Natural Gas (+$1,850,000; +11 FTE)

The MRM proposes to increase its compliance, valuation, and market research staff by 11 FTE to provide reliable and timely access to gas index and location differential data for use in valuation, and perform reviews and audits of the targeted gas plants and transportation systems in accordance with a prioritized schedule based on identified risk factors to help ensure that proper royalties are being received. New positions will include petroleum engineers, chemical engineers, economists, auditors, analysts, technicians and related administrative support. Without these additional resources, MRM is unable to implement the RPC recommendations identified below.

Background:

The December 17, 2007 report to the Royalty Policy Committee titled *Mineral Revenue Collection from Federal and Indian Lands and the Outer Continental Shelf* submitted by the Subcommittee on Royalty Management resulted in recommendations for improvement of MMS's compliance coverage for gas plants and unbundling of transportation costs.

- Recommendation 3-15 emphasized improving the quality and reliability of information used in assessing the accuracy of royalties reported and paid on gas that is being processed at gas plants, where valuation determination occurs, reducing manual data entry for compliance management information tools, and eliminating duplicate data.
- Recommendation 3-17 specifically recommended that MMS establish a prioritized gas-plant compliance review or audit schedule to examine gas-plant efficiency.
- Recommendation 4-26 addressed unbundling of transportation costs and revision and use of gas indexes for valuation.

In FY 2010, MMS requested funding for 2 FTE to address RPC Subcommittee recommendation 3-16. Those 2 FTE will analyze accuracy and completeness of gas plant efficiency data for use in compliance reviews and audits. Together, the FY 2010 and FY 2011 FTE requests will provide MMS the capability to address RPC recommendations related to processed and transported natural gas.

Justification:

For processed gas, MMS examines production volume reports, royalty reports, and publicly available data to assess whether the royalty amounts have been properly reported and paid.

Natural gas royalty valuation relies heavily on published index price data, adjusted by location differentials, to detect royalty discrepancies. The MMS expects regional published gas indices to be in the range of prices reported by companies with differences dependent upon the quality and location of the resource.

When gas is transported to remote sales points beyond the lease boundary, pipeline companies charge producers a fee for providing this service. The fees charged to producers often include deductible and non-deductible costs, which makes calculation of allowable gas transportation and gas processing costs very difficult and complicates MMS compliance reviews and audits. Accurate calculation of royalties requires information related to lessees, payors, operators, royalty rates, prices, and transportation costs.

With more than 200 gas plant systems processing gas from Federal leases, 100 different index points for gas, and over 500 pipeline systems transporting gas, MMS is requesting 11 FTE to:

1) gather and maintain natural gas index values,
2) determine location and quality differentials,
3) Unbundle transportation fees for use in compliance risk determinations for gas plants and transportation systems, including examining gas plant efficiencies, and
4) perform reviews and audits of gas plants and transportation systems.

Benefits

- Implementation of RPC Subcommittee recommendations related to compliance issues for gas plants and transportation costs;
- Improved accuracy of gas plant information, which is critical in determining expected volumes and values of processed gas and natural gas liquids for compliance purposes; and
- Increased audit and compliance coverage for transportation and processing systems, resulting in assurance of proper collections and potential increases in collections.

Table 29: Program Performance Change

	2007 Actual	2008 Actual	2009 Actual	2010 Plan	2011 Base Budget (2010 Plan + Fixed Costs	2011 Plan	Program Change Accruing in 2011	Program Change Accruing in Out - years
				A		B=A+C	C	D
Cumulative percent of unique mineral royalty companies covered by compliance activities (2008-2012)	N/A	28.7% (525/ 1,832)	50.7% (906/ 1,787)	53.0% (933/ 1,761 est.)	55.3% (974/ 1,761 est.)	55.3% (974/ 1,761 est.)	2.3%	2.3%
Cumulative percent of unique mineral royalty properties covered by compliance activities (2008-2012)	N/A	12.8% (3,100/ 24,164)	26.6% (6,374/ 23,984)	29.0% (7,125/ 24,565 est.)	32.0% (7,861/ 24,565 est.)	32.0% (7,861/ 24,565 est.)	3.0%	3.0%
Total Actual/Projected Cost ($M)	$53.7M	$55.5M	$59.2M	$63.5M	$63.5M	$75.5	$12.0M	$--
Comments	This initiative is primarily in response to multiple RPC Subcommittee recommendations. We do not anticipate significant increases in unique property and company coverage as a result of this initiative. However, as recommended by the RPC Subcommittee, the projected audit coverage of transportation systems and processing plants will provide complex evaluations of allowances taken. Several FTE will be focused on improved accuracy of gas plant information, which is critical in determining expected volumes and values of processed gas and natural gas liquids for compliance purposes. Other FTE will provide increased audit and compliance coverage for transportation and processing systems. These evaluations, while supportive of unique company and property goals, will be performed on many of the same companies and properties that have already been identified as high risk in the strategic goals.							

Impacts of Not Funding:

If this initiative is not funded, MRM will not be able to implement key RPC recommendations for improvement of MMS's compliance coverage for gas plants and unbundling of transportation costs. In addition to implementing key RPC recommendations, these requested FTE would provide for more efficient use of audit resources and provide for additional collections.

PROGRAM OVERVIEW

This subactivity supports business processes focused on ensuring that the Nation's Federal and Indian mineral revenues are accurately reported and paid in compliance with laws, regulations and lease terms. The CAM subactivity includes two major components:

- *Audit and Compliance,* 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.
- *Asset Management,* funded through appropriations in the CAM Subactivity and through RIK receipts. The MMS Asset Management activities provide consistency and oversight in MRM's valuation regulations and determinations; market research and information gathering; and credit assurance. The Asset Management activities also manage the RIK Phase-Out Plan.

PERFORMANCE OVERVIEW

In coordination with OMB and in response to 2006 OIG and 2007 PART recommendations, MMS implemented new compliance performance measures in 2009:

- *Cumulative percent of unique mineral royalty companies covered by compliance activities (2008-2012); and*
- *Cumulative percent of unique mineral royalty properties covered by compliance activities (2008-2012).*

The new measures reflect the cumulative percent of unique companies and properties covered by MMS audits, compliance reviews, or RIK imbalance reconciliations. Only the unique companies and properties will be added to calculate the cumulative results from FY 2008 forward. A unique company or property is one not previously examined and completed since base year, FY 2008. The FY 2009 enacted budget included funding to implement a risk-based automated compliance tool to target audits and compliance reviews of properties and companies based on the highest risk of non-compliance. Until implemented, high-risk properties and payors are primarily being selected utilizing MRM's interim risk-based targeting tools. A risk-based approach enables MMS to consistently target those companies and properties at greater risk for underpayment. The MMS is maintaining a strong focus on high-dollar properties and companies and using the risk tool in determining whether a formal audit or compliance review is required.

AUDIT AND COMPLIANCE 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 $3.5 billion.

MMS's Audit Program Receives Clean Audit Opinion

During FY 2008, an independent certified public accounting firm again performed a peer review of MRM's audit activities, once again resulting in a clean audit opinion. The accounting firm stated: "In our opinion, the system of quality control for the Federal Audit Function of MMS in effect for period January 1, 2005 to May 31, 2008, 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 this period to provide MMS with reasonable assurance of conforming with applicable auditing standards, policies, and procedures." Organizations performing audits in accordance with Generally Accepted Government Auditing Standard (GAGAS) must have an external peer review performed by independent reviewers at least once every three years. In FY 2011, MMS will undergo another peer review of its audit activities.

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. 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 performs both compliance reviews and audits. For 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 performs 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.

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, or for randomly selected companies. Audits can also focus on gas plants, transportation systems, or specific issues.

Program Performance: Past Accomplishments & Future Goals

Performance and Planned Accomplishments:

In FY 2008 through FY 2009, MMS covered 50.7 percent of unique mineral companies and 26.6 percent of unique mineral properties. By the end of FY 2010 and FY 2011, MMS is targeting cumulative coverage of 53 percent and 55.3 percent of unique mineral companies, respectively, and 29 percent and 32 percent of unique mineral properties, respectively. state and tribal partners report their compliance completion results to MMS on a regular basis, and are incorporated into the results of this measure. Royalty dollars remain a key component of the risk determination; therefore, there is strong probability of high revenue companies and properties being selected.

Updates to 2010 Program Performance Targets

The performance targets for unique companies and properties were revised from what was published in the FY 2010 budget because MMS exceeded previously published targets during FY 2009. The MMS's previously published targets for RIK metrics have been eliminated for FY 2010, due to the Secretary's September 16, 2009 announcement terminating the RIK program.

Use of Cost and Performance Information
In Audit and Compliance Management

In FY 2008, MRM established a new risk-based compliance strategy. Based on the results of the pilot project, MRM began utilizing interim targeting and resource allocation tools to identify and target high risk companies and properties for its annual compliance work plan. The FY 2009 President's request includes funding to implement a risk-based automated compliance tool to target audits and compliance reviews on those properties and companies identified with the highest risk of non-compliance.

In developing its annual compliance work plan, MRM incorporates data from its interim risk tool with prior year performance data including cost per audit and cost per compliance review, current year targets, and data on available audit and compliance resources to determine the appropriate mix of audits and compliance reviews.

During FY 2009, MMS closed 218 audits and 987 compliance reviews covering about 50 percent of all royalty revenues and ensuring compliance for about $5.3 billion in royalty revenues. In FY 2010 and 2011, MMS projects completion of 218 and 238 audits, respectively, and 1,040 compliance reviews each year, again covering about 50 percent of royalty revenues. MRM anticipates that the full impact of the additional auditors funded in FY 2009 and FY 2010 would be realized in FY 2012 due to the hiring and necessary training during FY 2010 and 2011.

The MMS covered 96.4 percent of high-significant risk companies and 32.9 percent of high-significant risk properties during FY 2009. During FY 2010 and 2011, MMS will cover about 86 percent of high-significant risk companies and approximately 43 percent of high-significant risk properties.

Additional Focus on Indian Trust Compliance: The MMS reviews, within three years, 100 percent of the Indian trust mineral revenue for industry compliance with specific provisions contained in Indian gas leases. The January 2000 Indian gas valuation regulations require the use of published index prices for valuing gas produced from many American Indian leases. For leases in these index areas, MMS 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 cooperative and delegated agreements with states and tribes to carry out certain inspection, auditing, investigation, or enforcement activities for leases in their jurisdiction. Currently, 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. Tribes are 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 FY 2009, MMS allocated $10.8 million to the states and tribes in the 202/205 program, of which the states and tribes expended approximately $9.7 million. In FY 2010, MMS is allocating

a total of $11.1 million, including $1.1 million which remained as carryover of 202/205 funds not expended in the prior year. 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. The MMS is working with the Cheyenne and Arapaho tribes of Oklahoma and the Three Affiliated Tribes of North Dakota (Mandan, Hidatsa, and Arikara) to establish new IPA Agreements, also known as Fellowships. These agreements will establish for MRM a knowledgeable representative from these tribes who fully understands the systems and business processes for collecting, accounting for, and distributing mineral revenues.

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 the Bureau of Land Management (BLM), Bureau of Indian Affairs (BIA), and the Office of the Special Trustee for American Indians (OST). President Obama signed a memorandum on tribal consultation on November 5, 2009, noting the Government's unique legal and political relationship with Indian tribal governments. Pursuant to Executive Order 13175, the memo directed all Federal agencies to submit a "detailed" tribal consultation plan in the next 90 days, with progress reports to follow. The Department is holding consultations in Indian Country during January 2010. The Department-wide Tribal Consultation Plan is scheduled to be completed by February 3, 2010. Also, as a member of the Department's Tribal Energy Policy Advisory (TERA) Committee, MRM has begun partnering with BLM and BIA to consult with tribes about new TERA agreements – potentially empowering tribes to perform additional mineral-related activities on their own properties and furthering the goal of Indian self-determination. The MMS's goal is to enhance trust responsibility and foster a positive working relationship with the Indian community. During 2009, MMS held 75 outreach sessions with American Indian constituents and resolved 5,474 royalty-related inquiries, a significant increase over the 3,985 inquiries resolved in FY 2008. FY 2010 funding provided 2 additional FTE for Indian services, increasing inquiry and outreach services to new Indian mineral owners.

Working in partnership with our sister agencies, the BLM, BIA, OST, Office of the Assistant Secretary of Indian Affairs (ASIA), 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.

ASSET MANAGEMENT PERFORMANCE

The MRM is entrusted with ensuring that the American public and Indian lessors receive a fair and appropriate return for oil, gas, and other minerals produced from Federal and Indian leased lands. The MRM reorganization, effective October 1, 2009, established a new MRM Asset Management office that centralizes all responsibilities for administering MRM's asset sales and valuation business processes including economic analysis; asset sales, accounting, and verification; credit management; reporting and market research; and royalty valuation. The Asset Management office is structured into two distinct areas, Asset Valuation and Asset Sales and Accounting. Centralizing these functions allows better information collection, storage, and analysis of market information; greater and more consistent policy oversight and regulatory interpretation; and enhanced economic and quantitative analysis of MRM's entire asset management approach.

The reorganization of Asset Management allows MRM to:

- Identify alternatives to capture, store, and utilize market information;
- Increase certainty and effectiveness of product valuation regulations;
- Respond quickly to changes in market conditions;
- Provide a single point for issuance of consistent product valuation determination and guidance; and
- Centralize allowance limit approvals and other special case allowance approvals.

Within Asset Management, the Asset Valuation office provides valuation support for production from Federal onshore, Outer Continental Shelf, and Indian lands. This office issues royalty valuation determinations and guidance under applicable regulations, approves exceptions to transportation and processing allowance limits, develops valuation and allowance regulations, and provides valuation guidance to MMS, state, and tribal personnel. Many of the 11 new FTE requested under our initiative, *Ensure Proper Royalties Paid on Transported and Processed Natural Gas*, will be staffed in the Asset Valuation office to provide reliable and timely access to gas index and location differential data for use in valuation, and to unbundle transportation fees for use in compliance risk determinations for gas plants and transportation systems, including examining gas plant efficiencies.

The Asset Management office is also managing the RIK Phase-Out Plan. On September 16, 2009, the Secretary of the Interior announced a transitional phase-out of the RIK Program. The MMS projects that all transitions will be complete by September 30, 2010, and related closeout and reconciliation accounting will be complete by September 30, 2011.

Program Performance: Past Accomplishments & Future Goals

Proposed "Valuation of Federal Coal for Advance Royalty Purposes and Information Collection Applicable to All Solid Minerals" Rule: The proposed rule would establish alternative methods to determine the value of coal for advance royalty purposes and would amend various coal regulations in 30 CFR parts 203, 210, and 218, regarding data collection. MMS revised the previously-approved proposed regulations (with preamble), supporting statement, and

the Sales Summary forms and instructions, to be compatible with the detailed design of the Solids Compliance Program Tool. This tool was designed to achieve Congress' requirements regarding the calculation of coal advance royalties and to enable MMS to replace manual processes with automated ones. The revised proposed rule package is in the review and surname process.

Indian Oil Valuation Rule: The MMS expects to address issues regarding the "major portion" calculation for oil produced from Indian leases in a negotiated rulemaking committee. The notice establishing the committee and announcing the organizations from which members may be selected was published in the Federal Register on December 19, 2008. The former Secretary of the Interior signed the charter on January 16, 2009. The committee is expected to convene after the charter has been filed and membership nominations are finalized.

Royalty in Kind Phase-Out Project Plan: The Secretary announced his decision to terminate the Royalty in Kind (RIK) program on September 16, 2009 in testimony before the House Natural Resources Committee. The RIK Phase-Out Project will implement the Secretary's decision. Key Milestones:

- The Strategic Petroleum Reserve fill program was completed on December 31, 2009.
- The final natural gas sales contracts, including those from the BLM National Helium Reserve, will expire on March 31, 2010.
- The final crude oil sales contracts, including the Small Refiner program, will expire on September 30, 2010.

