FY 2002 Annual Performance Plan

FY 2000 Annual Performance Report

Minerals Management Service

DEPARTMENT OF THE INTERIOR

Minerals Management Service

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A COMMENT ON THE PERFORMANCE GOALS CONTAINED IN THIS DOCUMENT

The goals that appear in the Fiscal Year 2002 Annual Performance Plan are based on the Department's most recent revision of its Government Performance and Results Act strategic plan. This strategic plan, which covers the period from Fiscal Year 2000 to Fiscal Year 2005, was completed under the guidance and direction of the previous Administration and, therefore, does not necessarily reflect the policies and management priorities of the current Administration.

During 2001, the Department will review and, where appropriate, revise the current strategic plan. This review process will incorporate the views and concerns of the Department's partners and constituencies and will, in some cases, be the basis for new or restated annual performance goals and measures to provide overall direction to Interior's programs and deliver program results.

Department of the Interior
Minerals Management Service

I am pleased to present the Minerals Management Service (MMS) Consolidated Report. Its threefold purpose is to establish a performance plan for Fiscal Year (FY) 2002, revise the annual performance plan for FY 2001, and present performance results for FY 2000. This report meets the requirements of the Government Performance and Results Act (GPRA).

This is MMS's second opportunity to report our performance in accordance with GPRA requirements, and it demonstrates the progress we have made in our performance management efforts. In particular, we have refined some of our outcome goals and are moving toward results-based measures for others. We also are making progress in our data validation and verification efforts in order to provide meaningful and useful data.

For almost 20 years, MMS has been a leader in revenue management, environmental responsibility, and operational safety, and our long term and annual performance goals reflect our responsibilities in these areas. This report embodies our commitment to continue our leadership and to fulfill our vision to be the best minerals resource manager, enhancing the viability of our Nation's energy program.

Energy production plays an increasingly important role in our Nation's economic future and security. Today, oil and gas production from Federal waters in the Gulf of Mexico contributes just over 25 percent of the total U.S. domestic oil and natural gas production. Demand for energy is expected to increase substantially in the future, particularly with respect to natural gas. As the stewards of our Nation's limited energy resources, MMS's Offshore Minerals Management is committed to successful partnerships between the Federal Government and the minerals industry. The MMS is committed to maintaining a balance between providing energy and protecting the Nation's unique and sensitive environments and other natural resources.

Spurred by changing energy markets and the need to implement business processes that are better aligned with industry and financial institutions, the MMS's Minerals Revenue Management (formerly the Royalty Management Program) is developing and implementing the most comprehensive reorganization and review since its inception in 1982. This will result in operational improvements, increased revenues, and cost savings for both MMS and the energy industry. The newly reengineered automated system will be functional in October 2001 and we expect all reengineering concepts to be fully implemented by 2003.

The MMS is adopting an asset management approach for administering Federal oil and gas royalties. The MMS has two options for collecting royalties - in value (cash) or in kind (oil and gas). Since late 1998, MMS has been conducting a series of royalty-in-kind (RIK) pilots to determine the circumstances under which taking oil and gas royalties in kind makes good business sense. Our goal is to optimize our management of the public's mineral assets, and we will continue to study RIK through pilots to determine when it will provide the maximum benefit to the American taxpayer.

My vision is for the MMS to be the best minerals resource manager; to continue our global leadership on safe offshore operations and environmental responsibility; to continue improving revenue collection and increase the net benefit to taxpayers; to continue to fulfill our American Indian trust responsibilities; and to continue working with our stakeholders to build consensus and balance national, regional, and local interests. The goals, measures, and strategies contained within this report position us to build upon our successes and achieve that vision.

Thomas R. Kitsos
Acting Director

Minerals Management Service Quality Council

FY 2002 Annual Performance Plan

FY 2000 Annual Performance Report

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Table of Contents
FY 2002 Annual Performance Plan
FY 2000 Annual Performance Report

Executive Summary

AT THE MINERALS MANAGEMENT SERVICE (MMS), OUR VISION IS TO BE RECOGNIZED AS THE BEST MINERALS MANAGER IN THE WORLD. MMS PROVIDES HIGH QUALITY, TIMELY SERVICES TO ALL OUR CUSTOMERS AND OUTSTANDING VALUE TO THE AMERICAN PEOPLE. THIS REPORT, PREPARED TO MEET THE REQUIREMENTS OF THE GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA), DEMONSTRATES THIS BY PRESENTING THE RESULTS OF OUR EFFORTS IN FY 2000 TOWARDS MEETING OUR GOALS. THE REPORT ALSO DESCRIBES OUR PLANS FOR FY 2002, AND PROVIDES OUR FY 2001 REVISED FINAL ANNUAL PERFORMANCE GOALS.

This is MMS's second opportunity to report our performance under the auspices of GPRA and, when compared with last year's report, demonstrates the progress we have made in our performance management efforts. In particular, we have refined some of our goals and are transitioning from output measures to outcome goals in others. We also are making progress in our data validation and verification efforts so our data are meaningful and useful. Most importantly, our managers are using performance measures to run their programs and achieve our overall goals. However, while we have made significant progress, we recognize and are responding to the need for continued performance management improvement.

MMS's mission is an important one. Our mandate is to manage the oil, natural gas, and other mineral resources on the Outer Continental Shelf (OCS) in an environmentally sound and safe manner and, in a timely fashion, collect, verify, and disburse mineral revenues generated from Federal and American Indian lands. Our long term and annual performance goals reflect these responsibilities and, although we did not achieve all of our FY 2000 goals, we are proud of the significant contribution our efforts have made to the nation's energy base and economy.

As manager of the nation's offshore mineral resources, Offshore Minerals Management's (OMM) long-term strategy is to assess those resources to determine--in consultation with affected parties--if they can be developed in an environmentally sound manner. If OCS lands are leased, OMM goes on to regulate activities offshore to ensure worker safety and environmental protection. This long-term strategy shapes how OMM manages OCS resources and faces the challenge of maintaining a balance between providing energy and protecting the nation's unique and sensitive environments and other

natural resources.

The MMS's other major operating program, Minerals Revenue Management (MRM), has goals to measure its effectiveness in providing fast access to recipient's funds, industry's compliance with lease terms and regulations (and how well MRM succeeds in ensuring compliance), and MMS's fulfillment of our American Indian trust responsibilities. The MRM goals are based to a large extent on "stretch" goals established by the senior managers in 1997.

Summary of our Performance:

The MMS had ten FY 2000 annual performance goals. We exceeded three of these goals-the on-time disbursement of mineral revenues goal and two of the goals that relate to our Indian trust responsibilities. We met the targets for our other Indian trust responsibility goal and the OCS fair market value goal.

We did not achieve targets for the offshore safety index and our two royalty compliance goals. While the safety index and the first royalty compliance goal (the compliance index) were close to the targets, we missed our second royalty compliance goal by a wide margin due to a delay in the development of an automated prototype system. As a result of this delay, MRM managers have adjusted the FY 2001 and FY 2002 targets for the second royalty compliance goal. Although MRM has many Compliance and Asset Management (CAM) resources committed to new system implementation on October 1, 2001, MRM managers also have directed ample CAM resources dedicated to achieving these new targets

The environmental goals are calculated by calendar year because the data for the variables (a portion of which are obtained from other agencies) are generated on a calendar year basis. Analysis should be complete by May 2001, however, preliminary data indicate that we should not deviate significantly from the target performance.

We believe the targets for the safety index and the first royalty compliance goal are still valid and have retained them for FY 2002. We are also refining the environmental index for future years. Our aim is to include in the index components for which good data are available and over which we have some degree of influence.

Our Priorities in the Coming Years

- Ensuring a reliable source of natural gas and oil resources for the nation. We continue to develop 5-year oil and gas leasing programs, with input from our stakeholders, that indicate the size, timing and location of leasing activity determined to best meet national energy needs.
- Evaluating the contributions that OCS natural gas can make to meet the nation's energy demands in the short and long term. With nearly all announced new power plants (94 percent) based on natural gas, this fuel has become increasingly important to the economic health of our country.
- Balancing the search for energy and minerals with environmental protection, specifically the human, coastal, and marine environments
- Minimizing minerals exploration and development incidents on Federal offshore leases and ensuring that oil and gas production is consistent with resource conservation.
- Implementing the provisions of the OCS Lands Act by requiring compliance with a set of operating regulations that are based in large part on 85 industry standards or "best practices" and that provide penalties for non-compliance.
- Enhancing collaborative efforts between government, industry, and the scientific community in the areas of research and operational requirements and continuing to benchmark ourselves against the private sector and foreign and State governments to stay close to a rapidly changing industry.
- Expanding collaborative projects with other countries that are technologically advanced in their regulatory programs to promote safe and environmentally sound oil and gas operations worldwide. The MMS is a world leader in this arena and we are increasingly called upon to assist other countries and participate in international conferences and projects.
- Implementing new systems to improve collection and disbursement of monthly payments on the thousands of leases in our care.

• Expanding the universe of properties converted into the new 3-year compliance CAM process until we are fully transitioned by the end of 2003.
• Continuing to explore the possibilities of taking mineral royalties in kind (oil and gas) rather than in value (cash). The results of these efforts will guide development of an operational royalty-in-kind activity within MRM, when it makes good business sense, which is fully integrated with the new compliance and asset management process.
• Sustaining our emphasis on American Indian empowerment as part of our ongoing commitment to fulfill our trust responsibilities.
• Implementing OMM's E-Gov initiative to improve information management within OMM. This initiative institutes comprehensive stakeholder support, fosters better integration and sharing of information, and promotes development of performance measures that support our primary business activities.

In addition to our other performance management initiatives, we are joining with Departmental staff and employees from other bureaus to improve data validation and verification. The basic strategy underlying the Department's data validation and verification approach is to establish clear expectations and requirements for achieving data credibility. This will enable organizations to position themselves to succeed in delivering accurate information to guide decision-making. In line with this approach, MRM is working with its reengineering systems contractor to develop data procedures that are compliant with Joint Financial Management Implementation Program requirements. OMM, also cognizant of the importance of valid measures and verifiable data, is working to strengthen its procedures as well. For example, in FY 2000, OMM determined that it could not obtain accurate water quality data for use in the environmental index. Accordingly, OMM dropped that data from the index calculations until reliable data can be obtained from the appropriate regulatory agency.

As we look back on our last year's performance, we believe we are on track to fulfill our vision of being recognized as the best minerals manager in the world.

The MMS regulates mineral exploration and development activities offshore to ensure worker safety and environmental protection.

About This Document

THE GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA) REQUIRES AGENCIES TO SUBMIT ANNUAL PERFORMANCE PLANS TO CONGRESS WITH THEIR FISCAL YEAR BUDGET REQUESTS AND TO PREPARE ANNUAL PERFORMANCE REPORTS AT THE END OF EACH FISCAL YEAR (FY) TO REPORT ON HOW WELL THEY MET THEIR GOALS. RATHER THAN SUBMIT SEPARATE DOCUMENTS, THE MINERALS MANAGEMENT SERVICE (MMS) HAS COMBINED THE FY 2000 ANNUAL PERFORMANCE REPORT AND THE FY 2002 ANNUAL PERFORMANCE PLAN INTO THIS CONSOLIDATED REPORT.

The MMS followed Departmental guidance while preparing this consolidated report. In it, MMS presents an overview of FY 2000 accomplishments; planned performance for the current fiscal year, FY 2001; and FY 2002 proposed performance goals, based on requested budget resources.

The FY 2000 performance goals were established in the FY 2000 Annual Performance Plan, published in March 1999 and revised in March 2000. The goals were revised to bring them in line with the long-term goals established in MMS's Strategic Plan for 2000 to 2005, also published in March 2000. The FY 2001 revised final annual goals and the proposed FY 2002 annual goals presented in this report also are in line with the long-term goals in MMS's Strategic Plan.

The MMS Consolidated GPRA Report is divided into three sections and two appendices:

Section I - *Introduction and Overview* Introduces MMS and states its mission and vision. It also addresses the linkages to Departmental goals, MMS's strategic plan, and the budget; provides minor adjustments to the strategic plan; and closes with an At-a-Glance view of the FY 2002 Annual Performance Plan.

Section II - *GPRA Program Activities and Goals* Includes discussions about MMS's FY 2002 Annual Performance Plan, with trend data about prior years' performance, and contains the FY 2000 Annual Performance Report. This section also includes budget information and discussions of MMS's methods to validate and verify data used to measure performance.

Section III - *Additional GPRA Information* Contains discussions about several issues related to MMS's planning efforts.

Appendix 1 - *Contains the FY 2000 Annual Performance Report* At-a-Glance Table, which is a summary of FY 2000 performance information.

Appendix 2 - *Contains the FY 2001 Annual Performance Plan* At-a-Glance Table, which presents MMS's revised final FY 2001 annual performance goals and the revised final FY 2001 budget table.

Production from the OCS is a critical component of the domestic energy supply.

Section I

Introduction and Overview

1.1 INTRODUCTION

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

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

The MMS comprises two specialized operating programs: Minerals Revenue Management[1] (MRM) and Offshore Minerals Management (OMM). The Directorate of Policy and Management Improvement, the Directorate of Administration and Budget, and the Offices of Congressional and Public Affairs support both programs.

The MMS's activities provide major economic and energy benefits to taxpayers, states, and the American Indian community--benefits that have both national and local importance. The OCS significantly contributes to our national energy supply, currently providing more than 26 percent of the natural gas (143 trillion cubic feet since 1953) and 25 percent of the oil (13 billion barrels since 1953) produced in the United States.