The MRM will ensure operators begin to pay in value for the appropriate production month as RIK sales contracts expire and properties are converted to in-value. The MMS will continue RIK invoicing until all sales contracts have ended and after any invoicing issues and final adjustments are reconciled. Contracts for services, including transportation and processing, will be terminated as sales contracts expire in a joint effort between RIK and A&B Procurement. The cash-outs of RIK volume imbalances are a major effort that will continue until the end of the project. Imbalances are determined monthly on the basis of the difference between the entitled royalty share of production and the actual volumes delivered.

SUBACTIVITY SUMMARY

The MMS manages a substantial Federal monetary asset on behalf of the American public. Revenues from mineral leasing on public and Indian trust lands have averaged more than $13 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 statutory and market 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 FY 2011 Subactivity will ensure that MMS is able to perform its Federal and Indian audit and compliance and asset management activities effectively.

Table 30: 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: Manage or influence resource use to enhance public benefit, responsible development, and economic value.

Measure	2006 Actual	2007 Actual	2008 Actual	2009 Plan	2009 Actual	2010 Plan	2011 Plan	Change from 2010 Plan to 2011	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									
Cumulative percent of unique mineral royalty companies covered by compliance activities (2008-2012) (PART)*	N/A	N/A	28.7%* (525/ 1,832)	37.8% (675/ 1,787)	50.7% ** (906/ 1,787)	53.0% (933/ 1,761 est.)	55.3% (974/ 1,761 est.)	2.3%	57.6% (1,014/ 1,761 est.)
Cumulative percent of unique mineral royalty properties covered by compliance activities (2008-2012) (PART) *	N/A	N/A	12.8%* (3,100/ 24,164)	16.7% (4,004/ 23,984)	26.6% ** (6,374/ 24,565 est.)	29.0% (7,125/ 24,565 est.)	32.0% (7,861/ 24,565 est.)	3.0%	35.0% (8,598/ 24,565 est.)
Total Actual/Projected Cost ($M)	53.2	53.7	55.5	59.5	59.5	63.5	75.5	12.0	--
Comments	*These are new MMS compliance measures implemented in FY 2009, in response to OIG recommendations and in coordination with OMB. They measure the cumulative percent of unique royalty companies and properties covered by MRM audits, compliance reviews, or RIK compliance strategy. The MRM compliance risk strategy provides the data to determine properties and companies to be covered, the mix of audits vs. compliance reviews, and the number of repeat vs. unique royalty companies and properties. Only the unique companies and properties will be added to calculate the cumulative results from FY 2008 baseline year forward.* ** In FY 2009, MMS provided compliance coverage for about 50% of all royalty revenues, ensuring compliance for about $5.3 billion in royalty revenues. MMS covered 96.4% of high-significant risk companies and 32.9% of high-significant risk properties in FY 2009. MMS will cover about 86% of high-significant risk companies each year and approximately 43% of high-significant properties in FY 2010 and 2011. Royalty dollars are one key component of the risk determination; therefore, there is strong probability of high revenue companies and properties being selected.*								

Performance Overview - Compliance and Asset Management (continued)									
Measure	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Compliance benefit/cost efficiencies (PART)	1 : 2.63 (Baseline)	1 : 4.27	1 : 7.08 **	1 : 4.60	1 : 6.72 * **	1 : 4.75	1 : 4.75	1 : 0.00	1 : 4.75
Comments	*This measure is a ratio of costs to collections for compliance reviews and audits. 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.* ** In FY 2006-2008 (reported in FY 2009), MMS collected $6.72 in additional royalties.* *** The $7.08 overall (Audits + CRs) result for FY 2008, and the $6.72 result for FY 2009 become $5.08 and $4.62, respectively, without the $105,300,000 settlement with Burlington. This large settlement, which occurred in 2007, is a non-recurring event.*								
Estimated net return (in dollars) to the government through Royalty in Kind (RIK) (SP/PART)	$67.1M (cum)	$130.3M (cum)	$236.3M (cum)	$210M (cum)	$261.3M * (cum) (est.)	N/A **	N/A **	N/A **	N/A **
Total Actual/Projected Cost ($M)	17.3	20.0	20.1	22.0	22.0	22.0	12.0	-10.0	--
Comments	*This measure monitors the cumulative outcome of MMS's decision to take royalties in kind (RIK). The MMS collects royalties in kind if there is economic advantage to the government. The outcome includes three components: (1) the amount by which RIK royalties exceed estimated fair market value benchmark (estimated in value royalties); (2) the positive "time value of money" benefit resulting from collecting RIK royalties more quickly than in value royalties; and (3) the estimated administrative costs savings resulting from RIK operations versus RIV operations. The sum of the dollar value of these three components comprises the RIK Net Return.* ** Final result will be published in the FY 2009 RIK Annual Report to be published during 2010.* *** On September 16, 2009, the Secretary announced to the House Committee on Natural Resources that he was ordering the termination of the MMS royalty-in-kind program, thus this performance metric is discontinued for FY 2010 forward.*								
Ensure substantial compliance for X% of Indian gas properties within 3 years for Indian-specific major portion/index pricing terms. (BUR)	100% of CY 2003; (2,246 properties / 2,246 properties)	100% of CY 2004; (2,295 properties / 2,295 properties)	100% of CY 2005 (2,370 properties / 2,370 properties)	100% of CY 2006	100% of CY 2006 (2,392 properties / 2,392 properties)	100% of CY 2007	100% of CY 2008	0%	100% of CY 2009
Comments	*This measure supports MMS efforts to provide the highest possible Indian Trust protection and enforce the unique terms contained in Indian leases.*								

Performance Overview - Compliance and Asset Management (continued)									
Outputs									
Measure	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
RIK Barrels of Oil Equivalent (BOE) Sold	72.1 million	90.1 million	74.7 million	100 million	74.3 million	N/A *	N/A *	N/A *	N/A *
Barrels of Oil Sold	42.3M	44.6M	26.0M	48.1M	37.0M	N/A *	N/A *	N/A *	N/A *
MMBtus of Gas Sold	173	264	282	301	216	N/A *	N/A *	N/A *	N/A *
Barrels Delivered to DOE (SPR)	0M	2.9M	18.1M	0M	3.8M	N/A *	N/A *	N/A *	N/A *
Comments	*In order to calculate all RIK BOE 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.* *These numbers differ slightly from those published elsewhere in the budget. These numbers are based on the accounting month and the numbers published elsewhere in the budget are based on the production month.* ** On September 16, 2009, the Secretary announced to the House Committee on Natural Resources that he was ordering the termination of the MMS royalty-in-kind program, thus this performance metric is discontinued for FY 2010 forward.*								
Compliance Reviews Completed	2,584	1,876*	884**	2,550***	987 ***	1,040	1,040	0	1,040
Comments	** The FY 2007 result is different than the number published in FY09 budget. Prior number included limited scope reviews and number was changed to align with calculation methodology for FY 2005 and 2006.* *** During FY 2008, MMS compliance review counts do not include RIK compliance (which is being tracked separately on a monthly basis as "Facility Measurement Points Reconciled." (FMP)). The in-kind and in-value compliance review metric was separated in response to an OIG recommendation. RIK compliance reviews included in prior years: 547 in FY 2005; 828 in FY 2006; and 1,020 in FY 2007.* **** When the FY 2009 Plan workload estimate was developed earlier in the planning cycle, RIK FMP activity was included. The methodology changed during FY 2009, in response to an OIG recommendation, to include both full-scope compliance reviews (as counted FY 2005-2008) and limited-scope compliance reviews but excluding RIK compliance reviews. This mid-year methodology change created the difference between the target and the actual results. The compliance risk tool is being utilized FY 2009 forward to determine the proper mix of full-scope vs. limited-scope compliance reviews.*								
Audits Completed	144	304*	343**	157	218	218	238 **	20	251 **
Comments	** The increase in audits in 2007 and 2008 was partially the result of an effort by MMS to close a significant number of old MRM and State and Tribal audits. MMS ensured that final steps and documentation were taken to close the audit in response to recommendations from an external peer review of our audit activities.* *** Full impact of additional 33 audits/year will not be realized in FY 2012 due to required hiring/training in FY 2010. MMS anticipates completing 20 more audits in FY 2011, with an additional 13 audits completed annually by FY 2012, for a combined increase of 33 audits.*								

Performance Overview - Compliance and Asset Management (continued)									
Measure	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Indian Inquiries Serviced	4,366	4,136	3,985	4,000	5474 *	4,300	4,500	200	4800
Comments	** The difference between the FY 2009 Plan and FY 2009 Actual is primarily attributable to new leasing by the BIA Ft. Berthold Agency. As a result of this leasing, the MMS received numerous inquiries about the status of signed leases, the status of wells being drilled and about the subsequent payment of royalties. The increase in leasing and development on Indian lands will likely result in increased inquiries during FY 2010 forward.*								
Conduct X Indian outreach sessions per year (BUR)	74	81	67	65	75	72	74	2	76

FY 2011 PERFORMANCE BUDGET REQUEST

Minerals Revenue Management

Revenue and Operations Subactivity

Table 31: MRM Revenue and Operations Subactivity Budget Summary

				FY 2011			
		2009 Enacted	2010 Enacted	DOI-Wide Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2010 (+/-)
Revenue and Operations Subactivity	($000)	38,719	38,434	-226	762	38,970	536
	FTE	173	177	0	0	177	0

SUMMARY OF FY 2011 PROGRAM CHANGES

Request Components	Amount	FTE**
• Royalty In Kind Phase-Out/Transition to Royalty in Value*	+ $879,000	[+8]
• Department-Wide Changes	-$226,000	0
• Offsetting Collections Reduction	-$117,000	0
Total Program Changes	**+$536,000**	**+0**

* Bureau-wide, a total of $10 million is requested for the RIK-RIV transition in FY 2011. In addition to the funds requested here, an additional $7.077 million and 26 FTE is requested in the Compliance and Asset Management subactivity, and $2.044 million is requested in the General Administration subactivity.

** Brackets indicate a non-add. Existing staff are being transitioned from in-kind to in-value activities and no additional FTE are requested.

JUSTIFICATION OF FY 2011 PROGRAM CHANGES

The FY 2011 Budget Estimate for the Revenue and Operations Subactivity is $38.9 million and 177 FTE, a net increase of $536,000 over the FY 2010 enacted budget.

Royalty In Kind Phase-Out and Transition to Royalty in Value (+879,000; [+8 FTE])

On September 16, 2009, the Secretary of the Interior announced a transitional phase-out of the Royalty in Kind (RIK) Program. In FY 2011, MMS is requesting an additional appropriation of $879,000 in the Revenue and Operations Subactivity to address increased workloads associated with RIK properties transitioned to in-value. New resources include 8 FTE to address these new workloads. This request is explained in detail in the Compliance and Asset Management section.

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 $210.69 billion to Federal, state, and American Indian recipients. In addition, MMS has delivered oil valued at an estimated $6.57 billion to the Department of Energy for the Strategic Petroleum Reserve. The MMS completed oil deliveries to DOE sufficient to fill the remaining SPR capacity in FY 2010.

Revenue and Operations: This subactivity funds the Financial Management business process, which achieves economic value by ensuring that all revenues from Federal and American Indian leases are efficiently, effectively, and accurately collected and accounted for, and disbursed in a timely manner. 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 American Indian mineral leases are properly disbursed to the appropriate recipients. Financial statements, representing MMS financial transactions, ensure accurate and timely compliance with OMB and Treasury requirements.

- *Collection and Invoicing* – The MMS receives and processes approximately 10 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 American Indian recoupment limitations. Invoices not paid by companies are subject to a comprehensive debt collection process.

Through the MRM Financial Management process, MMS's people and processes within the Revenue and Operations Subactivity support the MMS strategic goal 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 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. The MMS pays late disbursement interest to states in large part because of problems tracking how industry payments should match their reports. Late disbursement interest costs during FY 2006 were about $1.85 million. However, by FY 2008, MRM significantly decreased late disbursement interest to $370,210, and in FY 2009 MRM only paid $44,221 in late disbursement interest. Our targets for FY 2010 and 2011 are to remain at least 90 percent below FY 2006 levels.

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, five Federal agencies, 38 states, and 41 American Indian tribes. Over the last five years, MMS has collected and distributed on average more than $13 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]:

- $130.89 billion to the U.S. Treasury and other Federal agencies
- $ 26.98 billion to 38 states
- $ 24.36 billion to the Land and Water Conservation Fund
- $ 18.10 billion to the Reclamation Fund
- $ 6.65 billion to 41 American Indian tribes and 30,000 Individual Indian Mineral Owners (IIMOs)
- $ 3.75 billion to the National Historic Preservation Fund

Approximately 62 percent of all annual collections have gone to the General Fund of the U.S. Treasury, 22 percent to special purpose funds that are subject to appropriation, 13 percent to states, and 3 percent to the American Indian community.

[1] In addition, MMS has delivered oil valued at an estimated $6.57 billion to the Department of Energy for the Strategic Petroleum Reserve.

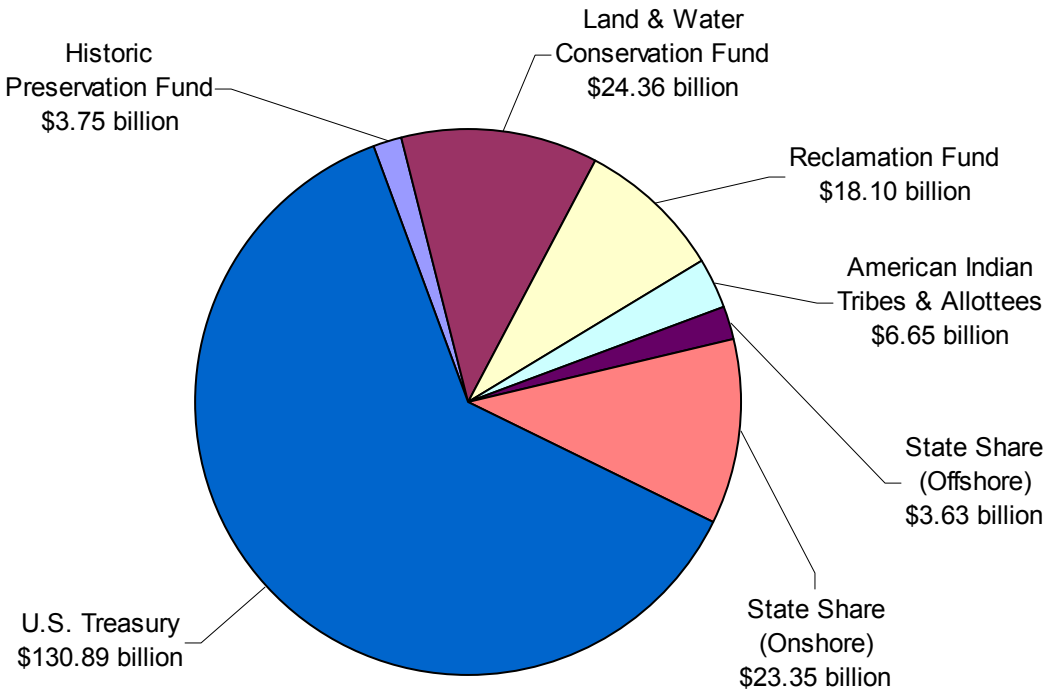


Figure 17: Cumulative Mineral Lease Revenue Disbursements (1982 – 2009)

Special purpose funds, including the Land and Water Conservation Fund (LWCF), the National Historic Preservation Fund, and the Reclamation Fund, have received $46.2 billion in MMS-collected mineral revenues since 1982.

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 99.2 percent during FY 2008 and 99.5 percent during FY 2009, against a 98 percent target. The targets for 2010 and 2011 are 98 percent and 99 percent, respectively.

Timely Service to American Indians: In 2009, MMS transferred 100 percent of American Indian revenues it received to the Office of the Special Trustee for American Indians (OST) within one business day of identification, against a 100 percent target. To ensure prompt payment of mineral revenue payments to American Indian tribes and IIMOs, MMS immediately deposits American Indian revenues into accounts administered by OST where they are invested and subsequently distributed by BIA to American Indian tribes and IIMOs. The target is 100 percent for 2010 and 2011. The BIA requires Financial Distribution Report (FDR) information in order to distribute funds to IIMOs. To better serve its American Indian constituents, MMS provides this lease distribution data to BIA twice each month. In 2009, MMS provided lease distribution data to BIA for 97.7 percent of royalties by the first semi-monthly distribution, against a 96.5 percent target. The target for 2010 and 2011 is 97 percent and 98 percent, respectively.

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). The MMS 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.

The Chief Financial Officer's (CFO) Act requires annual audits of DOI financial statements that include a thorough review of MMS's 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.

Unqualified Audit Opinion on Mineral Revenue Custodial Account: To provide greater assurance on the integrity of financial operations and the accuracy of financial data, MMS undergoes annual Financial Statement audits, including a thorough review of mineral revenue custodial accounts. In November 2009, the Office of the Inspector General (OIG) released the *Independent Auditors' Report on the Department of the Interior Financial Statements for FY 2009 and 2008*. The Independent Auditors' Report concluded that "Interior's financial statements as of and for the years ended September 30, 2009 and 2008, 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 six significant deficiencies for the Department, none of which applied to MRM.

USE of COST and PERFORMANCE INFORMATION
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.

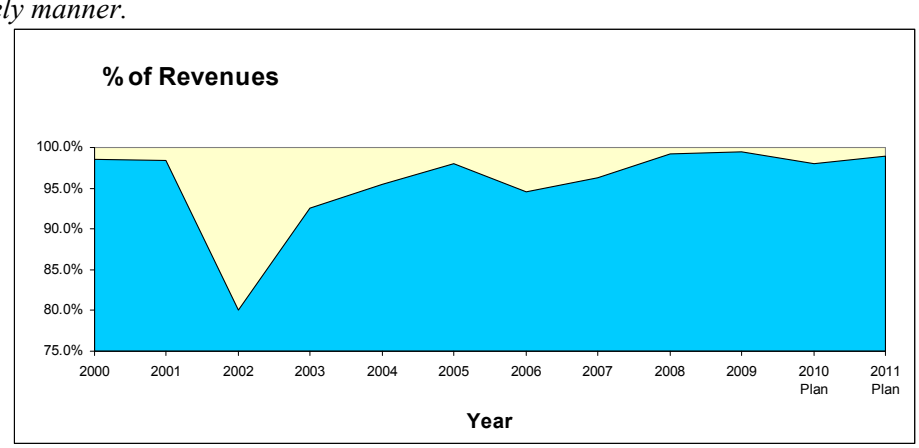


Figure 18: Percent of Revenues Disbursed On-Time

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 2008 to 99.2 and 99.5 percent during FY 2009. Company reporting accuracy was 98.3 percent and 98.1 percent, respectively, for FY 2008 and 2009. For FY 2010 and 2011, MMS is targeting 98 and 99 percent disbursement timeliness, respectively. MMS is targeting 98 percent reporting accuracy for FY 2010 and 2011.

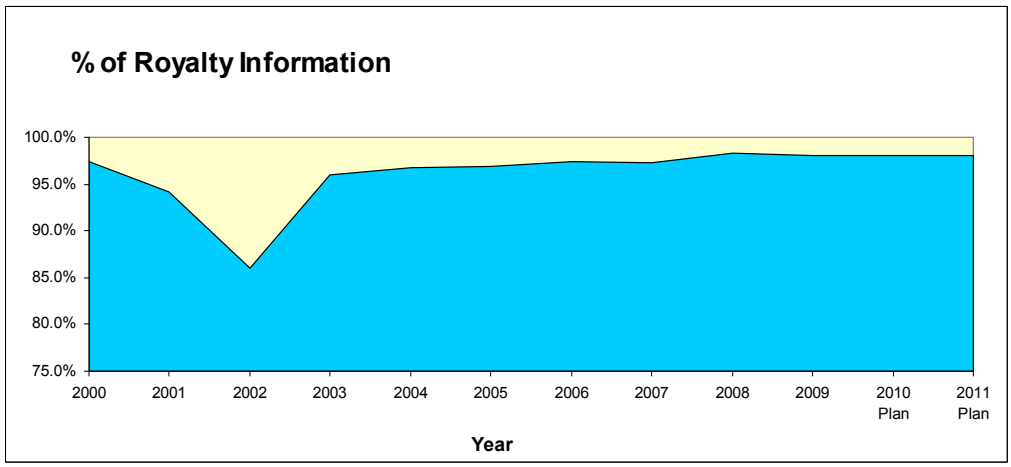


Figure 19: Percent of Royalty Information Reported Accurately

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) is contractor-owned and operated and uses commercial off-the-shelf (COTS) software that has been modified for MRM requirements. The MMS continues to ensure that its systems remain secure, interactive, web-based, and compliant with latest mandated accounting requirements and technologies. While the Web-based paradigm creates efficiencies and conforms to industry best practices, 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 American Indians. Three primary IT subsystems of the MRMSS that are vital to the accomplishment of the MRM mission are:

- The Financial subsystem, which accounts for and distributes the billions of dollars that the government collects from energy companies for both conventional energy and renewable energy on Federal and Indian lands.

- The Data Warehouse subsystem, which maintains historical information from mineral revenues, oil and gas leases, and includes specialized tools for verifying companies' compliance with laws, lease terms and regulations.

- The Asset Management subsystem, which uses a suite of tailored COTS applications that are integrated with the Financial Management and Data Warehouse subsystems**,** and is responsible for economic analysis and managing royalties received in kind.

Projected FY 2010 MRMSS costs total $21.7 million, comprised of $2.6 million for initiatives, $18.8 million for operations and support costs, and an additional $0.3 million for FTE costs, as reported in the Exhibit 300; MMS-MRMSS (Revision 23). FY 2011 MRMSS projections total $21.3 million, including $2.85 million for initiatives.

COLLECTION AND INVOICING PROGRAM PERFORMANCE

The MMS collects annual rental revenues and reporting information on more than 35,000 non-producing leases and monthly royalty revenue and sales reports on more than 29,000 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 about 50,000 royalty and production reports containing more than 800,000 lines of data from approximately 2,000 royalty payors and 1,850 production reporters. 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 Energy and 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, American 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

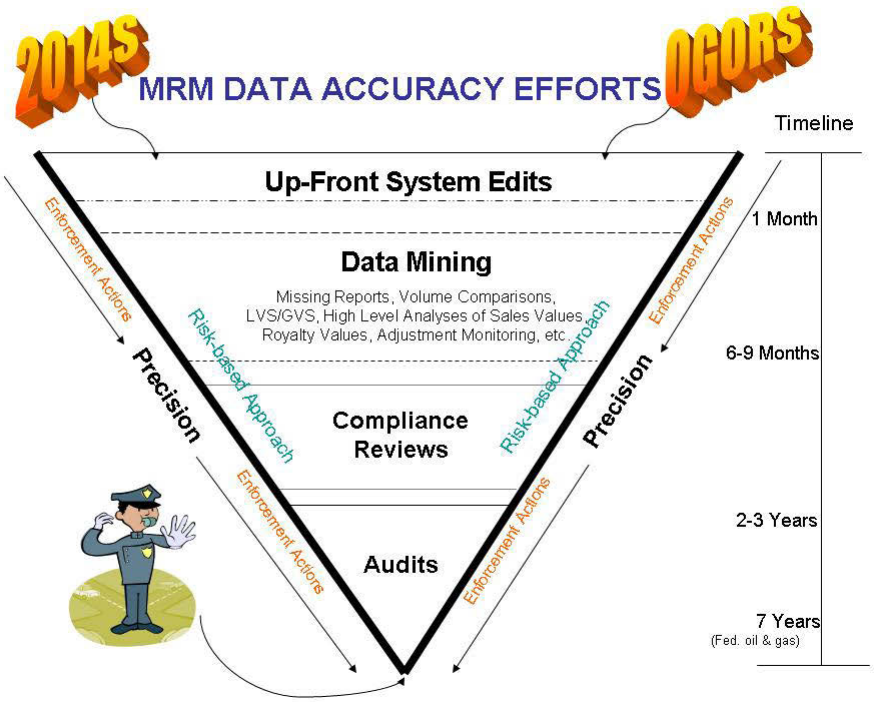
- Rental, minimum royalty, deferred bonus, rights-of-way, and other financial term exceptions.

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

Accurate Company Reporting: The MMS has several efforts underway to improve the accuracy of company-reported data used to collect and verify royalties, in response to the RPC Subcommittee report and to a recent GAO report entitled, *Mineral Revenues: MMS Could Do More to Improve the Accuracy of Key Data Used to Collect and Verify Oil and Gas Royalties (GAO-09-549)*. The MMS subjects company-reported royalty data to more than 140 edit checks and has incorporated up-front edits to prevent companies who report their royalties via the Web from submitting erroneous data. Current technology has opened new avenues for MMS to identify and analyze erroneous data on a real-time basis. More recently, MMS has initiated a data mining effort as a second level screening process to increase the accuracy of company-reported data before the data is subjected to compliance reviews and ultimately to audit.

Figure 20: MMS's Overall Data Accuracy Concept [2]



Company reporting accuracy is key to ensuring that MMS achieves timely disbursement. In 2009, companies reported 98.1 percent of royalties accurately, thus, requiring MMS intervention to resolve royalty errors on only 1.9 percent of all royalties reported and paid. In 2010 and 2011 the target is 98 percent for this measure.

[2] 2014 - Report of Sales and Royalty Remittance.
OGOR - Oil and Gas Operations Report.

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 $13 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.

Table 32: 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: Manage or influence resource use to enhance public benefit, responsible development, and economic value.

Measure	2006 Actual	2007 Actual	2008 Actual	2009 Plan	2009 Actual	2010 Plan	2011 Plan	Change from 2010 Plan to 2011	Long-term Target 2012
GPRA End Outcome Measures									
Percent of Federal and Indian revenues disbursed on a timely basis per statute (SP/RPM/PART/300)	94.5% ($2.505B / $2.650B)	96.3% ($2.251B / $2.336B)	99.2% ($2.962B / $2.987B)	98%	99.5% ($2.289B / $2.300B)	98%	99%	1%	99%
Total Actual/Projected Cost ($M)	43.7	45.8	45.2	47.7	47.7	48.2	47.9	-0.3	--
Comments	*This measure reports the timely disbursement of revenues that are subject to late disbursement interest (LDI). The MMS is required by statute to disburse Federal funds to recipients by the end of the month following the month of receipt. The MMS is also required to deliver Indian lease data to BIA by the end of the month following the month of receipt so that OST can disburse revenues to Indian recipients. When not provided timely, these revenues are subject to late disbursement interest. MMS has recognized significant increases in disbursement timeliness between FY 2006 and 2008 by moving more "edits" up front, effectively placing more burden on companies to properly report, and by focusing on ensuring more timely payment reconciliation by companies, thus allowing more timely disbursement. Because the payment reconciliation process is very manually intensive, the targets for this measure remain at 98 percent for FY 2009 and 2010. However, for FY 2011 forward, after full implementation in FY 2010 of the interactive payment and billing initiative, MMS anticipates that disbursement timeliness will maintain at 99 percent or above.*								
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)	97.4% (3.084M lines / 3.167M lines)	97.3% (3.094M lines / 3.180M lines)	98.3% (3.464M lines / 3.523M lines)	98%	98.1% (3.649M lines / 3.720M lines)	98%	98%	0%	99%
Comments	*This measure of royalty reporting accuracy is based on the number of accurate company-reported royalty lines compared to the total number of royalty lines. This measure is particularly important in meeting our goals of distributing state and Indian revenue dollars and lease royalty distribution data timely. The MRM influences this metric by providing reporter training free of charge to companies in various geographic locations and targeting specific companies for additional assistance to ensure that royalty reporting accuracy remains high.*								

Performance Overview - Revenue and Operations (continued)									
Measure	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Late disbursement interest costs (PART)	Baseline $1.851M	- 9.5% - $0.176M / $1.851M	-80% -$1.481M / $1.851M	-60% -$1.111M / $1.851M	-97.6% -$1.807M / $1.851M	-90% -$1.666M / $1.851M	-90% -$1.666M / $1.851M	-0% -$0.0M	-90% -$1.666M / $1.851M
Comments	*MMS's goal is to decrease taxpayer dollars spent on late disbursement interest (LDI) by 90% from the baseline of $1.851M in FY 2006. Per statute, revenue is due the states not later than the last business day of the month following the month of receipt, and interest is due for onshore revenues not disbursed timely to states. LDI costs in FY 2009 were only $44,221, a 97.6% reduction from the $1.851 million in FY 2006. Based on FY 2009 performance, targets for FY 2010 forward were revised to ensure MRM remains at least 90% below the FY 2006 baseline.*								
Percent of late disbursements (SP)	1.13% ($0.145B / $12.831B)	0.74% ($0.086B / $11.671B)	0.11% ($0.025B / $23.373B)	0.9%	0.10% ($0.011B / $10.68B)	0.8%	N/A *	N/A *	N/A *
Comments	*This measure reports the percent of Federal and Indian revenues not paid to states or allocated to BIA timely compared to total disbursements.*								
Transfer X percent of revenue to OST within 1 business day of receipt (BUR)	100% ($157.1M/ $157.1M)	100% ($124.3M/ $124.3M)	100% ($139.8M/ $139.8M)	100%	100% ($79.8M/ $79.8M)	100%	100%	0%	100%
Comments	*This measures the percentage of all Indian revenue received on a daily basis that is transferred to OST within one business day of identification. The MMS monitors the timeliness of the data transfer to ensure fulfillment of MMS's Indian Trust responsibilities.*								
Percent of royalties for which lease data provided to BIA by first semi-monthly distribution (PART)	94.7% ($130.0M / $137.3M)	96% ($126.8M / $132.1M)	97.1% ($121.5M / $125.1M)	96.5%	97.7% ($94.8M / $97.0M)	97%	98%	1%	98%
Comments	*The MMS's goal is to provide BIA the lease data needed to disburse revenue to individual Indian mineral owners (no later than the first semi-monthly distribution following the month of receipt of the revenue). The BIA needs this lease data so that OST can disburse revenues to correct recipients.*								
Ensure systems availability (300)	100% (553,729 min / 554,430 min)	100% (537,785 min / 537,884 min)	100% (577,950 min / 578,040 min)	99%	99.4% (197,453 min / 198,558 min)	99%	99%	0%	99%
Comments	*This measures the overall, online availability of the Minerals Revenue Management Support System (MRMSS). The MRMSS is comprised of the MRM Financial System, the RIK (Nucleus) System, and the MRM Data Warehouse.* *The methodology for calculating system availability changed with the new Accenture contract. Hence, the magnitude of the numerator and denominator changed in FY 2009.*								