The OMM administers more than 7,500 active leases on 40 million acres of the OCS. While development of offshore mineral resources has contributed to the Nation's energy security and has meant billions of dollars in revenues to the United States, MMS is especially mindful of safety and environmental concerns--striving to achieve the proper balance between providing a domestic energy source and protecting sensitive coastal and marine environments.

Since 1982, MRM has disbursed nearly $110 billion to Federal, State, and Indian accounts. This includes approximately $69 billion to the U.S. Treasury and $26 billion to the Land and Water Conservation Fund, the National Historic Preservation Fund, and the Reclamation Fund. MRM also has disbursed approximately $12 billion to 38 states and 3.1 billion to the Department's Office of Trust Funds Management (OTFM) on behalf of 41 Indian tribes and 20,000 individual Indian mineral owners (allottees)[2].

The revenues generated and disbursed by MMS provide many benefits to the American people. For example, the Land and Water Conservation Fund provides revenues to Federal, State, and local governments to purchase parks and recreation areas, and to acquire and develop land and water resources for recreational use, habitat protection, scenic beauty, and biological diversity. The Reclamation Fund provides revenues to build, maintain,

[1]The MRM formerly was known as the Royalty Management Program (RMP). The RMP implemented a congressionally approved reorganization effective October 8, 2000, becoming Minerals Revenue Management. Transition to the new organization was an important milestone in the reengineering initiative, beginning implementation of the end-to-end processes that are at the heart of MRM's reengineering.
[2] The MRM collects revenues from activities on Federal onshore and offshore mineral leases, and disburses portions of the revenues to States with Federal mineral leases that are within their respective boundaries or within 3 miles of the seaward boundary of their coasts. Indian tribes and allottees receive 100 percent of the mineral revenues derived from leases on their lands.

and operate water and associated power projects on arid and semi-arid Western lands. The National Historic Preservation Fund uses revenues to expand and accelerate historic preservation plans and activities.

Monies that go to the States are used as the States deem necessary, typically for schools, roads, libraries, public buildings, and general operations. Revenues generated from mineral production on Indian lands go directly to the tribes and allottees, meeting a wide variety of tribal and allottee needs.

For more information about MMS, please visit the MMS website at www.mms.gov. The MMS's Strategic Plan for FY 2000 to FY 2005 and its FY 2000 and 2001 Annual Performance Plans can be accessed from the website as well.

1.2 MISSION AND VISION STATEMENT

MISSION

TO MANAGE THE MINERAL RESOURCES ON THE OUTER CONTINENTAL SHELF IN AN ENVIRONMENTALLY SOUND AND SAFE MANNER AND TO TIMELY COLLECT, VERIFY, AND DISTRIBUTE MINERAL REVENUES FROM FEDERAL AND INDIAN LANDS.

VISION

TO BE RECOGNIZED AS THE BEST MINERALS RESOURCE MANAGER

1.3 LINKAGE TO MMS STRATEGIC PLAN AND DEPARTMENTAL GOALS

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

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

The breadth of MMS activities needed to effectively fulfill the MMS mission generally support all Departmental goals. For example, our "Rigs to Reefs" program provides recreational opportunities for sport-fishing enthusiasts, and OMM provides up-to-date scientific information for resource management decision making through environmental and technology research programs. This research is made widely available and is used by coastal states and other agencies.

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

This FY 2002 Annual Performance Plan links directly to the MMS FY 2000 to 2005 Strategic Plan through mission and long-term performance goals, and by delineating the annual performance targets MMS managers have set in order to attain the long-term goals. The MMS Strategic Plan presents our mission and vision statements and guiding principles, and sets out our mission goals and their related long-term performance goals, which focus on outcomes. It also contains discussions about the strategies we intend to follow to achieve our long-term goals.

RELATIONSHIP BETWEEN DEPARTMENTAL GOALS AND MMS GOALS

Departmental Goals	MMS Mission Goals	MMS Long Term Goals
3. Manage Natural Resources for a Healthy Environment and a Strong Economy	Ensure safe OCS mineral development.	Safety - see page - 17
	Ensure environmentally sound OCS mineral development.	Environment - see page - 22
	Ensure that the public receives fair market value for OCS mineral development.	Fair Market Value - see page - 30
	Provide revenue recipients with access to their money within 24 hours of the due date.	Access to Money - see page - 35
	Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than 3 years from the due date.	Royalty Compliance - see page - 40
	Interact with our customers in an open and constructive manner to ensure that we provide quality services that satisfy our customers' needs.	Customer Service - see page - 53
5. Meet Our Trust Responsibilities to Indian Tribes and our Commitments to Island Communities	Fulfill our mineral revenue Indian trust responsibilities.	Mineral Revenue Indian Trust Responsibilities - see page - 49
	Interact with our customers in an open and constructive manner to ensure that we provide quality services that satisfy our customers' needs.	Customer Service - see page - 53

The target levels of performance in the annual goals were developed by experts at various levels throughout the organization. Senior officials identified and prioritized the results that need to be attained during FY 2002 in order to achieve the longer-term strategic goals. Technical and program experts identified the resources and specific actions needed to achieve those results. Resource allocations and work plans for each organizational unit will be tied to this plan.

1.4 LINKAGE TO THE BUDGET

In accordance with the Office of Management and Budget's (OMB) Circular A-11, section 220.8, the budget figures presented in this document are at the mission goal level[3]. The budget figures for the mission goals were determined by evaluating the contributions of the various parts of the organization toward each of the goals. The entire costs for the organization, including general and administrative costs, were allocated in this manner and then were totaled. The total for all the mission goals accounts for and matches MMS's total FY 2002 budget request, including amounts from appropriations and offsetting collections.

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

1.5 ADJUSTMENTS TO THE STRATEGIC PLAN

The FY 2002 Annual Performance Plan, which is part of this Consolidated Report, is based on MMS's revised Strategic Plan for FY 2000-2005, published in March 2000. The FY 2000 Annual Performance Report, which also is part of this report, is based on the current Strategic Plan and on the revised final FY 2000 annual performance goals, presented in the FY 2001 Annual Performance Plan in March 2000. Both are available on the Internet at http://www.mms.gov/Strategic Plan/strat-pln.htm.

As provided in Circular A-11, Part 210.2(d), MMS is making minor adjustments to its current Strategic Plan as part of this annual plan. The adjustments are presented in the table below and are discussed in more detail in the applicable sections of this report and in the footnotes in Appendix 2.

Long Term Goal Number	Original Goal in FY 2000-2005 Strategic Plan	Revised Goal	Comments
OMM-1A	Maintain or show a decrease in the average accident index of .594.	Maintain or show a decrease in the average safety index of .594.	Changed index name from "accident" to "safety" to make the long-term goal terminology consistent with the mission goal and OMM's overarching goal. This change may not be reflected in the performance section of the FY 2002 President's Budget.
MRM-3A	By the end of FY 2005, ensure 100 percent of Indian gas producing properties are in compliance with major portion and 100 percent of Indian gas producing properties are in compliance with dual accounting for the time period 1984-2005.	By the end of FY 2005, ensure 100 percent of Indian gas producing properties are in compliance with index zone/major portion and dual accounting for the time period 1984-2004.	The changes in the goal are twofold: 1) adding "index zone/" and 2) changing the time period to 1984-2004. (See footnote 22, Appendix 2).
MRM -3B	By the end of FY 2005, ensure 100 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2005.	By the end of FY 2005, ensure 100 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2004.	See footnote 24, Appendix 2.

1.6 MINERALS MANAGEMENT SERVICE FY 2002 GOALS AT-A-GLANCE

GPRA Mission Goal	Long Term Goal
Ensure safe OCS mineral development.	Maintain or show a decrease in the average safety index of .594.
Ensure environmentally sound OCS mineral development.	By 2005, show a decrease in the environmental impact index from the 2000 baseline.
Ensure that the public receives fair market value for OCS mineral development.	From 2000-2005, the ratio of high bids accepted for OCS leases to the greater of MMS's estimate of value or the minimum bid is maintained at the 1989-1995 average level of 1.8 (+/- 0.4) to 1.
Provide revenue recipients with access to their money within 24 hours of the due date[4].	By the end of FY 2005, provide recipients access to 90 percent of revenues within one business day of MMS receipt and disburse 98 percent of revenues to recipients by the end of the month following month received.
Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than 3 years from the due date.	By the end of FY 2005, ensure payments are within the expected payment range at the due date for 95 percent of properties.
	By the end of FY 2005, issue 95 percent of necessary orders and demands within 3 years of the due date.
Fulfill our mineral revenue Indian trust responsibilities.	By the end of FY 2005, ensure 100 percent of Indian gas producing properties are in compliance with index zone/major portion and dual accounting requirements for the time period 1984-2004[7].
	By the end of FY 2005, ensure 100 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2004.
Interact with our customers in an open and constructive manner to ensure that we provide quality services to satisfy our customers' needs.	By 2005, show an increase in customer satisfaction with our data and information services.

[4]Due date, as used throughout this document, is defined as the date royalty and production reports and payments are due as defined by laws, lease terms, and regulations.
[5]The compliance index is a ratio of actual voluntary royalty payments divided by expected royalty payments.
[6]"1999 converted properties" are defined as 1999 production related to properties that have been converted into the 3-year end-to-end Compliance and Asset Management process.
[7]On August 10, 1999, MMS published a final rule changing gas valuation regulations for Indian leases. One of the changes involved the use of published index prices for valuing gas produced from many American Indian leases. For leases in these areas, MRM will ensure companies pay royalties based upon the proper index prices.

FY 2002 Annual Goal
Achieve a safety index not greater than .594.
In FY 2002, show a decrease in the number of adverse environmental impacts per OCS mineral development activity below the FY 1999 level of 8.10 and maintain an oil spill rate of no more than 10 barrels spilled per million barrels produced.
In FY 2002 we will maintain the current high bids accepted for OCS leases to MMS estimated value ratio of 1.8 (+/- 0.4) to 1.
By the end of FY 2002, provide access for ultimate recipients of 10 percent of revenues within one business day of MMS receipt and disburse 98 percent of revenues to recipients by the end of the month following month received.
In FY 2002, achieve a compliance index[5] of .9775 (for calendar year 2000).
By the end of FY 2002, complete 100 percent of random audits for 1999 converted properties[6].
By the end of FY 2002, ensure for the time period January 1, 2000, through March 31, 2002, that 71 percent of Indian gas producing properties are in compliance with index zone/major portion requirements. By the end of FY 2002, ensure for the time period 1984-1999 that 57 percent of Indian gas producing properties are in compliance with dual accounting requirements[8].
By the end of FY 2002, ensure for the time period 1984-2001 that 34 percent of Indian oil producing properties are in compliance with major portion requirements[9].
In FY 2002, we will increase the customer satisfaction index over the FY 2001 result.

[8]For gas major portion calculations, data reported for FY 2000 and prior years captured data related to 1984-1999. However, we are not calculating major portion for 34.5 percent of the gas properties for that time period due to Interior Board of Land Appeals (IBLA) decisions related to our previous gas valuation regulations. We have completed calculations for 60 percent of these properties, and we will complete the remaining 5.5 percent. For FY 2001 forward, we will report progress in ensuring gas-related major portion compliance from January 1, 2000, forward (the date the new Indian gas regulations were effective).

[9]Progress with oil major portion has been made through settlements with companies. We do not yet have a new Indian oil valuation rule published. For most of the remaining oil-related properties, we are not calculating oil major portion for the period March 1988 through December 1999 due to the IBLA decisions that also impacted the current Indian oil regulations

Section II

GPRA Program Activities and Goals

2.1 OFFSHORE MINERALS MANAGEMENT

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

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

Offshore production from the OCS is a critical component of the domestic energy supply currently providing more than 26 percent of the natural gas and 25 percent of the oil produced in the United States. The demand for natural gas is expected to continue to increase significantly during the next ten to twenty years. According to the Energy Information Administration, the demand for natural gas may reach as much as 35 Tcf by 2020, compared with 21 Tcf in 1998.

If the OCS is expected to maintain the same percentage contribution towards future U.S. gas consumption, the annual gas production from Federal waters will have to increase by seven to eight trillion cubic feet (Tcf). Assuming status quo in the leasing program, the primary source of OCS natural gas, the Gulf of Mexico, is projected to have a leveling off in production at approximately five Tcf in the year 2005.

Finding economically viable methods to tap vast deepwater resources is driving innovations in offshore technology. It is an MMS priority to maintain a comprehensive technology assessment and environmental research program that recognizes the environmental implications of our decisions. We see MMS's research programs as essential in helping ensure that management decisions enable us to be proactive in assessing the need for regulation of the offshore industry and maintaining our high standards for safe and environmentally sound exploration and production. The Nation has much to gain from excellent safety and environmental performance because the production and consumption of energy comprise fundamental components of economic development, national security, and societal well being. The United States now depends on oil and natural gas for nearly two-thirds of its energy needs, virtually 100 percent of its transportation needs, and an ever-increasing proportion of our electricity. Environmental benefits are obtained by providing access to clean-burning natural gas, which is increasingly being used nationwide to power electric generating stations.

For the future, we continue to evaluate the resources in the Alaska OCS. It is estimated that this area contains 25 billion barrels of oil and 123 trillion cubic feet of gas. Alaska potential is constrained by the high costs associated with exploration and development. However, even with conservative economic assumptions, the undiscovered, economically recoverable resources for the Alaska OCS are estimated to be 3.3 billion barrels of oil and 5.1 trillion cubic feet of gas.

In pursuit of meeting or exceeding all three of our goals, OMM has procured a contractor to conduct a Foundational Study of how it should transition to an E-Government (E-Gov) environment. This study will consist of a business process review and recommendations for moving to a web-based, paperless operation with

our customers. Developing an overarching vision and strategy will set the course for moving towards E-Gov in a coordinated fashion. The OMM continues to brief stakeholders on this initiative to ask for feedback on how MMS can more efficiently transact business.