Performance Overview - Revenue and Operations (continued)									
Measure	**2006 Actual**	**2007 Actual**	**2008 Actual**	**2009 Plan**	**2009 Actual**	**2010 Plan**	**2011 Plan**	**Change from 2010 Plan to 2011**	**Long-term Target 2012**
Outputs									
Federal Disbursements	12	12	12	12	12	12	12	0	12
Indian Revenue Distribution Transactions	24	24	24	24	24	23 *	24	1	24
Comments	** In November 2010, due to when the holidays occur, there will be only one disbursement. All affected parties, including BIA and OST have agreed to this plan.*								
Errors & Exceptions Resolved	3,973,267	3,136,895	3,650,168	3,250,000	4,122,092 *	4,000,000 **	4,000,000 **	0	4,000,000 **
Comments	** The majority of the Missing OGOR project was conducted during FY08 and FY09, resulting in a higher number of resolved exceptions.* *** Projected royalty and production workloads have been reduced in FY 2010 -2012 because of movement of edits to MRM's electronic reporting provider, which will result in fewer errors. However, this has been offset by additional data mining exception activities, such as volume comparison and adjustment monitoring.*								
Invoices processed	7,958	25,034	12,110	11,000	10,215	10,000	10,000	0	10,000
Comments	*In FY 2007 a Corrective Action plan to catch-up the interest billing backlog was executed. This concerted effort resulted in the issuance of over 25,000 interest bills.*								
Lease & Well Agreement Actions Completed	120,478	132,174	145,671	130,000	126,539	130,000	130,000	0	130,000
Comments	*The increase in FY 2007 was the result of regaining access to the BLM Automated Fluid Minerals Support System (AFMSS) and an increased focus on well related exceptions.*								
Checks and Documents Processed	86,484	86,027	79,738	68,000	66,662	60,000	50,000	10,000	40,000
Comments	*The implementation of Pay.gov, which will offer payors a free method of paying electronically online, is projected to occur during FY 2010, reducing the number of checks received in FY2010 forward.*								
Account Reconciliation Actions	23,648	30,254	29,460	30,000	23,695	25,000	22,250	-2,750	20,000
Comments	*The reduction in account reconciliation actions in FY 2012 is anticipated with the implementation of the new process for collection of rents electronically. The process is expected to be implemented in FY 2010, with full achievement of efficiencies in FY 2012.*								

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FY 2011 PERFORMANCE BUDGET REQUEST
General Administration

Table 33: General Administration Summary of Budget Request

General Administration		2009 Enacted	2010 Enacted	FY 2011 DOI-Wide Changes (+/-)	FY 2011 Program Changes (+/-)	FY 2011 Budget Request	Change from 2010 (+/-)
Executive Direction	($000)	2,741	2,818	-14	+392	**3,196**	**+378**
	FTE	27	27	0	0	**27**	**0**
Policy and Management Improvement	($000)	4,236	4,328	-16	+99	**4,411**	**+83**
	FTE	31	31	0	0	**31**	**0**
Administrative Operations	($000)	17,654	20,029	-335	+1,156	**20,850**	**+821**
	FTE	153	160	0	+1	**161**	**+1**
General Support Services	($000)	26,589	28,524	-38	+502	**28,988**	**+464**
	FTE	0	0	0	0	**0**	**0**
Total	**($000)**	**51,220**	**55,699**	**-403**	**+2,149**	**57,445**	**+1,746**
	FTE	**211**	**218**	**0**	**+1**	**219**	**+1**

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.

FY 2011 BUDGET OVERVIEW

The MMS General Administration Activity consists of four subactivities:

- **Executive Direction**, which provides bureau-wide 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 Energy and Minerals Management and Minerals Revenue Management programs.

FY 2011 BUDGET REQUEST

In FY 2011, General Administration's request is $57.5 million and 219 FTE, a net increase of $1.8 million and 1 FTE over FY 2010. Please see the following table for General Administration's programmatic budgetary changes.

Table 34: General Administration Program Request Compared to FY 2010

Request Component	Subactivity	Amount	FTE*
Program Changes			
• Transition to Royalty in Value	**Total**	**+2,044,000**	**[+8]**
	Executive Direction	+394,000	[+3]
	Policy and Management Improvement	+102,000	[+1]
	Administrative Operations	+1,013,000	[+4]
	General Support Services	535,000	+0
• Ensure Proper Royalties Paid on Transported & Processed NG	**Total**	**+150,000**	**+1**
	Administrative Operations	+150,000	+1
• DOI-Wide Changes	**Total**	**-403,000**	**+0**
	Executive Direction	-14,000	+0
	Policy and Management Improvement	-16,000	+0
	Administrative Operations	-335,000	+0
	General Support Services	-38,000	+0
• Offsetting Collections	**Total**	**-45,000**	**+0**
	Executive Direction	-2,000	+0
	Policy and Management Improvement	-3,000	+0
	Administrative Operations	-7,000	+0
	General Support Services	-33,000	+0
• Total, Program Changes		**+1,746,000**	**+1**

***** Brackets indicate a non-add. Existing staff are being transitioned from in-kind to in-value activities and no additional FTE are requested.

Fixed Costs and Related Changes

Fixed costs are expected to increase by $4,016,000 over FY 2010 for all of MMS, which covers anticipated increases in pay, benefits and other costs. To provide the maximum funding possible for priority program needs, the FY 2011 President's Budget Request does not include an increase for anticipated increases in fixed costs in FY 2011. The MMS will absorb these costs.

The bureau-wide fixed cost increase is composed of the following:

January 2010 annual pay adjustments (2.0%)	+$836,000
January 2011 annual pay adjustments (1.4%)	+$1,756,000
Employer Share – Health Benefits	+$685,000
GSA/Non-GSA Space Rental	+$706,000
Unemployment compensation	+$12,000
Workers' compensation	+$21,000
Total Absorbed Fixed Cost Increase	**+$4,016,000**
Decrease – Department Working Capital Fund	-$16,000
Total Requested Fixed Cost Change	**-$16,000**

PROGRAM AND PERFORMANCE OVERVIEW

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 Energy and 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. Centralization of these administrative functions leverages resources and contributes to efficient and effective operations across the MMS organization.

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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FY 2011 PERFORMANCE BUDGET REQUEST
General Administration
Executive Direction

Table 35: Executive Direction Subactivity Budget Request

				FY 2011			
		2009 Enacted	2010 Enacted	DOI-Wide Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2010 (+/-)
Executive Direction	($000)	2,741	2,818	-14	392	**3,196**	**+378**
	FTE	27	27	0	0	**27**	**0**

SUMMARY OF 2011 PROGRAM CHANGES

Request Component	Amount	FTE*
Transition to Royalty in Value	+$394,000	[3]
DOI-Wide Changes	-$14,000	+0
Offsetting Collections	-$2,000	+0
Total Program Changes	**+$378,000**	**+0**

***** Brackets indicate a non-add. Existing staff are being transitioned from in-kind to in-value activities and no additional FTE are requested.

JUSTIFICATION OF FY 2011 PROGRAM CHANGES

Transition to Royalty in Value (+$394,000; [3 FTE])

Funds are requested to maintain support levels as the RIK program is phased out. As RIK oil and natural gas sales contracts expire, the oil and natural gas properties will revert to in-value status. The MMS direct and indirect costs of RIK operations are funded through RIK receipts, while Royalty in Value operations are funded through appropriations. Costs associated with increasing in-value workloads will necessitate additional appropriated funds. The increase in appropriated funding will be offset by a reduction in outlays from receipts leaving the fiscal condition of the federal government unchanged.

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.

FY 2011 PERFORMANCE BUDGET REQUEST
General Administration
Policy and Management Improvement Subactivity

Table 36: Policy and Management Improvement Subactivity Budget Request

				FY 2011			
		2009 Enacted	2010 Enacted	DOI-Wide Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2010 (+/-)
Policy and Management Improvement	($000)	4,236	4,328	-16	99	**4,411**	**+83**
	FTE	31	31	0	0	**31**	**0**

SUMMARY OF FY 2011 PROGRAM CHANGES

Request Component	Amount	FTE*
Transition to Royalty in Value	+$102,000	[1]
DOI-Wide Changes	-$16,000	+0
Offsetting Collections	-$3,000	+0
Total Program Changes	**+$83,000**	**+0**

*Brackets indicate a non-add. Existing staff are being transitioned from in-kind to in-value activities and no additional FTE are requested.

JUSTIFICATION OF FY 2011 PROGRAM CHANGES

Transition to Royalty in Value (+$102,000; [1 FTE])

Funds are requested to maintain policy and management support levels as the RIK program is phased out. As RIK oil and natural gas sales contracts expire, the oil and natural gas properties will revert to in-value status. The MMS direct and indirect costs of RIK operations are funded through RIK receipts, while Royalty in Value operations are funded through appropriations. Costs associated with increasing in-value workloads will necessitate additional appropriated funds. The increase in appropriated funding will be offset by a reduction in outlays from receipts leaving the fiscal condition of the federal government unchanged.

PROGRAM OVERVIEW

The Policy and Management Improvement Subactivity (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's operational programs (OEMM and

MRM), 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 MMS programs.

Open and Nondiscriminatory Access Hotline

Implementation of the Open and Nondiscriminatory Access Hotline began in August 2008. This new initiative invites shippers and others to call with concerns, if they believe they have been, or are being, denied open or nondiscriminatory access to oil or gas pipelines operating on the OCS under a Right-of-Way or other authority granted by the Department of the Interior. The Hotline gives callers an informal way to report problems obtaining access to OCS pipelines, not under the Federal Energy Regulatory Commission jurisdiction, without litigation or lengthy complaint proceedings.

Royalty Policy Committee Subcommittee Report Recommendations

In March 2007, the Secretary of the Interior appointed an independent seven-member Royalty Policy Subcommittee charged with reviewing mineral revenue collection practices within MMS. In December 2007, the Subcommittee issued a report with 110 recommendations which was accepted by the Secretary in January 2008. PMI tracks the recommendations and facilitates their implementation by MMS, BLM and the Assistant Secretary for Indian Affairs. PMI provides quarterly reports on the status to the Assistant Secretary for Land and Minerals and provides staff support to the Production Coordination Council for cross-cutting initiatives affecting multiple bureaus.

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's 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.

PMI works with the programs to integrate performance and activity based costing (ABC). The office leads efforts to strengthen 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, and other special ad hoc reviews of MMS programs and initiatives.

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FY 2011 PERFORMANCE BUDGET REQUEST
General Administration
Administrative Operations Subactivity

Table 37: Administrative Operations Subactivity Budget Request

				FY 2011			
		2009 Enacted	2010 Enacted	DOI-Wide Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2010 (+/-)
Administrative Operations	($000)	17,654	20,029	-335	+1,156	**20,850**	**+821**
	FTE	153	160	0	+1	**161**	**+1**

SUMMARY OF FY 2011 PROGRAM CHANGES

Request Component	Amount	FTE*
Transition to Royalty in Value	+$1,013,000	[+4]
Ensure Proper Royalties Paid	+$150,000	+1
DOI-Wide Changes	-$335,000	+0
Offsetting Collections	-$7,000	+0
Total Program Changes	**+$821,000**	**+1**

*Brackets indicate a non-add. Existing staff are being transitioned from in-kind to in-value activities and no additional FTE are requested.

JUSTIFICATION OF FY 2011 PROGRAM CHANGES

The FY 2011 Budget Estimate for the Administrative Operations Subactivity is $20.9 million and 161 FTE, with a net program change of an additional $821,000 and 1 FTE above FY 2010.

Transition to Royalty in Value (+$1,013,000; [+4 FTE])

Funds are requested to maintain administrative support levels as the RIK program is phased out. As RIK oil and natural gas sales contracts expire, the oil and natural gas properties will revert to in-value status. MMS direct and indirect costs of RIK operations are funded through RIK receipts, while Royalty in Value operations are funded through appropriations. Costs associated with increasing in-value workloads will necessitate additional appropriated funds. The increase in appropriated funding will be offset by a reduction in outlays from receipts leaving the fiscal condition of the federal government unchanged.

Ensure Proper Royalties Paid on Transported and Processed Natural Gas (+$150,000; +1 FTE)

MMS proposes to increase its compliance, valuation, and market research staff to provide reliable and timely access to gas index and location differential data for use in valuation and perform reviews and audits of the targeted gas plants and transportation systems in accordance with a

prioritized schedule based on identified risk factors to help ensure that proper royalties are being received. The requested increase is to address Royalty Policy Committee recommendations for improvements in MMS's compliance coverage for gas plants and unbundling of transportation costs. With a considerable expansion of the MMS workforce under this initiative there will be a need for increased administrative support functions including human resources, information management, and facilities management support.

PROGRAM OVERVIEW

The Administrative Operations Subactivity consists of the following functions: Administrative Direction and Coordination, Emergency Management, 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.

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 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.

MMS continues to comply 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.

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 testimony 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 of the Policy and Management Improvement Subactivity 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. 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.

This Division is responsible for the administrative accounting operations. 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 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.

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:

- Provide 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;
- Monitor, evaluate, and adjudicate 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. 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. 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 contracts and financial assistance agreements. The Division provides acquisition and financial assistance policy guidance, cost and price analysis, and advice to procurement and program personnel. They conduct acquisition management and other internal control reviews of procurement activities. They also administer the purchase line of the MMS charge card program and manages the agency's competitive sourcing program. In addition, they 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. They also oversee all acquisition career management programs.

Support Services: Support Services includes facilities management for 27 leases in MMS locations throughout the country, space management, mail and courier activities, bureau-wide physical security, the Safety and Health Management Program, 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 contractors and manages the vehicle fleet and the museum property, including an Arts and Artifacts program.

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. This includes managing the 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 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 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 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), the Information Technology Division and the OCS Connect Project Management Office. The SASC also provides full support to five outlying District GOMR offices.

- **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, and the Alaska and Pacific OCS Regions.

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FY 2011 PERFORMANCE BUDGET REQUEST
General Administration
General Support Services Subactivity

Table 38: General Support Services Subactivity Budget Request

				FY 2011			
		2009 Enacted	2010 Enacted	DOI-Wide Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2010 (+/-)
General Support Services	($000)	26,589	28,524	-38	+502	**28,988**	**+464**
	FTE	0	0	0	0	**0**	**0**

SUMMARY OF FY 2011 PROGRAM CHANGES

Request Component	Amount	FTE
Transition to Royalty in Value	+$535,000	+0
DOI-Wide Changes	-$38,000	+0
Offsetting Collections	-$33,000	+0
Total Program Changes	**+$464,000**	**+0**

JUSTIFICATION OF 2011 PROGRAM CHANGES

Transition to Royalty in Value (+$535,000; +0 FTE)

Justification: Funds are requested to maintain administrative support levels as the RIK program is phased out. As RIK oil and natural gas sales contracts expire, the oil and natural gas properties will revert to in-value status. MMS direct and indirect costs of RIK operations are funded through RIK receipts, while Royalty in Value operations are funded through appropriations. As RIK operations are phased-out, ongoing indirect costs such as a portion of the MMS space rental, utilities and other ongoing infrastructure costs will need to be funded from appropriated dollars. The increase in appropriated funding will be offset by a reduction in outlays from receipts leaving the fiscal condition of the federal government unchanged.

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 and security of office space
- Workers' compensation and unemployment compensation
- Voice and Data 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.

2011 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, counties and parishes. 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). FY 2010 is the last fiscal year to provide for a direct appropriation of $250 million for CIAP grants.

The following table shows the breakout of permanent appropriations.

Table 39: Permanent Appropriations ($000)

Appropriation	States Share	FY 2009 Actual	FY 2010 Estimate	FY 2011 Estimate	Change from 2010
Mineral Leasing Associated Payments *(MLAP)*	50%	1,838,525	1,647,999	1,960,045	+312,046
National Forest Fund Payments to States *(Forest Fund)*	25%	8,789	5,009	5,448	+439
Payments to States from Lands Acquired for Flood Control, Navigation, and Allied Purposes *(Flood Control)*	75%	38,919	2,116	2,303	+187
Qualified OCS Revenues to Gulf Producing States (GOMESA)	38%	25,240	2,220	1,894	-326
National Petroleum Reserve - Alaska	50%	16,279	4,900	11,650	+6,750
Subtotal, Payments to States	**--**	**1,927,752**	**1,662,244**	**1,981,340**	**+319,096**
Geothermal, Payments to Counties	25%	12,679	0	0	0
Coastal Impact Assistance Program	N/A	250,000	250,000		0
Total, Permanent Appropriations	**--**	**2,190,431**	**1,912,244**	**1,981,340**	**+69,096**

Note: The revenues subject to the Gulf of Mexico Energy Security Act of 2006 (GOMESA) are disbursed to the states in the year after receipts are deposited to 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 Budget assumes a proposal that is part of an Administration initiative to encourage energy development on lands and waters leased for development. A $4.00 per acre fee on non-producing Federal leases on lands and waters would provide a financial incentive for oil and gas

companies to either get their leases into production or relinquish them so that the tracts can be re-leased to and developed by new parties. The proposed $4.00 per acre fee would apply to all new leases and would be indexed annually. In October 2008, the Government Accountability Office issued a report critical of past efforts by the Department of the Interior to ensure that companies diligently develop their Federal leases. Although the GAO report focused on administrative actions that the Department could undertake, this proposal requires legislative action. This proposal is similar to other non-producing fee proposals considered by the Congress in the last several years. This will result in savings of $8.0 million in 2011 and $760.0 million over ten years.

In support of President Obama's goal to dramatically increase domestic renewable energy generation, MMS is working to expedite development of OCS renewable energy resources, such as wind and wave power. Receipt estimates include receipts from the renewable energy program, as MMS begins to implement its new authority and responsibility for OCS renewable energy development. Please refer to the OEMM Renewable Energy section for additional information.

For FY 2011, the President's Budget proposes to retain the current appropriations provision providing for a two percent deduction from state mineral revenue payments under the MLA. This ensures that states receiving significant payments from mineral revenue development on Federal lands also share in the costs of administering the Federal mineral leases from which this revenue is generated. In 2009, states received nearly $2 billion in Federal mineral revenue payments from production occurring on Federal lands, and current projections indicate these figures will be even higher in 2011. Relative to the overall benefits these states receive from the Department's mineral leasing programs, the proposed deduction is a modest sum. A similar net receipts sharing process was common during the Clinton Administration, until it was repealed in 2000 during a time of Federal budget surpluses. The Budget proposes to make this deduction permanent through separate authorizing legislation that would take effect beginning in FY 2012.

The Budget also assumes increases in revenues from administrative royalty reforms. The Administration believes that American taxpayers should get a fair return on the development of the resources on their public lands. A recent GAO report suggests that taxpayers could be getting a better return from Federal oil and gas resources, at least in some areas. In 2010, the Department will initiate a rulemaking to increase onshore royalty rates. The Budget assumes this reform will increase Federal onshore oil and gas revenues by $1 billion over the next 10 years. These revenue assumptions are built into the royalty receipt estimates presented in the tables included in this section. The Department will also initiate a more comprehensive review of the royalty rates from energy development on Federal land (both onshore and offshore), as recommended by GAO. Based on the results, BLM and MMS will implement further royalty reforms and rate adjustments as appropriate.

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. 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 provided that for the revenues collected from geothermal leasing, 25 percent were to be paid to the county in which the leased lands or geothermal resources are located and, for fiscal years 2006 to 2010, 25 percent were to be transferred to the Geothermal Steam Act implementation fund. Section 423 of the 2010 Department of the Interior, Environment, and Related Agencies Appropriations Act, P.L. 111-88, cancelled the 2010 payments to the counties as well as the deposit to the Geothermal Steam Act implementation fund. (As noted above, FY 2010 is the last year deposits to geothermal implementation fund were authorized by the Energy Policy Act of 2005.) The 2011 President's Budget proposes terminating payments to counties in FY 2011 and thereafter since these payments 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 Gulf of Mexico Energy Security Act of 2006 (P.L. 109-432) opened additional areas in the Gulf of Mexico for offshore oil and gas leasing. The Act provided 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 Energy Policy Act of 2005 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 (CPSs), $250 million for each of the fiscal years 2007 through 2010. This funding is shared among six producing states (Alabama, Alaska, California, Louisiana, Mississippi, and Texas) and 67 eligible CPSs within those states, based upon allocation formulas prescribed by the Act. Funding for the administration of this program was provided through appropriations, with three percent of the annual program allocation provided in Fiscal Years 2007-2009, and 4 percent in 2010. While appropriation of new funds has ended, activities, such as grant awards and monitoring, will continue for several years.

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 in each producing state related to the total OCS revenues. Of each state's allocable share, 35 percent is to be distributed to coastal political subdivisions based on population, coastline, and distance to applicable OCS leases.

Calculation of States' Payments

Each permanent appropriation has a respective account in the United States Treasury. The FY 2009 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 40, Mineral Revenue Payments to States, outlines the actual and estimated onshore mineral leasing revenue payments to states for FY 2009, FY 2010, and FY 2011.

Table 40: Mineral Revenue Payments to States ($000)

States:	FY 2009 Actual Payments	FY 2010 Estimated Payments	FY 2011 Estimated Payments
Alabama	2,210	1,912	2,267
Alaska	32,650	19,574	29,103
Arizona	253	226	269
Arkansas	3,321	2,117	2,448
California	51,315	45,996	54,705
Colorado	187,319	167,904	199,697
Florida	2	2	2
Idaho	1,482	1,329	1,580
Illinois	176	10	10
Indiana	14	8	9
Kansas	1,596	1,422	1,691
Kentucky	437	224	244
Louisiana	914	691	811
Michigan	837	654	761
Minnesota	13	8	8
Mississippi	583	343	376
Missouri	2,060	1,174	1,277
Montana	46,559	41,734	49,636
Nebraska	31	27	33
Nevada	20,845	18,685	22,223
New Mexico	388,527	348,264	414,207
N. Dakota	61,155	25,633	30,296
Ohio	453	82	92
Oklahoma	3,942	3,185	3,781
Oregon	661	592	704
Pennsylvania	43	2	3
S. Dakota	951	852	1,013
Texas	7,407	3,582	4,036
Utah	128,636	115,306	137,139
Virginia	143	45	49
Washington	346	310	368
West Virginia	400	97	105
Wyoming	957,232	858,034	1,020,502
Total**	**1,902,512**	**1,660,024**	**1,979,446**

Notes:
- Payments include Mineral Leasing Associated Payments, National Forest Fund Payments to States, Payments to States from Lands Acquired for Flood Control, Navigation and Allied Purposes, National Petroleum Reserve – Alaska, royalty payments to Oklahoma and late interest payments. Payments in 2009 and 2010 are reduced by the Net Receipts Sharing provision enacted in the 2009 and 2010 Appropriations Acts and proposed in the 2011 President's Budget.
- All years exclude payments made to coastal States under the Outer Continental Shelf Lands Act and Geothermal Revenue Sharing Payments to Counties under the Energy Policy Act of 2005.

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 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

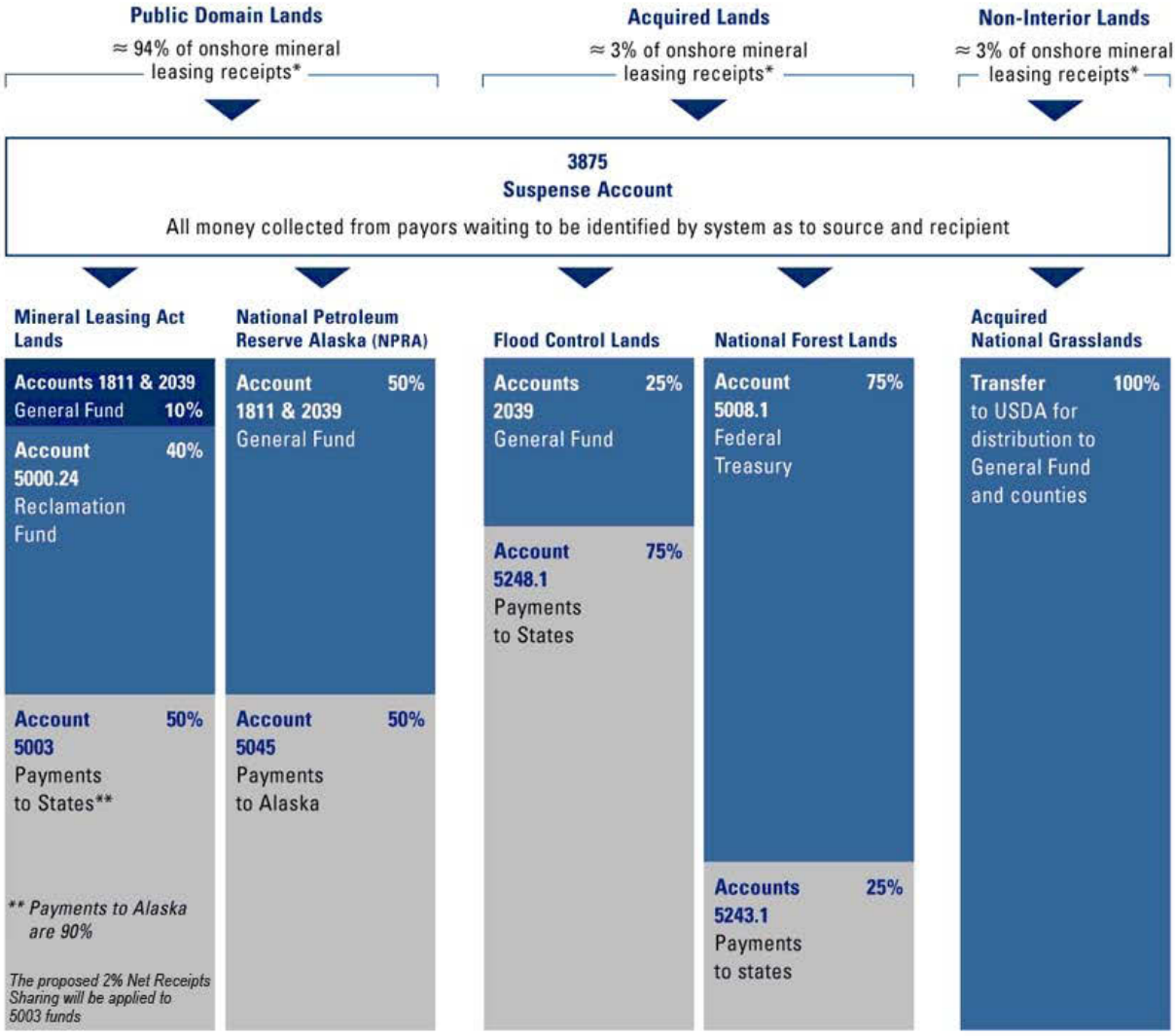
After the payments are identified by the above three criteria, they are redirected immediately into all accounts based on land category and source type (see Figure 21 for a visual representation of the distribution of onshore mineral leasing receipts). In addition, detailed state information is necessary 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. The 2011 President's Budget proposes to make permanent the current two percent deduction from state mineral revenue payments under the MLA. 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*).

Figure 21: Distribution of Onshore Mineral Leasing Receipts



**The percentages of onshore mineral leasing receipts are approximations based on historical annual collections.*

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 22 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 41 provides information on the 8(g) payments to coastal States.

Table 41: Payments to Coastal States under OCSLA Section 8(g) ($000)

	FY 2009 Actual Payments	FY 2010 Estimated Payments	FY 2011 Estimated Payments
Alabama	8,830	12,842	15,883
Alaska	9,944	14,462	17,887
California	6,979	10,150	12,553
Louisiana	22,317	32,456	40,142
Mississippi	451	656	811
Texas	6,130	8,915	11,026
Total	**54,651**	**79,479**	**98,302**

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. The funding 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.

Table 42: Payments to Gulf producing States under GOMESA 2006:[1]

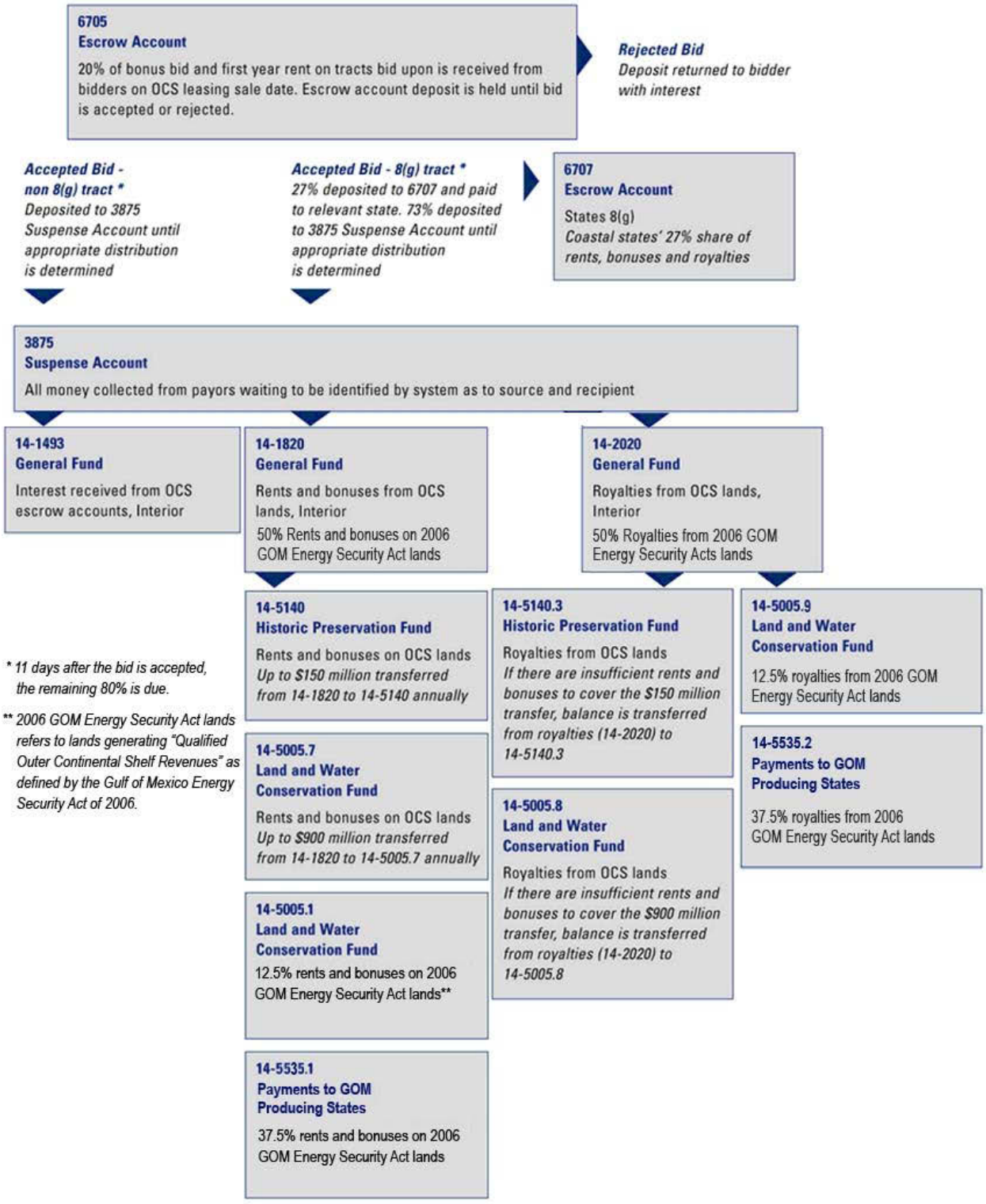
(thousands of dollars)