Some of the guiding principles and objectives of OMM's E-Gov initiative are:

- Capture, manage and share information across the enterprise
- Align performance measures with vision and key services
- Identify measures to support the business case (safety, environmental index, evaluation of leases, cycle time)
- Be a customer-oriented service motivated by marketplace needs
- Develop comprehensive support or services for key stakeholder groups (the public, business, State and local governments, the oil and gas industry, regulators)
- Transform culture to one that is market oriented
- Provide the most efficient transaction
- Fulfill entire mission: balance total revenue return (the entire value of the resource) with regulatory requirements (e.g., safety and environmental); incorporate the notion of maximizing the ultimate recovery of the resource, e.g. conservation of resources
- Create an identity that positions OMM in the marketplace and is readily recognizable to stakeholders.

The MMS has developed the following goals to accomplish its mission to carry out the OCSLA mandate.

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

Description: The MMS safety program today has several components that emphasize performance over process and using our resources where the risk is greatest. These components include:

- Promotion of company-wide safety and environmental management programs;
- Greater reliance on industry wide standards and guidelines;
- Comprehensive approach to inspection of offshore facilities focused on those components or processes that present the most risk of failure;
- Improvement in our understanding of the causes and possible preventive measures for accidents;
- Use of Annual Performance reviews of companies to maintain an ongoing dialogue with an emphasis on improving performance;
- Ongoing research into safety technologies; and
- Alternative regulatory compliance.

The most symbolic shift to performance-based management is the collective work to develop and promote the importance of the Safety and Environmental Management Program (SEMP). The SEMP is a nontraditional, performance-focused tool for integrating and managing offshore operations. The purpose of SEMP is to enhance the safety and cleanliness of operations by reducing the frequency and severity of accidents. The MMS has asked industry to voluntarily adopt SEMP. The MMS has four principal SEMP objectives:

(1) focus attention on the influences that human error and poor organization have on accidents;
(2) achieve continuous improvement in the offshore industry's safety and environmental records;
(3) encourage the use of performance-based operating practices; and

(4) collaborate with industry in efforts that promote the public interests of offshore worker safety and environmental protection.

The MMS believes that the best regulatory program includes performance-based components founded on a prescriptive set of regulations. Our inspection program will not go away. In fact we are continually looking for ways to more wisely use our resources and focus our attention.

In the safety program, we have over 70 inspectors that go offshore every day, weather permitting. In 1999, these inspectors conducted over 18,000 inspections covering a diverse set of operations and facilities and pipelines systems of varying complexity. The MMS future will include both audits of safety management systems and a comprehensive and rigorous inspection program.

The offshore industry in the U.S. ranges from mega-national corporations with worldwide operations to small independents with operations in only one region or State. The move into deep water and the resulting activity have increased both the level and complexity of monitoring OCS operations. The MMS offshore program continues to seek ways to accomplish its goal of safe operations with minimal environmental impact in the most cost-effective way.

FY 2002 ANNUAL GOAL:

Achieve a safety index not greater than .594. (Note- The index previously was termed the "accident index." See Section 1.5 and footnote 17 in Appendix 2.)

BUDGET TABLE

Offshore Minerals Management - Mission Goal OMM-1						
	FY 2000 Enacted		FY 2001 Enacted		Budget	
Budget Activity/Subactivity	Total OMM ($000)	Mission Goal OMM-1 ($000)	Total OMM ($000)	Mission Goal OMM-1 ($000)	Total OMM ($000)	Mission Goal OMM-1 ($000)
Leasing & Environmental	41,870	174	42,836	175	46,243	179
Resource Evaluation	26,717	1,255	27, 660	1,262	28, 040	931
Regulatory	49,249	41,762	50,592	43,063	58,830	50,688
Information Management	16,925	6,260	17,336	6,413	17,855	6,619
Oil Spill Research	7,138	4,612	7,163	4,627	7,319	4,728
Totals	**141,899**	**54,063**	**145,587**	**55,540**	**158,287**	**63,145**

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

GOAL: SAFETY

Mission Goal OMM-1: *Ensure safe OCS mineral development.*

Long-Term Goal OMM-1A: *Maintain or show a decrease in the average accident index of .594.*

FY 2002 Annual Performance Goal: *Achieve a safety index not greater than .594.*

Performance Measure: *Ratio of the number of incidents (times the severity factor) to the number of activities (times the complexity/risk factor).*

FY 98 Actual	FY 99 Actual	FY 00 Plan	FY 00 Actual	FY 01 Plan	FY 02 Proposed
.583	.578	.594	.867	.594	.594

Goal Description: This index considers the number and severity of incidents and the relative risks of those activities. It can be compared only with results from other years. This measure will indicate whether offshore operations are improving upon an already excellent safety record. The index is derived as follows:

1) Each incident is multiplied by a factor representing the severity of that incident and the results are totaled. (Incidents include fatality, injury, explosion, blowout, fire, and collision. Pollution events are excluded because they are captured in the environmental index.) For example, a fire that causes $1,000 damage receives a severity value of 1, and a fire that causes $2 million damage receives a severity value of 500. The number generated is the numerator for the index.

2) Each activity that occurred during OCS oil, gas, and sulfur operations is multiplied by a factor representing the complexity and safety risk of that activity and the results are totaled. (Activities include numbers of platforms, wells drilled/completed, and wells plugged and abandoned.) For example, the number of platforms in water less than 200 meters deep with zero to five wells is multiplied by one, and the number of platforms in water 200 to 400 meters deep with zero to eleven wells is multiplied by three. The number generated is the denominator for the index.

3) The safety index value equals the totals from step 1 divided by the totals from step 2. **In the extreme, if each activity had resulted in the most severe type of accident (i.e., multiple fatalities), the 1996 index would have been 298, rather than 0.612.**

The safety index is normalized in that it takes into consideration the activity level when totaling accidents. The safety index should not be construed as the percentage of accidents that occur from gas, oil, and sulphur operations on the OCS. It is an indexed number that uses arbitrary multipliers for accidents and activities to calculate an indexed rate. As long as the multipliers for both accidents and activities are used consistently from year to year, the index will measure whether or not safety is improving for gas, oil, and sulphur operations on the OCS.

A document prepared by OMM, "Performance Measures Primer," contains additional detail on the safety index.

STRATEGIES AND RESOURCES:

Our long-term goal is to maintain or decrease the average safety index. Recent budget increases, including the initiative proposed for FY 2002, are required to maintain the index near its very low level given the increase in activity, particularly in the Gulf of Mexico

(GOM). This increased activity was made possible by new technologies that allowed exploration and development in very deep water and allowed geoscientists to "look" below the previously impenetrable layers of salt into deeper sediments that could hold additional oil or gas. Deepwater production now accounts for more than half of the oil produced in the GOM and almost 15 percent of all domestically produced oil.

In terms of workload, the number of total wells drilled rose 40 percent in 2000; the number of deepwater wells drilled rose 50 percent; the number of ultra-deepwater wells (>5,000 feet) rose 95 percent; and the number of development plans filed rose by 46 percent. Also reaching an all time high in FY 2000 were the 191 permit applications for platform installations, representing a 30 percent increase from FY 1999. The technical review of increasingly complex development plans requires the use of more technical expertise. The additional resources would keep plan approval on pace, preventing delays in oil and gas production and revenues, and would continue to ensure that ongoing production is done in a safe and environmentally sound manner.

The number of inspections of platforms has increased to ensure that new operators are observing proper safety procedures and that aging equipment is maintained properly to prevent environmental damage or harm to workers. As the number of new operating companies continues to rise, MMS has increased the overall time spent on inspecting facilities, investigating incidents, and issuing civil penalties. These efforts contribute to a safe working environment.

Other efforts underway to enhance the safety program include:

- Publishing a Notice of Proposed Rulemaking on deepwater facilities, web-based incident reporting, and third party certification of well control and production safety training. These rules are necessary to provide a framework for deepwater production, transfer responsibility for training school certification to industry associations, and provide for more efficient electronic incident reporting.

- Fully implementing the provisions of an MOU between MMS and the US Coast Guard, which delineates each agency's respective responsibilities for offshore facilities. To simplify compliance and monitoring, MMS is working with the Coast Guard on common safety standards for fixed and floating facilities. Coordinating important differences on firefighting requirements are the first, and most important, task.

- Working with the Department of Transportation on a single set of safety standards and pipeline regulations for offshore production and transportation activities. This will facilitate industry compliance and MMS enforcement.

- Continuing to participate in the development of industry safety standards for offshore facilities, including participation in the International Standards Organization efforts to develop regional guidelines and standards that are beneficial to improving safe domestic operations. International standards facilitate the global transfer of personnel and equipment.

- Continuing to work towards implementation of a risk-based inspection program, assigning the highest priority to the facilities with the highest risk of accidents or pollution events.

- Using objective and comprehensive performance data, recognize and award outstanding operators and contractors, while quickly and heavily penalizing actions that put the offshore program and our energy future at risk.

Demand for energy, particularly natural gas, is expected to increase substantially in the future. Unless the program's excellent safety and environmental records are maintained, the public will lose confidence in the integrity of the program. The MMS is committed to its role of contributing to the economy in the form of revenues and secure supplies of oil and natural gas by balancing the production of offshore energy with the protection of human, marine, and coastal environments.

FY 2000 ANNUAL PERFORMANCE REPORT:

Goal: Achieve an accident index not greater than 0.594.

Report: The FY 2000 accident index was .867; therefore, this goal was not met. Although any increase above the target is cause for concern, to put this increase in perspective it bears repeating that the safety index, at its worst case scenario, can be as high as 298.

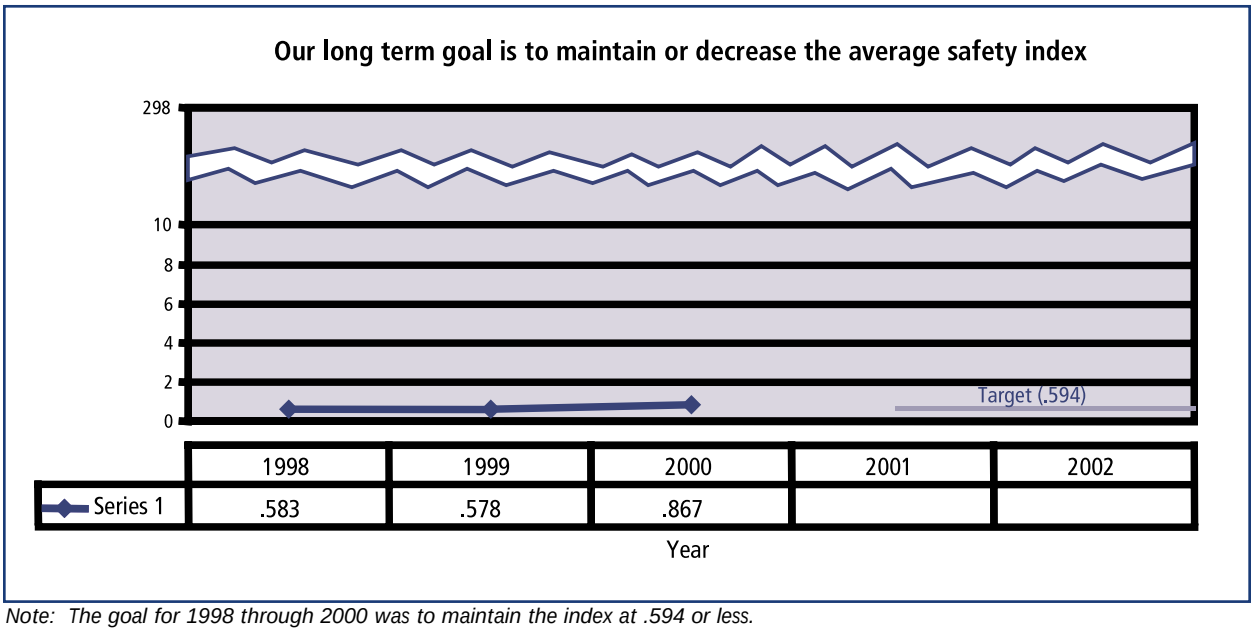
The U.S. is observing the same trend (increase in incidents) that Norway, the United Kingdom, and other leading offshore regulators are observing. While the number of fatalities in U.S. operations decreased from seven in FY 1999 to four in FY 2000, there was an increase in reported severe injuries. Like the United Kingdom and Norway, we may be observing a plateau in overall safety performance and a slight increase in the frequency of injuries. We will continue to consult with them and other members of the international regulatory community regarding practices that might further reduce the occurrence of falls and other chronic behavioral incidents. Also, as we gain experience with the index, we may have a better understanding of what an increase of 0.273 (from 0.594 to 0.867) signifies. What is certain is that MMS ensures that incidents are reported in a timely fashion, analyzes the factors involved, and takes action immediately when a trend is noted.

A significant part of the increase in this index, however, is due to refining and improving the data collection. One element that has increased is the amount of property damage (in dollars) reported. Operators are getting better at reporting property damage amounts and are now including incidents that result in only property damage, rather than limiting reports to incidents that result in injury, fatality, fire, and the like. Because there is no requirement to report the damage amounts, these have been estimated in the past. If the property damage is underestimated, the severity index is underestimated and the index likely was underestimated in the past. Therefore more accurate reporting of property damage values has resulted in a slight increase in the index.

There were more blowouts in FY 2000, which can have a high severity value depending on the damage. The MMS and the industry work together to determine the contributing factors. For example, early in FY 2000 after the first two blowouts, MMS issued a National Safety Alert raising the issue of cementing operations. The MMS met with several companies and the industry immediately held workshops on the topic. As a note, safety devices at the wellhead make oil spills from a blowout a rare occurrence. Blowouts result primarily in property damage for the operator.

In 1999 there was less activity overall in the Gulf of Mexico (however more deepwater activity) due to a large decrease in prices in 1998-1999. During 2000, the activity picked up noticeably; however, the lower initial level of activity reduced the denominator of the FY 2000 index, accentuating the increases in the numerator (the severity components discussed above).

The MMS continues to monitor all of the components of the safety index and takes immediate action when trends are identified. The U.S. wants to be a pacesetter in the area of safety and environmental performance. The MMS measures industry performance, continues to study how human factors and mechanical systems interface, and emphasizes operator responsibility and the concept that poor performance carries a price.



Note: The goal for 1998 through 2000 was to maintain the index at .594 or less.

DATA VALIDATION AND VERIFICATION

Data Validation	This goal was reviewed by regulatory operations managers at headquarters and in the regions for consistency with future plans and capabilities. It was concluded that this goal was logical, based on the consistent results over the past few years. The goal is also attainable; however, several more years of results may be needed to compute a valid baseline. The goal is measurable, understandable, and directly related to the goal activity.
Data Source	Data for the safety index is obtained directly from OMM's Technical Information Management System (TIMS). The system contains reports on all accidents and information on all wells, structures, and other activities on the OCS. There are no external sources.
Data Verification	All data and information used in this measure are entered into the database by MMS personnel. Prior to entry, the data are reviewed for completeness and accuracy. The well and structure data are taken from permit requests and approvals and subsequent "as built" reports. The accident information is taken from operator reports and MMS investigation reports.
Data Limitations	The only limitations are the completeness of operator submitted reports of accidents. MMS investigators fill in information that is lacking in operator reports.
Planned Improvements	The MMS is revising the regulations covering accident reporting. The revisions will make it easier (electronic reporting via the web) and more timely. There is no international standard governing safety data, but we are sharing information with other nations on reporting and gathering accident data through the International Regulators Forum.

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

Description: Activities associated with the extraction of OCS minerals potentially can impact environmental resources, habitats, and the human environment. These effects can be low level and chronic in nature, accumulating over time, or can be sudden high-impact events with localized outcomes. The MMS ensures environmentally sound development of OCS minerals through a combination of plan and project reviews for compliance with numerous environmental laws, monitoring and follow-up, mitigation, regulations, and research.

The OCS management activities span drastically different physical and sociological environments, in addition to relationships with an exceptionally diverse group of stakeholders. As part of its environmental mission, MMS must bring to bear a worldwide library of data and information about environmental effects of drilling and site specific knowledge of ocean currents, biology, marine mammals, and many other fields. This environmental analysis is part of the review of 900 wells drilled and the approval of 600 plans each year.

FY 2002 ANNUAL GOAL:

In FY 2002, show a decrease in the number of adverse environmental impacts per OCS mineral development activity below the FY 1999 level of 8.10 and maintain an oil spill rate of no more than 10 barrels spilled per million barrels produced.

BUDGET TABLE

Offshore Minerals Management - Mission Goal OMM-2						
	FY 2000 Enacted		FY 2001 Enacted		FY 2002 President's Budget	
Budget Activity/Subactivity	Total OMM ($000)	Mission Goal OMM-2 ($000)	Total OMM ($000)	Mission Goal OMM-2 ($000)	Total OMM ($000)	Mission Goal OMM-2 ($000)
Leasing & Environmental	41,870	41,696	42,836	42,657	46,243	46,064
Resource Evaluation	26,717	2,085	27, 660	2,097	28, 040	1,783
Regulatory	49,249	5,778	50,592	5,810	58,830	5,818
Information Management	16,925	3,650	17,336	3,738	17,855	3,855
Oil Spill Research	7,138	2,526	7,163	2,540	7,319	2,591
Totals	**141,899**	**55,735**	**145,587**	**56,842**	**158,287**	**60,111**

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

GOAL: ENVIRONMENT

Mission Goal OMM-2: *Ensure environmentally sound OCS mineral development.*

Long-Term Goal OMM-2A: *By 2005, show a decrease in the environmental impact index from the 2000 baseline.*

FY 2001 Annual Performance Goal: *In FY 2002, show a decrease in the number of adverse environmental impacts per OCS mineral development activity below the FY 1999 level of 8.10 and maintain an oil spill rate of no more than 10 barrels spilled per million barrels produced.*

Performance Measure: *Ratio of the number of adverse environmental impact incidents observed during the review of a specified number of mineral development activities.*

FY 98 Actual	FY 99 Actual	FY 00 Plan	FY 00 Actual	FY 01 Plan	FY 02 Proposed
10.25	8.10	9.45	N/A[10]	8.10	8.10

Performance Measure: *Barrels of oil spilled per million barrels produced.*

FY 98 Actual	FY 99 Actual	FY 00 Plan	FY 00 Actual	FY 01 Plan	FY 02 Proposed
22.7	6.9	5.06	N/A	10	10

Goal Description:

Environmental Index

Over the last several years, MMS has evaluated how best to determine program performance by way of an environmental index, or environmental impact rate. The MMS environmental program is funded to assess and monitor biological and environmental resources for predicting impacts of activities for decision making purposes. Funds may be directed for specific monitoring programs to support future decisions, such as studying Bowhead whales in the Beaufort Sea. However, the program contains no base funding for a specific measurement program.

The challenge is to develop an environmental index that is entirely satisfactory for the three disparate areas-the shallow, semitropical Gulf of Mexico, the waters off southern California, with its very narrow continental shelf, and the semiarctic and arctic Alaska waters. An indicator such as air quality is very important in California, but is of only marginal importance in one small portion of the Gulf of Mexico. The measurement of environmental quality parameters in California, with slightly more than 20 platforms, all fairly close to shore, is in itself relatively difficult and expensive. However, measuring water quality in the Gulf of Mexico, with over 2,000 platforms, many of which are over 100 miles from shore, is a daunting task. Similarly, coastal community impacts in the form of economic benefits and employment are sought after in the coastal areas of Louisiana and Texas, but the opposite is true in Florida. Resource measurements that are meaningful in one region can be of little value in another, and issues that are deemed

[10]The environmental index and the oil spill number are calculated by calendar year because the data for the variables (a portion of which are obtained from other agencies) are generated on a calendar year bases. Analysis should be completed by May 2001. For FY 2000, there is no reason to believe that we will not achieve our annual target.

nationwide in scope exceed financial capabilities when the task of collecting the data in the Gulf of Mexico is considered.

In collecting data for predictive studies there are some occasions when we measure impacts on resources from past activities. However, measurements or monitoring needs change based on the 5-year leasing plan decision points, and the needs for the three regions vary considerably. Once a study is complete, funds are typically redirected based on the requirements for environmental information. Some of the difficulty in developing a nationwide index, therefore, has been determining common factors for all three regions and determining what data are available nationwide.

For the components of the current index, each OCS Region collects data on the number of actions in the planning area, including the number of post-construction reports submitted for projects in protected biological areas; air quality inspections carried out; platforms removed using explosive devices; and incidents of adverse environmental impacts observed during inspections of a specified sample of activities. The incidents are recorded by resource (see chart below). The number of incidents is divided by the number of OCS mineral development activities, to determine an environmental impact rate for OCS activities. Since it is not possible to measure all potential impacts in the marine environment, this rate is an indicator of environmental impacts, and should not be construed as the number of impacts per activity or a measurement of all impacts that could occur.

In FY 1999, it was determined that the information for water quality could not be obtained because the Environmental Protection Agency (EPA) Region responsible for the bulk of the GOM could not provide the data in a way that it could be assigned to offshore platforms. Therefore, the FY 1999 and FY 2000 index results incorporate less data than FY 1998. At present, the indicators shown on the table below are used in the environmental index.

Resource	Indicator of Adverse Environmental Impact
Seafloor Resources	Contact with a sensitive seafloor resource the operator has been told to avoid (e.g., direct [anchor scarring] or indirect [muds and cuttings, oil] contact with hard/live bottom, archaeological resources, pinnacles, topographic features, or chemosynthetic communities).
Protected Biological Resources (Endangered Species, Threatened Species, and Protected Marine Mammals)	Non-compliance with Fish & Wildlife/National Marine Fisheries Service permit requirements.
Air Quality	Non-compliance with MMS/local air quality emission levels.

Further Evaluation of the Environmental Index

Adverse environmental impacts can occur as a result of one of two primary pathways:
(1) planned activities, and (2) accidents. The primary accidents of environmental and societal concern are large oil spills, either from production or transportation of oil. The MMS has a measure that monitors oil spillage from OCS activities (see below). The environmental index currently focuses on cumulative environmental impacts from

both permitted activities (by both MMS and other Federal regulatory agencies) and accidental events. The MMS is in the process of developing and evaluating an index that will focus on MMS-permitted operations only (while maintaining the oil spill rate measure). Focusing on MMS-permitted activities should alleviate some of the data collection problems experienced in the past.

The MMS-permitted OCS activities can affect the environment or resources of concern via:

- Emissions (of air pollutants)
- Seafloor disturbances (of biological communities or historic shipwrecks or cultural sites)
- Explosive shock waves

Environmental impacts (both adverse and beneficial) that might occur from an industrial activity at sea range from trivial to extreme. A key concept is that acceptance or rejection of any given environmental alteration is a value-based decision. In different social settings, with different values, the reaction to a proposed environmental alteration may not be the same.

Oil Spill Rate

The MMS maintains a database of all oil spills greater than 1.0 barrel in size resulting from OCS mineral development activities. Oil spills include crude, condensate, diesel, and other products such as drilling muds. Since the amount of oil produced can vary from year to year, and will have an influence on the amount of oil spilled, this measure takes into account the amount of oil produced. This measure is calculated by dividing the total number of barrels spilled (for spills > 1.0 bbl) by millions of barrels produced for each year. Because oil spills are accidents, this measure will fluctuate widely from year to year.

One factor to consider when analyzing this performance measure is that pipelines are often the source of oil spills. Vessels, which have historically been the source of anchor or trawler drag of pipelines, are generally not under MMS authority to regulate. The primary way at present for MMS to preclude large spills (1,000 bbl) from occurring is to ensure that the pipeline is shut down immediately following an incident.

For FY 2001, OMM is changing the target to 10 barrels spilled per million barrels produced. Given that offshore production is 500 million barrels or more per year, this would equate to spillage of about 5,000 barrels. Oil is a naturally occurring substance in the ocean--an estimated 2,000 barrels of oil seep naturally each day from the seabed or coastal areas into U.S. marine waters. Natural seeps introduce 150-175 times more oil into U.S. marine waters than do OCS oil and gas activities.

Our original goal of 5.06 barrels spilled per million barrels produced was based on the average of FY 1992 through FY 1996. In retrospect, it appears that two of these five years were record lows in terms of barrels spilled over the last 15 years. As a test we calculated an oil spill rate for each year FY 1985 - FY 1999. During this 15-year period, the rate of 5.06 has been exceeded in 6 years (rates ranging from 6.65 to 63.15). In each year the rate was exceeded, at least one large (greater than 1,000 barrels) pipeline spill occurred. These spills were primarily caused by anchor drag, trawl drag, or hurricanes, circumstances over which MMS has little or no control. During the 15-year test timeframe the rate was less than 5.06 for 9 years (rates ranging from 0.53 to 4.13). Each year with one or more large pipeline spills exceeded the goal, while each year without a large pipeline spill bettered the goal. There have been no large platform spills since 1980. From FY 1985 to FY 1999, OCS operators have produced over 6.3 billion barrels of oil. The amount of oil spilled totaled about 68,000 barrels (0.001% of produced) or about one barrel spilled for every 94,000 barrels produced. The higher goal number of 10 acknowledges the fluctuation created by pipeline spills, caused primarily by vessel traffic not under MMS jurisdiction. Four of the last 15 years exceeded the 10-barrel rate, so this goal number is not set exceptionally high.

To put the goal rate of 10 into perspective, there were no documented serious environmental impacts from spills related to OCS operations during the 15 year test timeframe, including FY 1990 when the rate was 63.15 due to a 14,423 barrel pipeline spill (anchor drag) and a 4,569 barrel pipeline spill (trawl drag). In 1992, Hurricane Andrew was the cause of a 2,000-barrel pipeline spill, which occurred 6 miles from shore. This

has been the only spill to contact shore between 1985 and 2000. Shore cleanup was performed, and no lasting impacts have been identified. Spills that stay offshore typically evaporate quickly or are diluted by the large volume of water in the ocean. This observation is specific to offshore production (platforms, pipelines) over which MMS has partial jurisdiction. The notable spill created by the Exxon Valdez in 1989 was a result of tankering Alaska State oil from Prudhoe Bay (onshore production).

The OMM program strives to ensure environmentally sound OCS activity by fostering compliance through inspections and enforcement; protecting seafloor resources and air and water quality; and protecting threatened and endangered species. We recognize the limitations in the data that we have been using for environmental performance measurement and are working to adjust the index and determine what information can reasonably be provided in a timely manner. Regulation of activities in the ocean arena is very complex, and responsibilities fall under several Federal agencies. The MMS is committed to its role of contributing to the national energy supply by balancing the production of offshore energy with the protection of human, marine, and coastal environments.