	FY 2009[2] Actual Payments	FY 2010 Estimated Payments	FY 2011 Estimated Payments
ALABAMA	6,179	543	464
BALDWIN COUNTY ALABAMA	713	63	53
MOBILE COUNTY ALABAMA	832	73	62
LOUISIANA	6,347	558	476
ASSUMPTION PARISH LOUISIANA	52	5	4
CALCASIEU PARISH LOUISIANA	70	6	5
CAMERON PARISH LOUISIANA	82	7	6
IBERIA PARISH LOUISIANA	70	6	5
JEFFERSON PARISH LOUISIANA	139	12	10
LAFOURCHE PARISH LOUISIANA	79	7	6
LIVINGSTON PARISH LOUISIANA	66	6	5
ORLEANS PARISH LOUISIANA	146	13	11
PLAQUEMINES PARISH LOUISIANA	165	14	12
ST. BERNARD PARISH LOUISIANA	98	9	7
ST. CHARLES PARISH LOUISIANA	63	6	5
ST. JAMES PARISH LOUISIANA	53	5	4
ST. JOHN THE BAPTIST PARISH LOUISIANA	58	5	4
ST. MARTIN PARISH LOUISIANA	56	5	4
ST. MARY PARISH LOUISIANA	57	5	4
ST. TAMMANY PARISH LOUISIANA	93	8	7
TANGIPAHOA PARISH LOUISIANA	69	6	5
TERREBONNE PARISH LOUISIANA	107	9	8
VERMILION PARISH LOUISIANA	64	6	5
MISSISSIPPI	5,506	484	413
HANCOCK COUNTY MISSISSIPPI	249	22	19
HARRISON COUNTY MISSISSIPPI	538	47	40
JACKSON COUNTY MISSISSIPPI	590	52	44
TEXAS	2,159	190	162
ARANSAS TEXAS	21	2	2
BRAZORIA TEXAS	33	3	3
CALHOUN TEXAS	28	2	2
CAMERON TEXAS	32	3	2
CHAMBERS TEXAS	19	2	1
GALVESTON TEXAS	46	4	3
HARRIS TEXAS	105	9	8
JACKSON TEXAS	15	1	1
JEFFERSON TEXAS	37	3	3
KENEDY TEXAS	30	3	2
KLEBERG TEXAS	22	2	2
MATAGORDA TEXAS	39	3	3
NUECES TEXAS	29	3	2
ORANGE TEXAS	21	2	2
REFUGIO TEXAS	14	1	1
SAN PATRICIO TEXAS	15	1	1
VICTORIA TEXAS	16	1	1
WILLACY TEXAS	18	2	1
TOTAL	**25,240**	**2,220**	**1,894**

[1] Payments shown in the above table reflect individual payments made to states, counties and parishes. State payment totals are separate from payments made to the counties and parishes. Payments are disbursed to the states in the year after receipts are deposited to Treasury.

[2] 2009 Actual Payments include proceeds from Sale 208.

Figure 22: 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 80 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 43: Mineral Leasing Receipts by Commodity Source;
- Table 44: Mineral Leasing Receipts by Account;
- Table 45: Onshore Mineral Receipts;
- Table 46: Onshore Rents and Bonuses;
- Table 47: Federal Onshore Royalty Estimates;
- Table 48: Outer Continental Shelf Mineral Receipts;
- Table 49: OCS Rents and Bonuses; and
- Table 50: Federal Offshore Royalty Estimates.

Table 43: Mineral Leasing Receipts by Commodity Source ($000) [1/]

	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate
Onshore Mineral Leasing						
Onshore Rents and Bonuses						
Oil and Gas	151,836	164,912	151,598	169,521	154,971	168,375
Coal	338,563	637,184	987,400	901,185	911,495	828,838
Geothermal	12,584	12,658	12,758	12,857	12,957	13,057
Oil Shale	0	0	0	2	2	400,041
All Other	20	20	20	20	20	20
Subtotal, Rents and Bonuses	**503,003**	**814,774**	**1,151,776**	**1,083,585**	**1,079,445**	**1,410,331**
Onshore Royalties						
Oil and Gas	2,169,095	2,472,943	2,589,732	2,669,900	2,780,751	2,899,519
Coal	665,731	697,975	739,425	777,532	796,122	809,732
Geothermal	14,701	17,879	18,177	18,475	17,780	18,078
All Other (including oil shale)	28,389	28,389	28,389	28,389	28,389	35,107
Subtotal, Royalties	**2,877,916**	**3,217,187**	**3,375,724**	**3,494,297**	**3,623,043**	**3,762,436**
Fee on onshore nonproducing oil and gas new leases 2/	0	5,000	11,000	17,000	23,000	29,000
Total, Onshore Receipts	**3,380,919**	**4,036,961**	**4,538,500**	**4,594,882**	**4,725,488**	**5,201,767**
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	539,990	537,660	520,830	407,860	423,140	413,550
OCS Royalties 3/	2,994,761	6,688,714	7,621,684	8,406,395	8,724,910	9,053,347
Fee on offshore nonproducing oil and gas new leases 4/	-	3,000	11,000	21,000	30,000	38,000
Total, OCS Receipts	**3,534,751**	**7,229,375**	**8,153,514**	**8,835,255**	**9,178,050**	**9,504,897**
TOTAL, MINERAL RECEIPTS 5/	**6,915,800**	**11,266,466**	**12,692,144**	**13,430,267**	**13,903,668**	**14,706,794**

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 reflect onshore revenues anticipated from the 2011 Budget proposal to impose a $4/acre fee on nonproducing new leases.

3/ 2010 projections reflect estimated recoupments based on the Kerr-McGee judgement that ruled that price thresholds may not be applied to deepwater royalty relief included in leases issued from 1996 to 2000.
4/ Estimates reflect offshore revenues anticipated from the 2011 Budget proposal to impose a $4/acre fee on nonproducing new leases.

5/ Small discrepancies may occur due to rounding.

Table 44: Mineral Leasing Receipts by Account ($000) [1/]

		FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate
Onshore Mineral Leasing Receipts							
1811.00	Rents and Bonuses	49,306	86,018	119,252	117,825	111,890	150,376
2025.00	Fee on nonproducing oil and gas new leases	-	5,000	11,000	17,000	23,000	29,000
2039.00	MLR Royalties 2/	321,546	361,834	382,762	394,991	409,243	427,745
5000.24	Reclamation Fund	1,326,453	1,581,732	1,803,178	1,817,823	1,873,078	2,055,673
5003.02	Payments to States 2/	1,647,996	1,960,042	2,208,893	2,226,833	2,294,521	2,518,199
5045.00	Payments to Alaska from Oil & Gas Leases (NPRA)	4,900	11,650	5,350	12,100	5,200	11,950
5134.00	Payment to Oklahoma (Royalties)	3	3	3	3	3	3
5243.10	Forest Fund, States share	5,009	5,448	5,614	5,763	5,918	6,090
5248.10	Flood Control, States shares	2,116	2,303	2,371	2,445	2,509	2,582
5573.10	Rent from mineral leases (Permit Processing Fund)	23,562	22,878				
5574.10	Geothermal Lease Revenues, County share						
5575.10	Geothermal Lease Revenues, DOI share						
5576.10	Leases from Naval Petroleum Reserve #2	29	53	77	100	125	150
Subtotal, Onshore Receipts		**3,380,920**	**4,036,961**	**4,538,500**	**4,594,883**	**4,725,487**	**5,201,768**
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 3/	-	-	-	-	-	-
5535.1	OCS Rents and Bonuses, State share from qualified leases 5/	2,220	1,894	1,541	1,545	2,303	2,321
5005.9	OCS Rents and Bonuses, LWCF share from qualified leases 4/	740	631	514	515	768	774
2020.00	OCS Royalties	2,235,531	6,177,481	7,093,936	7,765,522	8,098,072	8,415,551
5535.2	OCS royalties, State share from qualified leases 5/	-	-	38	188	675	2,025
5005.1	OCS royalties, LWCF share from qualified leases 4/	-	-	13	63	225	675
5005.70	Land & Water Conservation Fund (OCS R & B)	387,030	385,135	368,775	255,800	270,070	260,455
5005.80	Land & Water Conservation Fund (OCS royalties)	509,230	511,234	527,699	640,623	625,938	635,096
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	-	-	-	-	-
2025.00	Fee on nonproducing oil and gas new leases	-	3,000	11,000	21,000	30,000	38,000
Subtotal, OCS Receipts		**3,534,751**	**7,229,375**	**8,153,515**	**8,835,256**	**9,178,051**	**9,504,897**
TOTAL, MINERAL RECEIPTS 6/		**6,915,801**	**11,266,466**	**12,692,145**	**13,430,269**	**13,903,668**	**14,706,795**

1/ Accounts 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/ Accounts 2039 and 5003 reflect Net Receipts Sharing provision enacted in 2009 and 2010 and proposed in 2011 Budget.

3/ This amount is the remaining after all transfers to LWCF and the Historic Preservation Fund.

4/ Accounts 5005.1 and 5005.9 LWCF are transferred to the National Park Service.

5/ Revenues will be disbursed to the states in the following year from account 5535.

6/ Estimates are subject to change; small discrepancies may occur due to rounding.

Table 45: Onshore Mineral Receipts, FY 2010-FY 2011

	FY 2010 Estimate	FY 2011 Estimate	Change	Explanation
Rents & Bonuses				
Oil & Gas	151,836	164,912	+13,076	Increase in bonuses, rents remain constant
Coal	338,563	637,184	+298,621	Increase in bonuses
Geothermal	12,584	12,658	+74	Assumption of consistent rents & bonuses
All Other (including oil shale)	20	20	0	Assumption of consistent rents & bonuses
Subtotal, Rents & Bonuses	**503,003**	**814,774**	**+311,771**	
Royalties				
Oil & Gas	2,169,095	2,472,943	+303,848	Increase in oil price estimates
Coal	665,731	697,975	+32,244	Increase in production
Geothermal	14,701	17,879	+3,178	Assumption of consistent royalties
All Other (including oil shale)	28,389	28,389	0	Assumption of consistent royalties
Subtotal, Royalties	**2,877,916**	**3,217,187**	**+339,271**	
Fee on onshore nonproducing oil and gas new leases	0	5,000	+5,000	New Initiative
Total Onshore Mineral Receipts 1/	**3,380,919**	**4,036,961**	**+651,042**	

1/ Estimates are subject to change; small discrepancies may occur due to rounding.

Table 46: Onshore Rents and Bonuses ($000) [1/]

	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate
Oil and Gas						
Rents Lower 48	52,042	50,674	49,307	47,940	46,572	45,205
Bonuses Lower 48	90,000	90,800	91,300	97,119	97,580	98,719
Subtotal, Oil and Gas	**142,042**	**141,474**	**140,607**	**145,059**	**144,152**	**143,924**
Coal						
Rents	1,300	1,300	1,300	1,300	1,300	1,300
Bonuses	337,264	635,885	986,103	899,887	910,198	827,540
Subtotal, Coal	**338,564**	**637,185**	**987,403**	**901,187**	**911,498**	**828,840**
Geothermal						
Rents and Bonuses	12,626	12,700	12,800	12,900	13,000	13,100
Oil Shale						
Rents and Bonuses	0	0	0	2	2	400,041
Other Minerals						
Rents and Bonuses	21	21	21	21	21	21
TOTAL, Rents & Bonuses 2/	**493,253**	**791,380**	**1,140,831**	**1,059,169**	**1,068,673**	**1,385,926**

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 are subject to change; small discrepancies may occur due to rounding.

Table 47: Federal Onshore Royalty Estimates (in millions of volume and dollars) 1/

	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate
Oil						
Oil Volume (MMBbl)	105.04	103.93	102.86	101.81	100.75	99.68
OMB Price/Bbl (in whole $s)	$68.41	$71.17	$72.82	$74.09	$75.49	$77.03
Royalty Rate	0.111	0.111	0.111	0.111	0.111	0.111
Oil Royalties ($M)	$800.829	$824.264	$834.679	$840.588	$847.593	$855.641
Royalty Rate Initiative 2/	$0.000	$0.000	$0.000	$2.357	$9.507	$19.195
Subtotal Oil Royalties ($M)	**$800.829**	**$824.264**	**$834.679**	**$842.945**	**$857.100**	**$874.836**
Gas						
Natural Gas Volume (bcf)	3.081	3.120	3.153	3.180	3.199	3.212
OMB Price/Mcf (in whole $s)	$3.61	$4.38	$4.63	$4.77	$4.90	$5.04
Royalty Rate	0.109	0.109	0.109	0.109	0.109	0.109
Gas Royalties ($M)	$1,212.375	$1,493.034	$1,592.942	$1,654.303	$1,712.192	$1,767.351
Royalty Rate Initiative 2/	$0.000	$0.000	$0.000	$4.737	$39.218	$80.963
Subtotal Natural Gas Royalties ($M)	$1,212.375	$1,493.034	$1,592.942	$1,659.039	$1,751.410	$1,848.313
CO2 Royalties	$40.776	$41.924	$44.375	$46.425	$48.210	$49.721
Gas Plant Products	$102.956	$104.843	$110.154	$114.543	$118.320	$121.550
Subtotal Gas Royalties ($M)	**$1,356.106**	**$1,639.800**	**$1,747.470**	**$1,820.007**	**$1,917.940**	**$2,019.584**
Total, Oil & Gas Royalties ($M)	**$2,156.935**	**$2,464.064**	**$2,582.149**	**$2,662.953**	**$2,775.040**	**$2,894.421**
Coal Royalties	$666.036	$698.295	$739.764	$777.888	$796.487	$810.102
Geothermal Royalties	$14.800	$18.000	$18.300	$18.600	$17.800	$18.200
All Other Royalties	$28.389	$28.389	$28.389	$28.389	$28.389	$28.389
TOTAL ONSHORE ROYALTIES ($M) 3/	**$2,866.161**	**$3,208.749**	**$3,368.602**	**$3,487.830**	**$3,617.717**	**$3,751.112**

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 incorporated FY 2011's Budget proposal to increase onshore royalty rates.

3/ Estimates are subject to change; small discrepancies may occur due to rounding.

Table 48: OCS Mineral Receipts, FY 2010 – FY 2011 ($000) [1/]

	FY 2010 Estimate	FY 2011 Estimate	Change	Explanation
Rents & Bonuses				
Rents	84,690	83,370	-1,320	Assumption of consistent rents
Bonuses	447,955	473,246	+25,290	Increase in production and price estimates
Rents & Bonuses - Renewable Energy	1,200	1,700	+500	Assumption of consistent rents & bonuses for RE
Subtotal, Rents & Bonuses	**533,845**	**558,316**	**+23,970**	
Royalties				
Oil	4,193,739	5,285,919	+1,092,180	Increase in price and production estimates
Gas	1,230,889	1,497,585	+266,696	Increase in price estimates
SPR and 8(g) Reductions	-247,479	-98,308	+149,171	Increase due to SPR
Kerr-McGee Recoupments 2/	-2,136,000	0	+2,136,000	Projected recoupments from Kerr-McGee judgement
Subtotal, Royalties	**3,041,149**	**6,685,196**	**3,644,047**	
Fee on nonproducing oil and gas new leases	-	3,000	+3,000	New Initiative
Total OCS Mineral Receipts 3/	**3,574,995**	**7,246,512**	**3,671,017**	

1/ Rent totals are net of MMS offsetting collections and can change according to amounts stated in the MMS appropriations language.

2/ Projections reflect estimated recoupments based on the Kerr-McGee judgement that ruled that price thresholds may not be applied to deepwater royalty relief included in leases issued from 1996 to 2000.

3/ Amounts differ from the "Mineral Leasing Receipts by Source" table since they do not reflect the Ultra-Deepwater transfers. Small discrepancies may occur due to rounding.

Table 49: 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 1/
FY 2010 Estimate						
210	late 09	Western Gulf of Mexico	113	100%	1	112
213	mid 10	Central Gulf of Mexico	334	100%	3	331
215	late 10	Western Gulf of Mexico	107	0%	0	0
213	mid 10	Central GOM - ESA	5	100%	0	5
			Bonuses Subtotal			**448**
			Rents			**84**
			Rents - subject to ESA			1
			Rents & Bonues - Renewable Energy			1
			FY 2010 TOTAL			**534**
FY 2011 Estimate						
215	late 10	Western Gulf of Mexico	107	100%	1	106
209	ear 11	Beaufort	15	100%	0	15
212	mid 11	Chukchi	48	100%	1	47
220	mid 11	Atlantic	43	100%	0	43
216	mid 11	Central Gulf of Mexico	261	100%	2	259
218	late 11	Western Gulf of Mexico	88	0%	0	0
216	mid 11	Central GOM - ESA	4	100%	0	4
			Bonuses Subtotal			**473**
			Rents			**82**
			Rents - subject to ESA			1
			Rents & Bonues - Renewable Energy			2
			FY 2011 TOTAL			**558**
FY 2012 Estimate						
218	late 11	Western Gulf of Mexico	88	100%	1	87
219	ear 12	Cook Inlet	3	100%	0	3
214	ear 12	North Aleutian Basin	62	100%	1	61
	mid 12	Beaufort	21	100%	0	21
221	mid 12	Chukchi	28	100%	0	28
222	mid 12	Central Gulf of Mexico	233	100%	2	231
	late 12	Western Gulf of Mexico	88	0%	0	0
222	mid 12	Central GOM - ESA	3	100%	0	3
			Bonuses Subtotal			**434**
			Rents			**82**
			Rents - subject to ESA			1
			Rents & Bonues - Renewable Energy			4
			FY 2012 TOTAL			**521**
FY 2013 Estimate						
	late 12	Western Gulf of Mexico	88	100%	1	87
	mid 13	Central Gulf of Mexico	230	100%	2	228
	late 13	Western Gulf of Mexico	87	0%	1	0
	mid 13	Central GOM - ESA	3	100%	0	3
			Bonuses Subtotal			**319**
			Rents			**75**
			Rents - subject to ESA			1
			Rents & Bonues - Renewable Energy			12
			FY 2013 TOTAL			**407**
FY 2014 Estimate						
	late 13	Western Gulf of Mexico	87	100%	1	86
	mid 14	Central Gulf of Mexico	225	100%	2	223
	mid 14	Beaufort	23	100%	0	23
	late 14	Western Gulf of Mexico	81	0%	0	0
	mid 14	Central GOM - ESA	3	100%	0	3
			Bonuses Subtotal			**336**
			Rents			**70**
			Rents - subject to ESA			1
			Rents & Bonues - Renewable Energy			13
			FY 2014 TOTAL			**420**
FY 2015 Estimate						
	late 14	Western Gulf of Mexico	81	100%	1	80
	mid 15	Central Gulf of Mexico	225	100%	2	223
	late 15	Beaufort and other small	23	100%	0	23
	mid 15	Central GOM - ESA	3	100%	0	3
			Bonuses Subtotal			**329**
			Rents			**65**
			Rents - subject to ESA			1
			Rents & Bonues - Renewable Energy			15
			FY 2015 TOTAL			**411**

1/ Rent estimates are subject to change based on cost recoveries recouped on an annual basis and totals are net of MMS offsetting collections. Small discrepancies may occur due to rounding.

Table 50: Federal Offshore Royalty Estimates (in millions of dollars)

	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate	FY 2015 Estimate
Oil (Million Barrels)						
Alaska 1/	1	13	22	29	25	21
POCS	23	22	22	21	21	20
Total GOM	500	586	629	672	677	670
Royalty Free Production (Deep Water) 2/	89	92	81	81	86	77
GOM Royalty Production	410	493	549	591	592	593
Total Royalty Production	434	528	593	641	638	634
Royalty Rate 3/	0.12	0.12	0.12	0.12	0.13	0.13
OMB Price/Bbl	$78.00	$81.14	$83.02	$84.47	$86.07	$87.82
Subtotal Oil Royalties	**$4,193.74**	**$5,285.92**	**$6,102.55**	**$6,758.57**	**$6,902.83**	**$7,057.41**
Adjustments to Federal Royalty Receipts from Energy Security Act of 2006						
Royalties subject to ESA	0	0	0	0	1	4.05
Revised Federal Royalty Receipts	**$4,193.74**	**$5,285.92**	**$6,102.59**	**$6,758.91**	**$6,904.22**	**$7,061.46**
Gas (Billion Cubic Feet)						
POCS	46	45	44	43	41	41
Total GOM	2,265	2,280	2,293	2,370	2,473	2,599
Royalty Free Production (Deep Gas) 2/	117	84	57	32	6	0
Royalty Free Production (Deep Water) 2/	472	513	504	510	508	523
GOM Royalty Production	1,676	1,682	1,731	1,828	1,958	2,076
Total Royalty Production	1,722	1,727	1,775	1,871	1,999	2,117
Royalty Rate	0.15	0.15	0.15	0.15	0.15	0.15
OMB Price/Mcf	$4.72	$5.74	$6.06	$6.24	$6.42	$6.60
Subtotal Gas Royalties	**$1,230.89**	**$1,497.59**	**$1,627.85**	**$1,768.48**	**$1,946.10**	**$2,121.44**
Adjustments to Federal Royalty Receipts from Energy Security Act of 2006						
Royalties subject to ESA	0	0	0	0	0	1.35
Revised Federal Royalty Receipts	**$1,230.89**	**$1,497.59**	**$1,627.86**	**$1,768.59**	**$1,946.56**	**$2,122.79**
Total Oil and Gas Royalties	**$5,424.63**	**$6,783.50**	**$7,730.45**	**$8,527.50**	**$8,850.78**	**$9,184.24**
Adjustments						
8(g) Payments to States	-79.48	-98.31	-112.02	-123.57	-128.23	-133.01
SPR 4/	-168.00					
Kerr-McGee Recoupments 5/	-2,136.00					
Settlements	3.71	3.71	3.71	3.71	3.71	3.71
NET FEDERAL OCS ROYALTIES 6/	**$3,044.86**	**$6,688.91**	**$7,622.14**	**$8,407.65**	**$8,726.26**	**$9,054.94**

1/ Alaska production is net of 27 percent that goes to the State for 8(g) payments.

2/ 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.

3/ Composite effective royalty rates which include transporation allowance costs are reflected in the assumptions.

4/ No royalty oil is expected to be transferred to SPR in 2011 - 2015.

5/ Estimated recoupments for the Kerr-McGee judgement that ruled that price thresholds may not be applied to deepwater royalty relief included in leases issued from 1996 to 2000.

6/ Small discrepencies may occur due to rounding.

Appendix A: Fixed Costs and Related Changes ($000s)

Additional Operational Costs from 2010 and 2011 January Pay Raises:

	FY 2010 Budget Change	FY 2010 Revised	FY 2011 Change
1. FY 2010 Pay Raise, 3 Qtrs. in FY 2010 Budget *Amount of Pay Raise Absorbed*	+2,459 *[0]*	+2,459 *[0]*	0 *n/a*
2. FY 2010 Pay Raise, 1 Quarter (Enacted 2%) *Amount of Pay Raise Absorbed*	n/a *[0]*	n/a *[0]*	0 *[+836]*
3. FY 2011 Pay Raise (Assumed 1.4%) *Amount of Pay Raise Absorbed*	n/a *[0]*	n/a *[0]*	0 *[+1,756]*

These adjustments are for an additional amount needed to fund estimated pay raises for Federal employees.

Line 1, 2010 revised column is an update of 2010 budget estimates based upon an enacted 2.0% increase.

Line 2 is the amount needed in 2011 to fund the enacted 2.0% January 2010 pay raise from October through December 2010.

Line 3 is the amount needed in FY 2011 to fund the estimated 1.4% January 2011 pay raise from January through September 2011.

Other Fixed Cost Changes:

	FY 2010 Budget Change	FY 2010 Revised Change	FY 2011 Change
More or Less Pay Days Than Previous Year Number of paydays is constant in FY 2011.	n/a	n/a	0

	FY 2010 Budget Change	FY 2010 Revised Change	FY 2011 Change
Employer Share of Federal Health Benefit Plans *Amount Absorbed*	+628 *[0]*	+628 *[0]*	0 *[685]*

The adjustment is for changes in the Federal Government's share of the cost of health insurance coverage for Federal employees. For 2011, the increase is estimated at 7.0%. The estimated cost increase will be absorbed.

	FY 2010 Budget Change	FY 2010 Revised Change	FY 2011 Change
Workers Compensation Payments	-61	-61	0
Amount Absorbed	*[0]*	*[0]*	*[+21]*

Reflects changes in the costs of compensating injured employees and dependents of employees who suffer accidental deaths while on duty. Costs for 2011 will reimburse the Department of Labor, Federal Employees Compensation Fund, pursuant to 5 U.S.C. 8147(b) as amended by Public Law 94-273. The estimated cost increase will be absorbed.

	FY 2010 Budget Change	FY 2010 Revised Change	FY 2011 Change
Unemployment Compensation Payments	+12	+12	0
Amount Absorbed	*[0]*	*[0]*	*[12]*

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.

	FY 2010 Budget Change	FY 2010 Revised Change	FY 2011 Change
Working Capital Fund	+438	+438	-16
Amount Absorbed	*[0]*	*[0]*	*[0]*

The Working Capital Fund funding estimate for 2011 is being reduced by $16,000 compared with 2010 by reallocating internal priorities and reducing lower priority services.

	FY 2010 Budget Change	FY 2010 Revised Change	FY 2011 Change
Rental Payments to GSA and Others	+1,446	+1,446	0
Amount Absorbed	*[0]*	*[0]*	*[706]*

This adjustment is for changes in costs 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 and may

also include costs of mandatory, disaster-related office relocations. The estimated cost increase will be absorbed.

Total, Fixed Costs and Related Changes – Budgeted in FY 2011 -16

Total, Fixed Costs and Related Changes – Absorbed in FY 2011 [+4,016]

Fixed costs are expected to increase by $4,016,000 over FY 2010 for all of MMS, which covers anticipated increases in pay, benefits and other costs. The MMS will absorb these costs.

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2011 Appropriations Language

Minerals Management Service

Note: Brackets indicate the language will be deleted; italics represent new language.

Royalty and Offshore Minerals Management (ROMM)

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, [$175,217,000] *$183,587,000*, to remain available until September 30, [2011] *2012*, of which [$89,374,000] *$100,404,000* shall be available for royalty management activities; and an amount not to exceed [$156,730,000] *$154,890,000*, 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, and from cost recovery fees: Provided, That notwithstanding 31 U.S.C. 3302, in fiscal year [2010] *2011*, 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 to the extent [$156,730,000] *$154,890,000* in addition to receipts are not realized from the sources of receipts stated above, the amount needed to reach [$156,730,000] *$154,890,000* 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 *for fiscal year 2011 and each fiscal year thereafter,* 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 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), in fiscal year 2010, MMS may retain up to 4 percent of the amounts which are disbursed under section 31(b)(1), such retained amounts to remain available until expended].

For an additional amount, [$10,000,000] *$20,000,000* to remain available until expended, which shall be derived from non-refundable inspection fees collected in fiscal year [2010] *2011*, as provided in this Act: Provided, That to the extent that such amounts are not realized from such fees, the amount needed to reach [$10,000,000] *$20,000,000* shall be credited to this appropriation from receipts resulting from rental rates for Outer Continental Shelf leases in effect before August 5, 1993. (Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010.)

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, $6,303,000, 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, 2010.)

MMS Administrative Provision

Notwithstanding the provisions of section 35(b) of the Mineral Leasing Act, as amended (30 U.S.C. 191(b)), the Secretary shall deduct 2 percent from the amount payable to each State in fiscal year [2010] *2011* and deposit the amount deducted to miscellaneous receipts of the Treasury. (Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010.)

Justification for Proposed 2011 Appropriation Language Changes

Making Permanent the Technical Correction of Gulf of Mexico Energy Security Act Revenue Sharing.

The technical correction, first enacted in FY 2009, allows MMS to continue to utilize eligible rental receipts as offsetting collections which have provided a key portion of the Bureau's operating budget since FY 1995. The intent of the proposed change is to make this correction permanent rather than request it annually.

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 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate
Obligations by program activity				
Direct program				
00.01	OCS Lands	77	72	105
00.02	Minerals Revenue Management	45	45	56
00.03	General Administration	35	38	40
01.92	**Total direct program**	**157**	**175**	**201**
Obligations by program activity				
Reimbursable program				
09.01	OCS Revenue Receipts	151	187	200
09.02	Reimbursable (RIK)	32	37	12
09.03	Reimbursable (from other agencies)	8	8	8
09.99	Total reimbursable program	191	232	220
10.00	**Total new obligations**	**348**	**407**	**421**
Budgetary resources available for obligation				
21.40	Unobligated balance, start of year	52	62	52
22.00	New budget authority (gross)	344	383	402
22.10	Resources available from recoveries	14	14	14
23.90	Total budgetary resources available for obligation	410	459	468
23.95	Total new obligations	-348	-407	-421
24.40	**Unobligated balance carried forward, end of year**	**62**	**52**	**47**
New budget authority (gross), Discretionary				
40.00	Appropriation	157	175	184
40.35	Appropriation permanently reduced	0	0	0
43.00	**Appropriation (total discretionary)**	**157**	**175**	**184**
Net budget authority and outlays				
89.00	Budget authority	157	175	184
90.00	Outlays	142	170	178

Minerals Management Service
Royalty and Offshore Minerals Management (ROMM)
Object Classification

(dollars in millions)

Treasury Account ID: 14-1917

		FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate
ROMM (Annual Appropriation & Offsetting Collections)				
11.1	Personnel Compensation: Full-time permanent	125	134	139
12.1	Civilian personnel benefits	32	33	35
21.0	Travel and transportation of persons	4	3	3
23.1	Rental Payments to GSA	18	18	18
23.3	Communications, utilities, and misc. charges	1	1	1
25.2	Other services	161	123	153
26.0	Supplies and materials	2	2	2
31.0	Equipment	6	4	4
99.0	**Total ROMM ***	**348**	**407**	**421**

**Note: The total on Line 99.0 matches the Total Appropriation and Offsetting Collections on the table below, both of which roughly show in which categories funds are allocated, obligated, and expended (outlay).*

Minerals Management Service
Royalty and Offshore Minerals Management (ROMM)
Account Object Class Information

(dollars in millions)

Treasury Account ID: 14-1917

	FY 2010		Fixed Costs and Related Changes		Programmatic Changes		FY 2011	
Object Class	**FTE**	**AMT**	**FTE**	**AMT**	**FTE**	**AMT**	**FTE**	**AMT**
Total Appropriation And Offsetting Collections	***1.666**	***$407**	**---**	**-$1**	**+40**	**+$15**	***1,706**	***$421**
Total personnel compensation and personnel benefits	---	$167	---	0	---	+$7	---	$174
Travel and transportation of persons	---	$4	---	0	---	0	---	$4
Rents	---	$18	---	0	---	0	---	$18
Communications utilities, and misc. charges	---	$1	---	0	---	0	---	$1
Other services	---	$209	---	-$1	---	+$8	---	$216
Supplies and materials	---	$2	---	0	---	0	---	$2
Equipment	---	$4	---	0	---	0	---	$4

***FY 2010 Total FTE is 1708 (1666 for ROMM +24 for CIAP + 18 for Oil Spill)*
***FY 2011 Total FTE is 1748 (1706 for ROMM +24 for CIAP + 18 for Oil Spill)*

Minerals Management Service
Oil Spill Research (OSR)
Program and Financing
(dollars in millions)

Treasury Account ID: 14-8370		FY 2009 Estimate	FY 2010 Estimate	FY 2011 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				
40.26	Appropriation (trust fund)	6	6	6
Net budget authority and outlays				
89.00	Budget authority	6	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 2009 Estimate	FY 2010 Estimate	FY 2011 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 2010 Estimate Amount		Uncontrollable & Related Changes		Programmatic Changes		FY 2011 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

This section is currently under development.