STRATEGIES AND RESOURCES:

As stated in the "strategies" section of the safety index, the increase in the activity of the Gulf of Mexico Region has translated to additional workload for MMS staff. To manage the workload, which in turn supports our goals for 2002 and beyond, MMS is requesting additional resources in FY 2002 for OMM's environmental review efforts. The MMS scientists conduct an environmental review of every well and development plan, and as shown earlier, the activity is very robust in these areas. Some plans are for areas new to development that have never had an environmental assessment prepared by MMS. These assessments must be conducted with great clarity and completeness to ensure we understand all of the vulnerable environmental resources. Additional resources for these environmental reviews are necessary in order to maintain a reasonable time frame for assessing permits and plans for energy production. More importantly, these reviews give our scientists greater insights to the leased areas so that mitigation factors can be implemented when necessary to protect resources and the environment.

Other efforts underway to enhance the environmental program include:

- The MMS initiated a five-year study in 1996 designed to evaluate mitigation measures and project conditions of post-lease offshore oil and gas operations in the Pacific OCS Region. Demonstrated compliance by industry with mitigation measures and project conditions was recognized as an important consideration for allowing offshore oil and gas operations to proceed in a timely manner. It also became apparent that results of this project would be useful to MMS in establishing measures for GPRA requirements. The Pacific Region has proposed a continuation of the Environmental Mitigation Monitoring study as a high priority for Fiscal Year 2002.

- The MMS is completing an effort to make the products of the Environmental Studies Program (ESP) and the Oil Spill Modeling Program (OSMP) easily available to its diverse customer base. Information concerning MMS's modeling efforts and prospective study plans, plus ongoing and completed research efforts, will be accessible via an intuition-based new web page connected to the MMS website. The new design is discipline based (e.g., biology, socioeconomic, physical oceanography, modeling, etc.), allowing users to concentrate on a single discipline or move between disciplines with a minimum of links. The new system also includes a revision of the MMS's Environmental Studies Program Information System (ESP), which provides immediate access to all completed MMS ESP studies. Descriptions of all ongoing (yet to be completed) ESP studies also will be available, providing for a complete information package.

- The ESP provides the environmental, social, and economic research needed to support development of offshore oil and gas resources in a safe and environmentally sound manner. The MMS will maintain a strong environmental research and monitoring pro-

gram assessing the potential effects of OCS activities in all areas with active offshore programs, and will plan for information collection in OCS areas that offer prospects for future leasing that are not currently on the 5-year schedule, should funds become available.

- A Programmatic Environmental Assessment for Geological & Geophysical (G&G) Survey permits in the Gulf of Mexico has been undertaken to assess the impacts of marine G&G surveys on the environment, especially the impacts to marine mammals.

- The MMS will be working with the State of Alaska on cleanup or prevention strategies should an oil spill occur during the broken ice season (periods of spring and fall in certain Alaskan waters). In tests during 1999 and 2000, industry could not demonstrate that they could successfully clean up oil by mechanical methods during this season. In addition, MMS will be reviewing oil spill contingency plans this summer for Beaufort Sea facilities.

- The Federal OCS is expected to serve as a long-term source of sand borrow material for coastal erosion management, particularly when material is needed for the emergency repair of beach and coastal damage from severe coastal storms. In particularly bad storm years, this need must be filled in a very timely manner in order to provide immediate coastal damage protection and to ensure that local beaches are in good shape prior to the coming tourist season. The MMS is working towards having procedures in place and having the proper environmental information available so as to expedite negotiated agreements with other Federal agencies, and State and local governments when necessary.

- The MMS plays a major role in a Joint Industry Project to study and model the behavior of oil and gas that could be released in deep water environments. This is a large effort with 23 members that includes numerical modeling, laboratory work, and field programs.

- The MMS supports oil spill research, oil spill prevention and response planning, financial responsibility, and activities in State waters. In fact, the MMS is the principal Federal entity funding offshore oil spill response research. This research supports our goal of safe and environmentally sound operations by enhancing capabilities to detect and respond to an open ocean oil spill. Credible scientific investigations and technological innovation are considered key elements in improving the future capabilities of minimizing damage from spills.

- The MMS also manages the National Oil Spill Response Test Facility (Ohmsett). The facility is capable of replicating various conditions at sea and testing full-scale equipment without going out into the ocean. Valuable performance data on equipment are provided to manufacturers and suppliers to develop new, or to improve existing, equipment. Industry personnel can be trained in the use of their equipment in a safe, controlled environment (as compared to the open sea).

The MMS is extremely concerned with environmental protection, striving to provide domestic energy while protecting sensitive coastal and marine environments. The move into deeper water and the overall increased activity have increased both the level and complexity of monitoring OCS operations.

FY 2000 ANNUAL PERFORMANCE REPORT:

Environmental Index

Goal: Show a decrease in the number of adverse environmental impacts per OCS mineral development activity below the 1998 baseline.

Report: This index is calculated by calendar year because the measures that were initially picked from which to calculate the index are gathered on an annual basis. The OMM is continuing to gather the data for FY 2000. We hope to have the results by the middle of May 2001, and will post the results on our website. We also will publish an update in our initial FY 2003 Annual Performance Plan. We have no reason to believe we will not achieve this goal.

FY 1999 GOAL ADDENDUM

The MMS did not report the environmental index result in last year's report because it was not available. The goal was: **In FY 1999, show a decrease of .5-1.0 in the number of environmental impacts per OCS mineral development activity below the 1998 baseline level of 10.25.**

The index for 1999 was 8.10, a result that exceeded the goal. This was not due to any demonstrable increase in the quality of MMS's performance concerning protecting the environment from impacts. The index was lower because some of the information used to calculate the 1998 index was based on estimates. It turned out that the estimated information that we hoped would become available on an annual basis could not be calculated in the area of primary activity, the Gulf of Mexico. The index therefore went down from 10.25 to 8.10, because of the lack of data. The data (water quality measurements) are still not available and may not be available at any time in the near future. Therefore the 2001 index will be based on the 1999 rather than the 1998 base. When the environmental measure for water quality was settled upon, it was assumed that the data would be obtained from EPA. The EPA region responsible for the bulk of the Gulf of Mexico could not provide the data in a way that it could be assigned to offshore platforms. The MMS is working with EPA to reconcile data collection procedures in the hopes that this component eventually can be added back to the index.

Oil Spill

Goal: In FY 2000, show a decrease in the amount of oil spilled to a level of 5.06 barrels spilled per million barrels produced.

Report: This index is calculated by calendar year. As of March 2001, the estimate puts the rate very close to target; however, all FY 2000 production has not yet been tabulated. Higher production would cause the rate to be lower. At the other end of the equation, we are still awaiting the results of an investigation of a large spill (pipeline, caused by anchor drag). If the spill volume increases, the rate may go higher. The OMM is continuing to gather the data for FY 2000. We should have the results tabulated by the middle of June 2000, and will post the results on our website. We also will publish an update in our initial FY 2003 Annual Performance Plan.

FY 1999 GOAL ADDENDUM

The MMS's FY 1999 oil spill goal was: **In FY 1999, show a decrease in the amount of oil spilled to a level of 5.07 barrels spilled per million barrels produced.**

The MMS reported an oil spill rate of 17.5 barrels per million barrels produced for FY 1999 in its FY 1999 Annual Performance Report. However, the actual spill rate, which reflects the final, versus preliminary, oil spill report data, was 6.9, as reported in the table above. The MMS reported this adjustment in the October 2000 Current Services Consolidated Report.

The MMS's scientific dive team performs many functions, including inspecting seafloor resources to assess and mitigate damage from mineral development activities on the OCS.

DATA VALIDATION AND VERIFICATION

Data Validation	Environmentally safe development of oil and gas resources is a primary MMS goal. It was determined that the resources measured in the environmental index are good indicators for the health of the environment; however these resources had not been quantifiably measured before (determinations of impact are often judgmental). Therefore it will require several years of data compilation to determine if the measures are meaningful as true indicators of the environmental performance of the agency. Oil spill data are quantifiable and measure one possible impact to the environment. All oil and chemical spills are required, by law, to be reported to the National Response Center (NRC) of the Coast Guard. The NRC forwards the information to the responsible Federal agency. The amount of oil spilled is compared to the amount of production to put the measure into perspective and make it more understandable.
Data Source	For the environmental index, the data for two resources, bottom disturbance and air, are collected by MMS scientists through examination of post construction reports ("as built" reports) and examination of equipment emissions plaques on structures during routine safety inspections. Data on endangered species are collected from reports on platform removals. Oil spill data are obtained from TIMS. Spills of one barrel or greater are required to be reported by the operator to MMS. For minor spills, the MMS regional office prepares a pollution report. For major spills, a MMS 2010 Accident Investigation Report is prepared. For spills less than a barrel the data are obtained directly from the NRC.
Data Verification	The environmental index is still under development. For example, beginning with the FY 1999 results it was determined that EPA water quality data could not be obtained from the EPA in a way that it could be assigned to offshore platforms, so that data had to be dropped from the index. The OMM is still testing to find out which resources are meaningful and what data exist that can be collected. Once it is determined which environmental measures are reflective of MMS's performance, procedures will be put into place to ensure that the data are reliable and complete. The MMS cross references internal spill reports with reports submitted to the NRC. For major pipeline spills, an investigation panel is convened to study the spill and produce a report of the incident. A panel generally takes on the order of 1 year to complete its work. As the OMM corporate database, all TIMS data are subject to collection standards, quality reviews, and certification.
Data Limitations	Measuring environmental performance in a body of water such as the ocean is a new concept. There is little or no information on techniques for collecting the data. The Environmental Studies Program provides MMS with the environmental and social research needed to support development of offshore oil and gas resources, however this measurement workload is new. The ocean is a multi-use area; many Federal agencies have jurisdiction on varying activities. The MMS will continue to work towards developing tested and reliable measures for activities under our jurisdiction. For oil spill data, MMS must rely not only on the operators to report that a spill resulted from their operation, data also must be provided by the NRC when a spill results from activities unrelated to oil and gas production (e.g. anchor drag or trawling). Therefore, much of the data are dependent on outside sources and how diligent those sources are in reporting the spills (and estimated volumes) to the NRC. Spill volumes can be difficult to estimate. Some operators report very small spills on the order of teaspoons or drops. Small spills can dissipate quickly, and if it occurs at night it is difficult to provide the visual estimate. Panels studying larger spills may estimate spill volume using multiple methods and the results often conflict.
Planned Improvements	The MMS does not have the equipment and measurement techniques that fit a long term, more or less permanent monitoring program of environmental performance. Improvements in the environmental index will rely on our ability to identify resources for which reliable data can found within established reporting requirements. For seafloor resources, an MMS team investigating the efficacy of seismic sensing on detecting shallow seabed hazards and biological communities will publish a report this spring. For water quality data, we are contacting EPA to reconcile data collection procedures. For air quality, MMS is currently funding an emissions inventory study that will assess the offshore industry contribution to pollutants in the Breton Island Class I area. For more efficient oil spill reporting, MMS is testing electronic reporting via the web. The MMS continually coordinates with the Department of Transportation (for pipelines) and Coast Guard in all aspects of our work, including reporting data.

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

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

FY 2002 ANNUAL GOAL:

In FY 2002 we will maintain the current high bids accepted for OCS leases to MMS estimated value ratio of 1.8 (+/- 0.4) to 1.

BUDGET TABLE

Offshore Minerals Management - Mission Goal OMM-3

Budget Activity/Subactivity	FY 2000 Enacted		FY 2001 Enacted		FY 2002 President's Budget	
	Total OMM ($000)	Mission Goal OMM-3 ($000)	Total OMM ($000)	Mission Goal OMM-3 ($000)	Total OMM ($000)	Mission Goal OMM-3 ($000)
Leasing & Environmental	41,870	0	42,836	0	46,243	0
Resource Evaluation	26,717	23,377	27, 660	24,301	28,040	25,325
Regulatory	49,249	1,708	50,592	1,718	58,830	2,325
Information Management	16,925	7,014	17,336	7,186	17,855	7,381
Oil Spill Research	7,138	0	7,163	0	7,319	0
Totals	**141,899**	**32,099**	**145,587**	**33,205**	**158,287**	**35,031**

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

GOAL: FAIR MARKET VALUE

Mission Goal OMM-3: *Ensure that the public receives fair market value for OCS mineral development.*

Long Term Goal OMM-3A: *From 2000-2005, the ratio of high bids accepted for OCS leases to the greater of MMS's estimate of value or the minimum bid is maintained at the 1989-1995 average level of 1.8 (+/- 0.4) to 1.*

FY 2002 Annual Performance Goal: *In FY 2002 we will maintain the current high bids accepted for OCS leases to MMS estimated value ratio of 1.8 (+/- 0.4) to 1.*

Performance Measure: *Ratio of the value of high bids accepted to the greater of MMS estimate of value or the minimum bid.*

FY 98 Actual	FY 99 Actual	FY 00 Plan	FY 00 Actual	FY 01 Plan	FY 02 Proposed
2.73 to 1	1.8 to 1	1.8 (+/-0.4) to 1	2.02 to 1	1.8 (+/-0.4) to 1	1.8 (+/-0.4) to 1

Goal Description: The MMS's current tract evaluation procedures are designed to ensure that the Federal Government receives fair market value (FMV) for leased tracts. We designed this measure as an indicator of our performance prior to 1995 and tested it during the period 1989 to 1995. The ratio varied over the years, but, with one exception on the high side, always fell within the range stated in the FY 2000, 2001, and 2002 goals. Internal and external reviews of our lease sale and evaluation procedures have concluded that the procedures effectively ensure that we receive fair market value. Based on these reviews, we have concluded that our procedures are effective and the range established during the test period gives us reasonable assurance we are receiving fair market value for leased tracts.