Appendix E: Employee Count by Grade

	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
Executive Level	14	14	14
Subtotal	**14**	**14**	**14**
GS-15	72	75	76
GS-14	241	250	256
GS-13	455	472	483
GS-12	393	408	418
GS-11	140	145	149
GS-10	7	7	7
GS-9	90	93	96
GS-8	58	60	62
GS-7	101	105	107
GS-6	46	48	49
GS-5	30	31	32
GS-4	14	15	15
GS-3	2	2	2
GS-2	0	0	0
GS-1	0	0	0
Subtotal	**1,649**	**1,712**	**1,752**
Total	**1,663**	**1,726**	**1,766**

Note: The numbers in this table represent the actual number of Full-Time employees by grade level as of the end of the prior fiscal year and projected for the current and the budget fiscal years. 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	
Minerals Management Service FY 2011 Mandatory Accounts and Offsetting Collections	
Appropriations Proposals	
GOMESA Technical Correction on Revenue Sharing	First enacted in FY 2009, a technical correction of the Gulf of Mexico Energy Security Act allows MMS to continue to utilize eligible rental receipts as offsetting collections. The FY 2011 President's Request is proposing language to make this correction permanent rather than request it annually.
Net Receipts Sharing	The FY 2011 President's Request retains the current two percent deduction from state mineral revenue payments under the Mineral Leasing Act. In FY 2012 a mandatory proposal will be made to make this deduction permanent.
Authorizing Proposals	
Geothermal Payments (see BLM Budget Justifications)	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 and 25 percent are to be transferred to the Geothermal Steam Act implementation fund. Section 423 of the 2010 Department of the Interior, Environment, and Related Agencies Appropriations Act, P.L. 111-88, cancelled the 2010 revenues to be paid to the counties and to the Geothermal Steam Act implementation fund, which is also the last year deposits to such accounts were authorized by the Energy Policy Act of 2005. The 2011 President's Budget proposes terminating payments to counties in FY 2011 and thereafter since 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.
Fee on Nonproducing Leases	The Budget assumes a proposal that is part of an Administration initiative to encourage energy development on lands and waters leased for development. A $4.00 per acre fee on non-producing Federal leases on lands and waters would provide a financial incentive for oil and gas companies to either get their leases into production or relinquish them so that the tracts can be re-leased to and developed by new parties. The proposed $4.00 per acre fee would apply to all new leases and would be indexed annually. In October 2008, the Government Accountability Office issued a report critical of past efforts by the Department of the Interior to ensure that companies diligently develop their Federal leases. Although the GAO report focused on administrative actions that the Department could undertake, this proposal requires legislative action. This proposal is similar to other non-producing fee proposals considered by the Congress in the last several years. This will result in savings of $8.0 million in 2011 and $760.0 million over ten years.
Deep Gas and Deepwater Incentives	The budget proposes to repeal Section 344 of the Energy Policy Act of 2005. Section 344 extended existing deep gas incentives. Based on current oil and gas price projections, the budget does not assume savings from this change; however, the proposal could generate savings to the Treasury if future oil and gas prices fall below current projections to levels at or under the applicable gas price thresholds.

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Minerals Management Service
2011 Working Capital Fund Centralized Bill
(Dollars in thousands)

Account	2009 Actual	2010 Pres Budget	2010 Estimate	2011 Estimate
Invasive Species Council	36.5	37.8	37.8	37.8
Invasive Species Coordinator	5.9	6.4	6.4	6.4
Document Management Unit	0.0	0.0	0.0	0.0
Alaska Field Office	13.3	12.4	12.4	12.4
Alaska Resource Library and Information Services	73.1	73.1	73.1	73.1
Departmental News and Information	18.9	19.7	19.7	19.7
Departmental Museum	0.0		44.5	44.5
Conservation and Educational Partnerships	6.2	6.3	6.3	6.3
FedCenter	2.7	2.7	2.7	2.7
CPIC	4.0	4.6	4.6	4.6
Activity Based Costing/Management	25.3	24.6	24.6	24.6
Travel Management Center	13.4	2.0	2.0	2.0
e-Gov Travel	28.5	8.6	8.6	8.6
Interior Collections Management System	2.5	2.5	2.5	2.5
Space Management Initiative	7.6	8.1	8.1	8.1
Renewable Energy Certificates	4.7	0.0	0.0	0.0
SBA Certifications	11.2	11.2	11.2	11.2
Planning and Performance Management	28.2	30.3	30.3	30.3
Alternative Dispute Resolution Training	2.5	1.2	1.2	1.2
Center for Organizational Analysis	12.3	10.5	0.0	0.0
DOI Access (HSPD-12)	21.9	4.9	4.9	4.9
Department-wide OWCP Coordination	5.4	7.6	7.6	7.6
Accountability Team	10.7	12.0	12.0	12.0
Labor Relations Tracking System	0.0		0.7	0.7
DOI LEARN	16.8	8.1	22.0	41.8
OPM Federal Employment Services	13.3	11.9	11.9	11.9
DOI Executive Forums	0.0		2.9	2.9
Financial Management Training	0.0		33.9	33.9
SESCDP & Other Leadership Programs	0.0		4.7	4.7
Online Learning	0.0		12.8	12.8
Learning and Performance Center Management	0.0		16.4	16.4
Albuquerque Learning & Performance Center	0.0		3.6	3.6
Anchorage Learning & Performance Center	0.0		15.6	15.6
Denver Learning & Performance Center	0.0		70.8	70.8
Washington Learning & Performance Center	0.0		54.8	54.8
EEO Complaints Tracking System	0.7	0.0	0.8	0.8
Special Emphasis Program	1.2	1.2	1.2	1.2
Accessible Technology Center	7.5	7.6	7.6	7.6
Occupational Health and Safety	22.1	35.7	36.3	37.0
Health and Safety Training Initiatives	4.9	4.8	4.2	3.5
Safety Management Information System	15.5	0.0	0.0	0.0
Security (Classified Information Facility)	8.2	10.9	10.9	10.9
Law Enforcement Coordination and Training	14.0	20.9	20.9	20.9
Security (MIB/SIB Complex)	0.0		288.5	288.5

Minerals Management Service
2011 Working Capital Fund Centralized Bill
(Dollars in thousands)

Account	2009 Actual	2010 Pres Budget	2010 Estimate	2011 Estimate
Victim Witness	0.0		0.0	3.9
Interior Operations Center (Watch Office)	38.3	46.7	46.7	48.6
Emergency Preparedness	14.2	16.7	16.7	18.7
Emergency Response	18.6	20.9	20.9	26.7
Enterprise Services Network	465.8	478.9	478.9	525.6
Web & Internal/External Comm	14.5	10.9	10.9	10.9
Enterprise Architecture	116.0	106.5	106.5	112.2
FOIA Tracking & Reporting System	23.4	45.4	45.4	51.9
Threat Management	0.0	18.2	18.2	18.2
IT Security	63.6	65.1	65.1	73.6
Capital Planning	71.0	54.2	54.2	54.2
Privacy (Information Management Support)	6.6	6.8	6.8	18.9
Data Resource Management Program	5.6	5.6	5.6	0.0
IT Security Certification & Accreditation	125.3	125.3	125.3	125.3
Electronic Records Management	27.1	27.7	27.7	27.7
Active Directory	40.9	35.9	35.9	49.1
Enterprise Resource Management	10.6	12.5	12.5	12.5
e-Authentication	7.9	8.5	8.5	0.0
IOS Collaboration	0.0	24.3	24.3	24.3
Networx	32.1	34.6	34.6	0.0
Trusted Internet Connection	10.4	28.4	28.4	0.0
Data-at-Rest	11.4	1.0	1.0	1.0
Logging Extracts	4.3	9.0	9.0	9.0
OCIO Project Management Office	6.6	25.9	25.9	25.9
IT Asset Management	0.0	4.4	8.9	8.9
Continuous Monitoring	0.0	4.4	0.0	0.0
Two-Factor Authentication	15.1	1.8	1.8	0.0
Active Directory Optimization	21.4	19.0	19.0	0.0
Contingency Reserve	3.7	3.7	3.7	3.7
CFO Financial Statement Audit	1,269.8	1,325.7	1,325.7	1,325.7
Enterprise Geospatial Information Management	13.3	15.7	15.7	15.7
e-Government Initiatives (WCF Contributions Only)	109.2	107.1	107.1	107.1
Ethics	6.0	14.4	14.4	14.4
ALLEX Database	3.6	3.6	3.6	3.6
FOIA Appeals	30.2	33.9	33.9	33.9
NBC 106 Mainframe Replacement	20.6	0.0	0.0	0.0
NBC IT Security Improvement Plan	15.4	21.7	21.7	21.7
Information Mgmt. - FOIA and Records Management	12.2	12.3	12.2	12.3
Safety Management Information System	0.0	38.0	37.8	38.0
Labor Relations Tracking System	0.0	1.4	0.0	0.0
EEO Complaints Tracking System	0.0	0.8	0.0	0.0
Telecommunications Services	91.9	95.2	94.7	95.0
Integrated Digital Voice Communications System	78.4	80.3	79.9	80.2
Desktop Services	0.0	11.7	11.7	11.7

Minerals Management Service
2011 Working Capital Fund Centralized Bill
(Dollars in thousands)

Account	2009 Actual	2010 Pres Budget	2010 Estimate	2011 Estimate
Audio Visual Services	16.9	15.4	15.3	15.4
SIB Cabling	24.4	2.7	2.7	2.7
Voice/Data Switching	21.7	21.7	21.6	21.7
FPPS/Employee Express - O&M	352.9	366.3	361.9	368.8
HR LoB W-2 Surcharge	22.2	15.1	14.9	14.9
DOI Executive Forums	2.9	2.9	0.0	0.0
Financial Management Training	33.2	33.9	0.0	0.0
Learning and Performance Center Management	16.5	16.4	0.0	0.0
SESCDP & Other Leadership Programs	4.8	4.7	0.0	0.0
DOI LEARN	0.0	13.9	0.0	0.0
Albuquerque Learning & Performance Center	2.8	3.6	0.0	0.0
Anchorage Learning & Performance Center	14.8	15.6	0.0	0.0
Denver Learning & Performance Center	63.5	70.8	0.0	0.0
Online Learning	12.8	12.8	0.0	0.0
Washington Learning & Performance Center	48.1	54.8	0.0	0.0
Interior Complex Management & Services	39.3	53.7	53.5	45.3
Family Support Room	1.4	1.4	1.4	1.4
Property Accountability Services	4.4	26.1	30.4	30.5
Vehicle Fleet	4.6	4.6	4.8	4.8
Moving Services	8.6	8.8	11.4	11.5
Shipping and Receiving	19.6	20.2	15.7	15.8
Safety and Environmental Services	0.0	23.2	23.0	23.1
Space Management	13.1	13.4	13.3	13.4
Security (MIB Complex)	276.6	288.5	0.0	0.0
Federal Executive Board	6.7	6.8	6.9	6.9
Health Unit	13.1	13.7	13.6	13.7
Passport & Visa Services	20.9	21.5	22.1	22.2
Mail and Messenger Services	73.5	80.3	79.9	80.2
Blue Pages	21.0	21.0	0.0	-0.0
Mail Policy	8.5	8.6	8.5	8.6
Special Events Services	2.8	2.9	2.9	2.9
Cultural Resources & Events Management	8.9	8.9	8.9	7.5
Partnership Schools & Commemorative Programs	3.9	3.9	3.9	3.9
Departmental Museum	38.0	44.5	0.0	0.0
Departmental Library	74.9	77.7	77.3	80.3
FBMS Hosting	477.0	477.0	477.0	477.0
FBMS Master Data Management	0.0	1.6	1.6	1.6
Transportation Services (Household Goods)	4.8	5.0	4.2	4.2
Financial Systems (including Hyperion)	19.8	18.9	18.8	18.9
IDEAS	88.3	89.1	88.6	89.0
NBC FBMS Conversion	0.0	9.6	9.6	9.6
Aviation Management	389.9	492.3	489.4	484.0
TOTAL	**5,501.3**	**5,865.8**	**5,824.8**	**5,850.4**

Minerals Management Service
2011 Working Capital Fund Direct Bill
(Dollars in thousands)

Account	2009 Actual	2010 PY Collections	2010 Estimate	2011 Estimate
FBMS Change Orders	25.0		25.0	25.0
Federal Assistance Award Data System	2.4		2.4	2.4
Departmental Medals	0.0	0.2	0.0	0.0
DOI LEARN	0.0		0.0	0.0
DOI Access (HSPD-12)	167.6		66.0	133.1
Labor and Employee Relations	3.3		3.3	3.3
Anchorage Learning & Performance Center	0.0		1.5	1.5
Denver Learning & Performance Center	0.0		3.6	3.7
On-Line Learning	0.0		22.7	27.1
Washington Leadership & Performance Center	0.0		4.8	5.1
EEO Training	0.3		0.7	0.7
Oracle Licenses and Support	220.5	228.1	273.7	328.4
Microsoft Enterprise Licenses	545.2	2.6	546.8	546.8
Anti-Virus Software Licenses	41.0		49.2	59.1
IT Security	0.0	16.7	0.0	0.0
Enterprises Services Network	308.0		304.3	309.6
Federal Relay Service	0.0		1.5	1.6
Tape Restoration (Cobell Litigation)	0.0	22.5	0.0	0.0
Live e-Mail Capture (Cobell Litigation	24.8	137.5	0.0	0.0
Message Journaling (Cobell Litigation)	0.0	3.0	0.0	0.0
Tape Search Request (Cobell Litigation)	0.0	5.4	0.0	0.0
IT Security Audit (Cobell Litigation)	0.0	2.4	0.0	0.0
Legacy Tape Storage (3-year Live Capture - Cobell Litigation)	1.6	10.3	0.0	0.0
Zantaz Audit Center Licenses (Cobell Litigation)	0.0	1.4	0.0	0.0
Zantaz Professional Services (Cobell Litigation)	0.0	5.2	0.0	0.0
Historical Tape Storage (Cobell Litigation)	0.0	6.4	0.0	0.0
e-Mail Archiving (Cobell Litigation)	312.4	174.9	413.0	496.0
FY 2005 CFO Audit	0.0	82.8	0.0	0.0
FY 2008 CFO Audit	0.0	1.5	0.0	0.0
FY 2009 CFO Audit	45.3		0.0	0.0
FY 2010 CFO Audit	0.0		74.9	0.0
FY 2011 CFO Audit	0.0		0.0	50.5
Federal FSA Program	0.0	50.3	53.2	56.0
ESRI Enterprise Licenses	0.0		117.1	117.1
Creative Communications	24.8		25.7	26.0
Facilities Reimbursable Services	37.9		15.5	15.8
Reimbursable Mail Services	2.4		1.6	1.7
Client Liaison and Product Development Division	5.2		4.7	4.8
Personnel & Payroll Systems Division	65.8		2.0	2.0
HR Management Systems Division	11.9		30.6	19.6
Quicktime Services	0.0		69.5	71.4
Customer Support Services Division	8.0		8.3	8.6

Minerals Management Service
2011 Working Capital Fund Direct Bill
(Dollars in thousands)

Account	2009 Actual	2010 PY Collections	2010 Estimate	2011 Estimate
Government-Wide Forums	5.0		0.0	0.0
Washington Leadership & Performance Center	27.6		0.0	0.0
Albuquerque Learning & Performance Center	4.6		0.0	0.0
Anchorage Learning & Performance Center	0.5		0.0	0.0
Denver Learning & Performance Center	16.0		0.0	0.0
On-Line Learning	14.0		0.0	0.0
TOTAL	**1,921.2**	**751.1**	**2,121.6**	**2,316.7**

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