Synopsis of FMV Process

Immediately after a lease sale, MMS begins the two-phased process of determining whether a bid can be accepted and a lease issued. The first phase, designed to accept those high bids where the competitive market can be relied upon to ensure FMV, is conducted on a tract-by-tract basis and is normally completed shortly after the bid opening. Those high bids not accepted in Phase 1 receive further evaluation in Phase 2, where MMS geoscientists prepare detailed maps and estimates on the economic value of oil and gas resources on each tract. A computer model called MONTCAR uses a range-of-values technique for handling calculations with uncertain input data. It provides a means of handling a series of results for each variable, whether it be net pay, potential reservoir fill-up, porosity, or permeability. The net result of the MONTCAR runs is a resource economic value that is the mean of the range of values from more than 1,000 trials. The high bid on each tract is then compared to the government's value for that tract, and the ratio is developed based on the results.

The OMM maintains a continuing effort to update all of our assessment and evaluation models in order to meet the long-term goal of accurate evaluations, be it in frontier or maturely developed areas. In addition, we are refining our information technology capability and continue to acquire updated and more refined geological and geophysical data for input into our assessment and evaluation programs. The OMM evaluates acreage under Federal jurisdiction. Therefore, as stewards of Federal lands, our goal is to ensure that the American public receives fair market value for its resources.

STRATEGIES AND RESOURCES:

- The OMM uses Geologic Interpretive Tools (GIT) to evaluate accepted high bids on tracts for fair market value. The GIT objectives are to keep pace with the technology being used by industry to acquire and analyze geologic and geophysical data and to enable MMS to make better, more accurate estimates of monetary values. The GIT tools have proven to be very valuable for OMM. The OMM program is constantly seeking efficiencies in its Information Technology Program in order to help deal with a mounting workload that is occurring from shallow water activity, deepwater activity, rising production, and increased consultation with States and Federal agencies.

- The OMM's E-Gov initiative will catalog applications that support OMM/MMS's business operations. The storage and analysis of geological and geophysical data for use in FMV determination is a significant user of the information technology base of OMM. The analysis tools needed for determination of the value of a tract (potential reserves balanced against the projected development costs) are complex and expensive to build. Efficiencies derived from the E-Gov initiative will enhance FMV determination.

- The MMS has converted its modern seismic database into a digital form usable by its computer workstations. The MMS currently is converting its older seismic data into digital form, a project that will take several years at current funding levels. Digital seismic data are now the industry state-of-the-art, and upgrading the MMS database to this form will allow us to achieve the seismic interpretation capabilities now common within the oil and gas industry, so that we see what industry sees when evaluating bids to determine FMV.

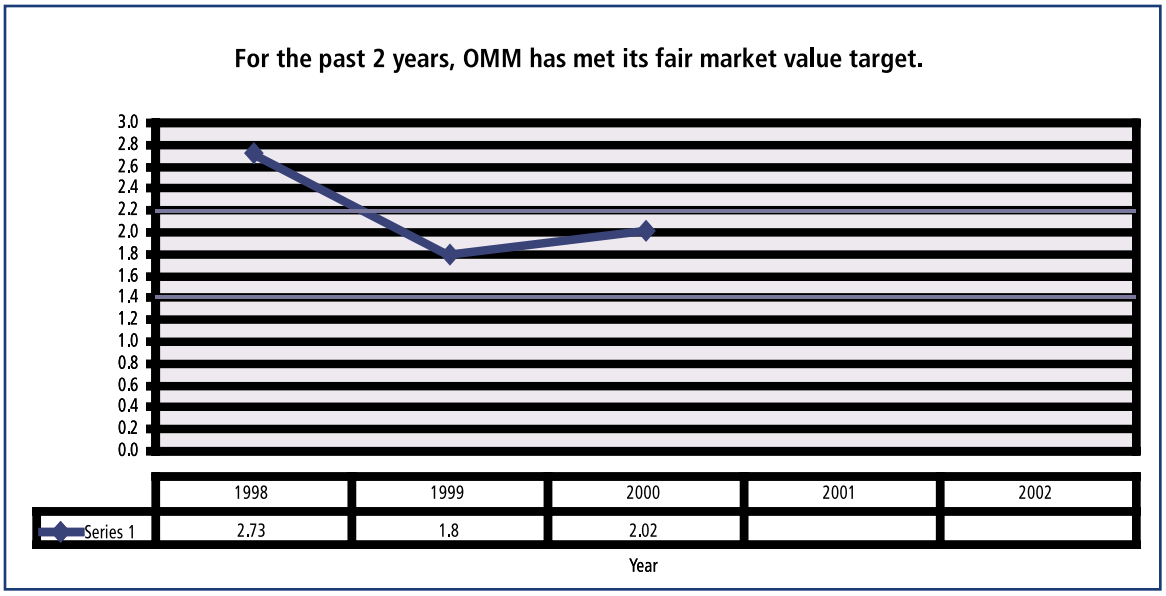
- The MMS is modifying 30 CFR 251 to address the start date for seismic data's proprietary term and allow the use of proprietary data at selected meetings with industry when reviewing field determinations. The second goal of allowing the use of proprietary data at field determination appeal meetings will facilitate MMS's defense of its field determination decisions (supporting FMV).

FY 2000 ANNUAL PERFORMANCE REPORT:

Goal: By the end of FY 2000 we will maintain the current high bids received for OCS leases to MMS estimated value ratio of 1.8 (+/- 0.4) to 1.

Report: The FY 2000 goal was met by achieving a ratio of ratio 2.02 to 1.

The MMS plans to keep the same goal and performance target in the out years. History and the testing done on this measure over the last 15-16 years have shown that this is the right level for the performance target, especially since the range established in the goal takes into account new discoveries and exploration strategies by industry. However, we continue to study available data to see if additional variables may produce a more inclusive performance measure for fair market value in the future. As methodologies and technology change, MMS continues to re-evaluate its various performance measures and also to update its methodologies and models.



DATA VALIDATION AND VERIFICATION

Data Validation	The OMM resource evaluation program managers reviewed this goal for consistency with future plans and capabilities. The managers concluded that this goal was logical and attainable, but perhaps not all encompassing as it focuses on one aspect of resource evaluation (see Data Limitations). The goal is measurable, understandable, and directly related to the goal activity. The goal also is widely recognized and accepted by our constituents, employees, and those who review our budgets and strategic plan.
Data Source	Data for the FY 2002 goal will be obtained directly from MMS's Mean Range of Values (MROV) compiled for lease sales conducted during the year. In addition, data from MMS's geological and geophysical data inventory are used in the derivation of the MROV's. This data inventory is updated continually and added to each fiscal year through prelease exploration permits issued to companies and the associated requirement of the permit allowing for acquisition of copies of the data by MMS.
Data Verification	As stated, data for this performance measure come from the calculated MROV's for each lease sale conducted. The data and information utilized are reviewed for accuracy by regional management and by program personnel responsible for consolidating the data and reporting MMS management. These data and procedures have been verified and validated through an Alternative Management Control Review.
Data Limitations	The data are highly accurate and extremely reliable because they are retrieved directly from MMS resource evaluation databases.
Planned Improvements	During each fiscal year, MMS, through its RE Program, reviews and revises bid adequacy procedures and the tract evaluation process by constantly analyzing and updating, where necessary, our tract evaluation and economic models. For example, we have made improvements in the MONTCAR model used for tract evaluation and we will continue to analyze and evaluate rapidly evolving technology in the resource assessment field.

2.2 MINERALS REVENUE MANAGEMENT (MRM)

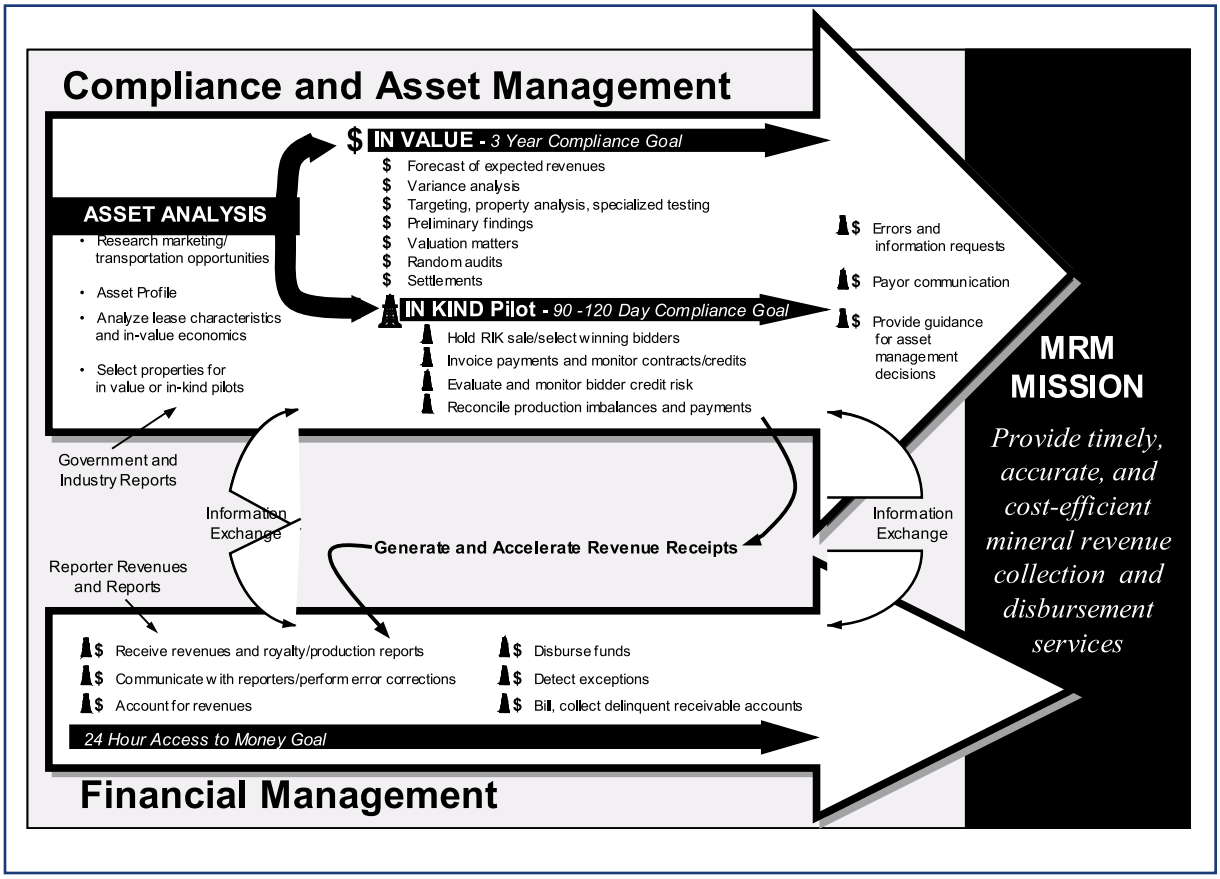
The MRM's overall mission is a direct result of FOGRMA, which provides for timely, accurate, and cost-effective mineral revenue collection and disbursement services. Currently, MRM administers rental and royalty collections, and ensures compliance with financial terms for over 78,000 mineral leases, both onshore and offshore.

The evolution of the oil and gas industry in recent years has presented us with new challenges to improve the way we do business. We are meeting those challenges by implementing new business processes for managing mineral assets.

Spurred by aging computer systems, changing energy markets, and the need to implement business cycles and processes that are better aligned with industry and financial institutions, MMS is implementing an in-depth reengineering of all core business processes, the most comprehensive review and reorganization since its inception in 1982.

Two reengineered end-to-end core business processes - financial management and compliance and asset management (CAM) - will help us achieve our goals. Their interrelationship is shown below.

MRM'S REENGINEERED PROCESS



In addition to these two core business processes, MRM also provides special focus on its Indian trust responsibilities.

The MMS is implementing a new systems infrastructure to support our reengineered business processes. Accenture (formerly Andersen Consulting) has been engaged to develop a new integrated royalty management system consisting of a PeopleSoft-based financial module, a CAM module, a robust relational database environment, a data warehouse, and a variety of technology tools. These new systems are scheduled for implementation in October 2001.

In a number of respects the new Financial and CAM systems will deliver common functionality or capabilities that can be utilized to further support royalty-in-kind (RIK) pilot projects. However, specialized technology investments will be needed to support continued RIK activity. These additional business applications include a gas management system and an oil/liquids management system.

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

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

Description: The MMS collects and processes reports and payments on over 78,000 leases each month related to bonuses, rents, and royalties. The FOGRMA requires monthly distribution and disbursement of payments to states and Indians for their share of mineral leasing revenues. The MMS distributes and disburses these revenues - more than $7 billion in 2000 - directly to recipients: states, the Office of the Special Trustee's (OST) Office of Trust Funds Management (OTFM), Federal agencies, and U.S. Treasury accounts. The Bureau of Indian Affairs (BIA), working together with OTFM, disburses revenues to the appropriate tribes and individual Indian mineral owners.

FY 2002 ANNUAL GOAL:

By the end of FY 2002, provide access for ultimate recipients of 10 percent of revenues within one business day of MMS receipt and disburse 98 percent of revenues to recipients by the end of the month following month received.

BUDGET TABLE

Minerals Revenue Management - Mission Goal MRM-1				
Budget Activity/Subactivity	FY 2000 Enacted		FY 2001 Enacted (Original)	
	Total MRM ($000)	Mission Goal MRM-1 ($000)	Total MRM ($000)	Mission Goal MRM-1 ($000)
Valuation and Operations	45,853	24,073	54,057	28, 361
Compliance	49,390	0	43,787	17
Program Support Office	3,159	938	3,183	947
Indian Allottee Refunds	17	0	17	0
Totals	**98,419**	**25,011**	**101,044**	**29,325**

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

Under the reengineered and reorganized MRM structure, a realignment of functionality and budget resources was required. That realignment has resulted in MRM having two major Subactivities: Revenue and Operations, and Compliance and Asset Management. These subactivities will be used throughout the budget formulation and execution of MRM's budget. The FY 2002 budget table for this mission goal is as follows:

BUDGET TABLE

Minerals Revenue Management - Mission Goal MRM-1				
Budget Activity/Subactivity	FY 2001 Enacted (After realignment)		FY 2002 President's Budget	
	Total ($000)	Mission Goal MRM-1 ($000)	Total ($000)	Mission Goal MRM-1 ($000)
Revenue and Operations	44,639	12,954	42,245	12,260
Compliance and Asset Management	56,405	16,370	57,671	16,737
Totals	**101,044**	**29,324**	**99,916**	**28,997**

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

GOAL: ACCESS TO MONEY

Mission Goal MRM-1: *Provide revenue recipients with access to their money within 24 hours of the due date.*

Long Term Goal MRM-1A: *By the end of FY 2005, provide recipients access to 90 percent of revenues within one business day of MMS receipt and disburse 98 percent of revenues to recipients by the end of the month following month received.*

FY 2002 Annual Performance Goal: *By the end of FY 2002, provide access for ultimate recipients of 10 percent of revenues within one business day and disburse 98 percent of revenues to recipients by the end of the month following month received*[11].

Performance Measure: *The measure for the access to funds goal is the percent of funds available to be disbursed within one business day following receipt. The measure for the disbursement goal is the percentage of funds disbursed by the end of the month following the month of receipt.*

FY 98 Actual	FY 99 Actual	FY 00 Plan	FY 00 Actual	FY 01 Plan	FY 02 Proposed
98.7%	98.15%	98%	98.49%	98%	10% access 98% disbursed

[11]The FY 2002 annual goal pertaining to recipients' access to funds was not a goal in FY 2000 or FY 2001. The first year we will measure the goal will be FY 2002, following the new system implementation.

Goal Description: The objective of this goal is to improve disbursement timeliness by providing revenue recipients access to mineral revenues by the end of the business day following the day of MMS receipt. One business day was set as the target, rather than our stretch goal of 24 hours, to allow for holidays and weekends.

Goal MRM-1 has two components: 1) earlier recipient access (one business day from MMS revenue receipt), and 2) completing all required disbursements no later than the end of the month following the month in which MMS receives the revenue, as specified by law.

Once our new systems become operational in FY 2002, MRM will have the capability to provide fund access within one business day of receipt. The 2002 targets are not overly aggressive because we will be in a learning mode with the new systems, as will companies. The 2003 and 2004 targets, however, will move us incrementally closer to achieving 90 percent of funds accessible to recipients within one business day of MMS receipt. We anticipate that the greatest benefit will be to States that elect to take their distribution earlier so they can deposit funds into interest bearing accounts.

In addition to providing earlier access, we also will continue to monitor and ensure that we disburse funds timely as required by law, by the end of the month following receipt. Over the last year, we consistently have disbursed at a higher rate than 98 percent; however, due to resource requirements needed to develop new systems, we are continuing with 98 percent as our target for FY 2002.

While our long term and annual goals are built around the "receipt date" of payments, the mission goal is built around the "due date." Measuring our performance against the "receipt date" will bring focus to optimizing our disbursement process. Our ultimate objective, however, is not only to speed our disbursements but also to improve the timeliness of company payments and reporting to MMS, and we focus on improving this performance in our goal MRM-2A. Only by comparing against the "due date" will we marry the effectiveness of the disbursement process with the effectiveness of the compliance efforts discussed elsewhere in this plan. The overall mission goal will be achieved when every company pays on time and every payment is processed timely.

STRATEGIES AND RESOURCES:

Implement New Systems and Improve Processes: Our targets are based on October 2001 implementation of reengineered financial systems. The General Design and Detailed Design of the new MRM financial system were completed in FY 2000. The project is currently in the build phase with development, testing, training, and conversion activities underway. We are on target to meet our scheduled implementation in October 2001. These new systems and processes will expedite efficient management and timing of MMS disbursements and recipients' access to funds.

Streamline Reporting: We have revised reporting formats to align future industry reporting with the new reengineered processes and systems. These revised forms will be implemented October 1, 2001, when MRM implements the reengineered financial system. Many of the changes were based upon extensive outreach with industry groups. The goals were to decrease reporting burden, avoid data duplication, decrease error rates, and increase processing efficiency, which in turn will improve our ability to provide earlier revenue access to recipients.

Use Incentive Tools: Our targets also are based on contractor capability to ensure increased electronic payments and reporting by companies. The MMS is coordinating with Perigrine Corporation in converting companies to electronic reporting using the newly designed and approved royalty and production report forms. Electronic reporting will allow MMS to more quickly process and verify reports and to expedite fund access and disbursement.

Additionally, the Royalty Simplification and Fairness Act of 1996 (RSFA) provided for assessments for chronic erroneous reporting. During FY 2002, after new systems are implemented, MMS will monitor company reporting history and consider reporting and procedural

changes that will impact the definitions and thresholds in a chronic erroneous reporting regulation. Based on those findings, we plan to publish a proposed rule in the Federal Register by September 2003. Once implemented, the regulation will be designed to encourage companies to report accurately, enhancing our ability to provide funds earlier to recipients.

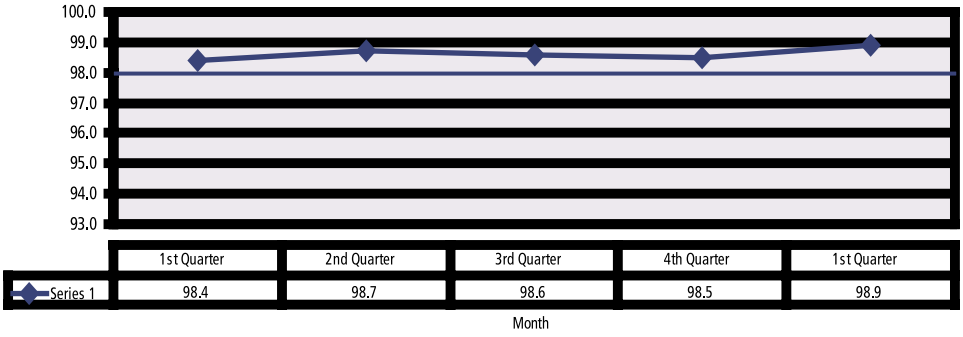
FY 2000 ANNUAL PERFORMANCE REPORT:

Goal: In 2000, the percentage of the collected dollars and accompanying information that is provided timely to states and Indians is 98 percent.

Report: The FY 2000 actual percentage was 98.49 percent. The dollars and information provided timely to states and Indians is based on the average of monthly Federal disbursements and monthly Indian distributions of information. The Federal disbursements to states achieved 98.7 percent, while Indian distributions reached 98.2 percent. (Note-The FY 2002 annual goal pertaining to recipients' access to funds was not a goal in FY 2000. FY 2002, following new system implementation, is the first year we will measure that goal.)

We currently are developing new systems, to be implemented in October 2001, to enhance our ability to achieve the one business day goal. Currently, MMS achieves disbursement within one business day of MMS receipt for Indian revenues. However, this requires companies to report additional information to MMS. If companies fail to do so, MMS must manually research and process the payments so funds can be directed to OTFM within one business day. A similar manual process for Federal revenues is not possible using current systems and processes. It would require companies to make significant changes in the way they report and pay. Due to the significant volume of monthly reports for Federal leases, the MRM workload required to provide fund access within one business day would be unmanageable without the reengineered MRM business processes and systems.

The MRM maintained its excellent on-time disbursement percentage throughout FY 2000 and the first quarter of FY 2001



DATA VALIDATION AND VERIFICATION

Data Validation	Providing recipients access to funds within one business day of MRM receipt is a goal that aligns with our financial reengineering. When MRM managers reviewed this goal in relation to future system capability, they determined it was attainable, even though it contained some inherent risks. It is important to continue to ensure that we disburse funds as required by law - by the end of the month following the month of receipt.
Data Source	Data for this goal will be obtained directly from MRM's new Financial Management System scheduled to begin operation on October 1, 2001. The reengineered financial system will utilize automated internal controls and accounting processes to ensure funds are disbursed to the correct recipients.
Data Verification	Data will be accurate and reliable because it will be retrieved directly from the new MRM financial system. The MRM management verifies system data for accuracy prior to reporting data externally. New systems software will be compliant with the Joint Financial Management Improvement Program (JFMIP) recommendations for core financial system management, general ledger management, receipt management, and financial reporting.
Data Limitations	A potential risk of this measure is that it may result in insufficient funds available to pay the recipient on a daily basis. Due to company reporting adjustments, a recipient may be paid amounts that are later found to be due another recipient.
Planned Improvements	The MRM Senior Managers discussed the inherent risk related to the one business day goal and developed business rules for the new system to mitigate the risk. As we develop new systems we will develop written procedures for collection and consolidation of performance data. The MRM also will perform periodic internal reviews to ensure data integrity.

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

Description: The MRM compliance activity has yielded significant additional revenues to states, tribes, Indian individual mineral owners, and the Federal Treasury. Between 1982 and 2000, additional collections of royalties and interest, attributable to our compliance activity, amounted to over $2.5 billion. In FY 2000, total compliance collections were over $296 million. The newly reengineered CAM process will ensure that revenues are accurately reported and paid in an integrated and contemporaneous manner. The newly reorganized 3-year end-to-end CAM process will focus analytical capability at the same level on which the industry operates--the property and producing area. This new CAM process, a departure from our previous 6-year compliance process focusing on companies, will provide more efficient and effective compliance services and support managing the royalty resource through the use of the in-kind royalty option when it makes good business sense, as demonstrated through pilot projects.

The MMS is adopting an asset management approach

for administering Federal oil and gas royalties, and RIK may become an important component of that approach. Significant advances have been achieved by MMS since 1997 in evaluating the feasibility of RIK and developing and operating RIK pilot projects to explore the viability of the approach. The initial evaluation of the ongoing Wyoming RIK pilot indicates that there are circumstances where RIK can be revenue neutral; lessees can benefit from a reduced administrative burden; and there is greater certainty for both the lessee and the government because valuation disputes can be avoided. However, it also shows that RIK does not work in every situation. The goal of MMS is to manage the public mineral interests to the maximum benefit of the American taxpayer.

FY 2002 ANNUAL GOALS:

In FY 2002, achieve a compliance index[12] of .9775 (for calendar year 2000).

By the end of FY 2002, complete 100 percent of random audits for 1999 converted properties.

The FY 2002 budget table for this mission goal is as follows:

BUDGET TABLE

Minerals Revenue Management - Mission Goal MRM-2				
Budget Activity/Subactivity	FY 2000 Enacted		FY 2001 Enacted (Original)	
	Total MRM ($000)	Mission Goal MRM-2 ($000)	Total MRM ($000)	Mission Goal MRM-2 ($000)
Valuation and Operations	45,853	12,243	54,057	14,478
Compliance	49,390	37,734	43,787	33,501
Program Support Office	3,159	1,558	3,183	1,568
Indian Allottee Refunds	17	0	17	0
Totals	**98,419**	**51,535**	**101,044**	**49,547**

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

[12]The compliance index is a ratio of actual voluntary royalty payments divided by expected royalty payments.

BUDGET TABLE

Minerals Revenue Management - Mission Goal MRM-2				
Budget Activity/Subactivity	FY 2001 Enacted (After realignment)		FY 2002 President's Budget	
	Total ($000)	Mission Goal MRM-2 ($000)	Total ($000)	Mission Goal MRM-2 ($000)
Revenue and Operations	44,639	21,889	42,245	20,715
Compliance and Asset Management	56,405	27,659	57,671	28,280
Totals	**101,044**	**49,548**	**99,916**	**48,995**

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

GOAL: ROYALTY COMPLIANCE (2A)

Mission Goal MRM-2: *Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than 3 years from the due date.*

Long Term Goal MRM-2A: *By the end of FY 2005, ensure payments are within the expected payment range at the due date for 95 percent of properties.*

FY 2002 Annual Performance Goal: *In FY 2002, achieve a compliance index of .9775 (for calendar year 2000).*

Performance Measure: *Actual voluntary royalty payments/expected royalty payments.*

FY 98 Actual (for CY 96)	FY 99 Actual (for CY 97)	FY 00 Plan (for CY 98)	FY 00 Actual (for CY 98)	FY 01 Plan (for CY 99)	FY 02 Proposed (for CY 00)
.9610	.9809	.9775	.9730	.9775	.9775

In FY 2002, we are using our compliance index as the measure that most closely relates to this goal. The compliance index is program-wide, based on total dollars. Before MMS calculates this index, we must wait 1 year for industry to make adjustments to their royalty and production reports and payments. For example, in FY 2000 we calculated the CY 1998 index.

Goal Description: The objective of this goal is to improve the accuracy and timeliness of each company's initial royalty payment submissions by the due date. Working with companies to achieve this goal not only will enhance MMS's ability to provide funds earlier to recipients, but it also will increase our capability to ensure compliance within 3 years. Our newly reengineered CAM process will utilize an asset profile, which will contain analyzed data that establish the "expectation parameters" that will be used in the in-value process to forecast expected revenues. Once new systems are implemented, we will revisit the methodology in the current compliance index and incorporate the asset profile information in a revised calculation methodology. However, in FY 2002, we will continue to use our program-wide compliance index, based on total dollars, as the measurement most closely aligning with this goal.

STRATEGIES AND RESOURCES:

Implement New Systems and Processes: To refine and advance the new reengineering concepts, MMS established Operational Model teams. These teams have used prototype systems and procedures for customized reports, correspondence, property assignments, property characteristics, and have tested and incorporated numerous third-party data sources that will be utilized in the new system. The new systems infrastructure will build on our experiences with the prototype system. Accenture has been engaged to develop the new CAM systems, to include a relational database, data warehouse, and a variety of technology tools. Delivery date for the current development work is October 2001. The new systems will enhance our ability to focus on expected value by properties, and to coordinate with companies to resolve issues and improve timeliness and accuracy of future reporting.

Streamline Reporting Requirements: In preparation for new systems and processes, MMS has simplified reporting requirements. In FY 2000, we developed and incorporated revised reporting requirements which will reduce the volume of lines reported and processed, minimize errors and related error correction workloads, simplify reporting, and lower costs for both industry and MMS. The new reporting forms will be implemented in October 2001, and will improve our ability to ensure accurate and timely company reporting and payments.

Publish Valuation Regulations: We are successfully implementing the new Indian gas valuation rule, which was effective January 1, 2000. The MMS also has implemented a Federal oil valuation rule, published in final on March 15, effective June 1, 2000. Additionally, MMS published a supplementary proposed Indian oil rule on January 5, 2000. In FY 2001, our intent is to publish a final Indian oil valuation rule and develop training for the new rule for industry, MRM, and the Indian community. The MMS believes that the new rules strike a responsible balance between the interests of the oil and gas industry and the Government's absolute obligation to ensure a fair return for the public's mineral resources. The MMS held several no-cost training sessions designed to assist companies in understanding the new valuation regulations. These new valuation regulations will enhance our ability to ensure accurate reporting at the due date.

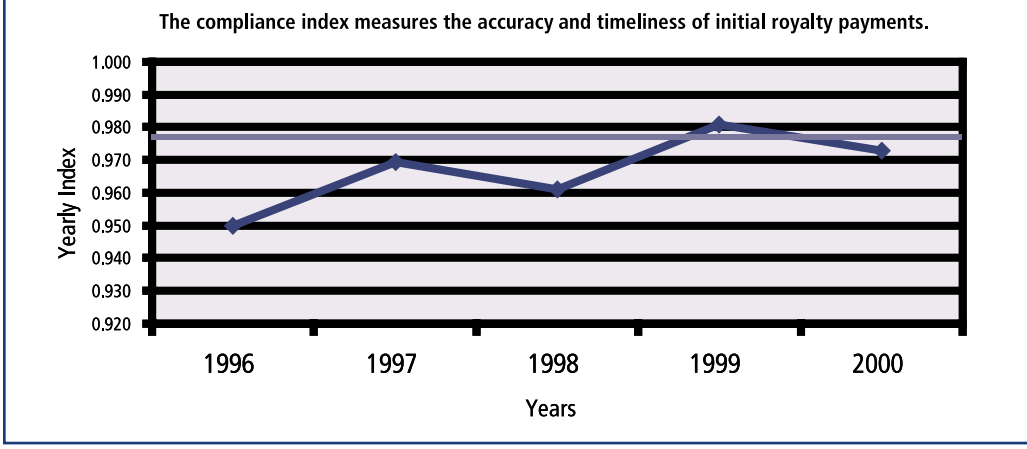
Royalty-in-Kind (RIK) Pilot Projects: Holding an RIK sale requires significant up front asset analysis and research. For properties that are included in RIK pilots, the price will be set up front in the contract, providing greater certainty of expected value for these properties.

FY 2000 ANNUAL PERFORMANCE REPORT:

Goal: In Calendar Year 2000, achieve a compliance index (calculated on the year 1998) of .9775.

Report: In CY 2000, we calculated the index for CY 1998 as .9730. Preliminary analysis of the results indicates that mid-size company compliance declined significantly. We will analyze this further to determine appropriate follow-up actions. In comparison, the 1997 index was estimated to be .9809, the 1996 index was estimated to be .9610, the 1995 index was estimated to be .9695, and the 1994 index was estimated to be .9500.

Throughout FY 2002, we will continue to use the compliance index, drawing on expected value information gathered from the new Operational Model teams, as the measurement most closely aligning with this goal. Once new systems are implemented, we will determine new compliance measurement methodology to best reflect this goal. As with the current compliance index, the new measure most likely will continue to compare expected value with actual reports and payments.



The MMS keeps stakeholders informed and seeks their input and cooperation by providing outreach, public information, and training. Here, MRM officials brief industry representatives and seek their input on MRM's reengineering initiative.

DATA VALIDATION AND VERIFICATION

Data Validation	This MRM goal, focused on improving the accuracy and timeliness of company payments, is closely aligned to both financial and compliance reengineering. Working with companies to achieve this goal will not only enhance MMS's ability to provide funds earlier to recipients, but it also will increase our capability to ensure compliance within 3 years. Once new systems are implemented, we will revisit the methodology in the current compliance index and incorporate the asset profile information in a revised calculation methodology to measure the results of how well companies are achieving timely and accurate compliance.
Data Source	For the current compliance index, data are retrieved from MRM automated systems (AFS/PAAS) and from publishers of index prices, such as Platt's Oilgram. In future years, data for this goal will be obtained directly from asset profile databases interacting with data from the reengineered CAM and financial systems. The information in the asset management profile database will be obtained from analysts and auditor research, mineral management units, and areas of interest. Sources of company information will include company web sites, Securities and Exchange Commission filings, and interviews with company officials.
Data Verification	Employees with specialized understanding of the calculation methodology review the results of the current compliance index. Compliance managers then review the results for accuracy. Once new systems are operational on October 1, 2001, CAM teams will compare actual reported data against forecasted expected values. The CAM teams will resolve variances with companies to enhance accuracy of future reporting.
Data Limitations	The current compliance index can only be calculated for a random sampling of leases. Also, for the current compliance index, we must wait 2 years to calculate the index to allow for adjustments. Index prices are widely used in the oil and gas industry to set contract prices, and we believe they are adequately reliable for purposes of calculating the current compliance index.
Planned Improvements	In the reengineered CAM process, the system will generate variances by properties after comparing the expected revenues contained in asset profiles with actual revenues. Once new systems are operational, we believe we can make this measure more contemporaneous. We also believe that once the majority of properties are transitioned into the 3-year end-to-end process, we will be able to include all properties, instead of a random sampling. As we develop new systems we will develop written procedures for collection and consolidation of performance data. The MRM also will perform periodic internal reviews to ensure data integrity.

GOAL: ROYALTY COMPLIANCE (2B)

Long Term Goal MRM-2B: *By the end of FY 2005, issue 95 percent of necessary orders and demands within 3 years of the due date.*

FY 2002 Annual Performance Goal: *By the end of FY 2002, complete 100 percent of random audits for 1999 converted properties.*

Performance Measure: *Percent of 1999 converted properties targeted for random audit, for which random audit has been completed.*

FY 98 Actual	FY 99 Actual	FY 00 Plan	FY 00 Actual	FY 01 Plan	FY 02 Proposed
N/A*	N/A*	N/A*	N/A*	N/A*	100%

There are no data available for these years because this is a new goal and we do not have enough information to determine actual performance for prior years. During these years we measured specific process outputs to ensure that we are on track within the 3-year compliance process (see discussion below).

Goal Description: The objective of this goal is to measure and ensure the effectiveness of MMS's new reengineered 3-year end-to-end compliance and asset management (CAM) processes. We also will ensure that all "necessary orders" (defined as all orders and demands that should have been issued) have been issued. The new CAM process will leverage knowledge of the producing areas including the physical infrastructure of gathering and transportation systems and processing plants, markets served and prices realized, buyer-seller relationships, and numerous other factors.

The end-to-end process involves several phases, including: analyzing expected value by property; targeting specific properties or producing areas, companies, or issues and performing targeted audits; and performing random audits of a statistically valid sample to ensure that our new CAM processes have found all compliance exceptions. We will not be able to measure the effectiveness of a full 3-year compliance cycle until FY 2003. Therefore, during FY 2000, 2001, and 2002, we are measuring completion of various phases of the compliance process, rather than the strategic outcome in the long-term goal. In 2002, we will ensure that we complete random audits for all 1999 converted properties selected as the statistically valid sample set. In 2003, we will have completed the entire 3-year CAM process for 1999 converted properties and will be able to measure the outcomes of that process.

STRATEGIES AND RESOURCES:

Implement New Systems: With the knowledge gained from our system being used in the test environment, MMS has contracted for a permanent compliance system to be integrated with the new financial system. The recommended information technology investments respond to Inspector General recommendations and reengineering conclusions that a relational database and program-wide workflow/case management tools were necessary but were not currently available. Our reengineering analysis determined that the then current operations were time-consuming, frequently repetitive, somewhat arbitrary, and took entirely too long. New systems, to be implemented in October 2001, will automate the targeting and resolution process for compliance, focusing on properties and analyzing all compliance components concurrently, and making the 3-year goal more realistic.

Royalty-in-Kind Pilots: The MMS has established performance objectives in the RIK pilots to confirm and reconcile within 90-120 days all production royalties taken in kind. Because production imbalances are prevalent in the oil and gas industry, particularly when the delivery points are remote from the lease, significant attention must be paid to monitor and resolve imbalance issues. However, initial assessments of the pilot programs have demonstrated that completing the entire RIK process from asset analysis to final reconciliation requires less time than the in-value process requires and results in more certainty that proper payment was made. Therefore, any additional RIK pilot projects would enhance our ability to achieve our goal of ensuring compliance within 3 years.

Transition Properties into the 3-year end-to-end CAM process: The MMS has begun to implement a transition compliance strategy to move from 6-year company-focused audits to the 3-year property-focused end-to-end CAM processes. We will soon begin transition of the properties comprising 50 percent of the Gulf of Mexico (GOM) production and will expand to include properties comprising 80 percent of GOM production. Although we will convert most production by FY 2002, residual audits for past periods will remain on some properties. Our goal is to have all properties fully transitioned into the 3-year CAM process by the end of 2003.

FY 2000 ANNUAL PERFORMANCE REPORT:

Goal: In FY 2000, issue 95 percent of all orders for issues found during end-to-end processing for properties converted in 1999.

Report: In FY 2000, we completed compliance work (which includes sending necessary orders) for 20.4 percent of properties, which accounted for 7.1 percent of expected royalty dollars. The results are below target because implementation of the automated prototype system was delayed, putting us 9 months behind in our projected targets.

In FY 2001, we will carry this forward as a goal. However, we also will begin analysis of 2000 converted properties, and devote significant resources to developing and testing new compliance systems. We have already improved our completion percentage during the first quarter of 2001, and believe we can significantly improve during the rest of FY 2001.

Our FY 2001 target is to issue 90 percent of all orders for 1999 converted properties, ensuring that issued orders cover 90 percent of the expected royalty dollars for 1999 converted properties. This is lower than the FY 2000 goal due to balancing resource needs as a result of new system development and testing.

The MMS has conveyed 5.1 million cubic yards of sand to Brevard County and Patrick Air Force Base in Florida for shoreline protection. For the remainder of FY 2001 and into FY 2002, MMS anticipates that the amount of sand conveyed will triple.

DATA VALIDATION AND VERIFICATION

Data Validation	Reducing cycle time from 6 years to 3 years is a goal that aligns with our compliance reengineering. As we reduce cycle time, we also want to ensure that we uphold our high level of effectiveness in ensuring company compliance. Monitoring our interim progress and completion of various phases throughout the 3-year CAM process is also important, and our measure of completed random audits represents such a metric. Once we have completed the full 3-year compliance cycle for 1999 properties, we will measure the overall effectiveness of the CAM process.
Data Source	We identify properties for random audit, using a program that draws a statistically valid sample based on the size of the universe and resources available to do work.
Data Verification	We will use a database to track completed random audits. Program personnel responsible for consolidating and reporting the data can easily verify its accuracy because limited amounts of data are involved. The data collected for this performance measure should be highly accurate and reliable, because program personnel will carefully review it before it is externally released.
Data Limitations	Although the data collected for this performance measure should be highly accurate and reliable, it does contain sampling risk. Program personnel carefully review the data before it is externally released, but their review does not eliminate the risk that a non-selected property would have changed the result, if included in the sample.
Planned Improvements	The MRM is working with Accenture to ensure that the new compliance modules capture the required data for this measure. Automated capture of data will enhance the integrity of this measure. We are developing the capability to monitor our incremental progress within the 3-year process, and to measure the overall effectiveness of the new 3-year compliance process.

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

Description: The MMS serves American Indian tribes and individual American Indian mineral owners by ensuring that they receive accurate returns for mineral production on their land. While working to guard American Indian mineral interests, MMS also emphasizes American Indian empowerment. We coordinate with eight tribes that choose to handle their own royalty audit work through cooperative agreements.

In an effort to provide the highest possible Indian trust protection, and to enforce the unique terms contained in Indian leases, MMS has expanded its major portion[13] and dual accounting[14] coverage to Indian tribes and individuals that previously were not being serviced. The MMS policy requires calculations dating as far back as 1984. To date, this initiative has resulted in additional royalty collections of $8 million. Indian lease terms require lessees to compute royalties using specific cal-

[13] "Major portion" means the highest price paid or offered at the time of production for the major portion of oil or gas production from the same field.

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

culation processes to determine both major portion and dual accounting amounts for gas leases and major portion amounts for oil leases. The information lessees need for past periods to calculate these liabilities is not readily available to them. The MMS collects the necessary information, calculates the major portion prices, verifies dual accounting, and bills companies for any additional royalties due.

The new Indian gas rule, published in August 1999, with an effective date of January 1, 2000, made several significant changes to valuation methods. One of these changes enhanced our ability to calculate major portion prices for Indian properties. A major portion price is a price that represents the 25th percentile of the total royalty volume reported to MMS for an area that is not associated with an index zone (see footnote 22). Index zones were established in the rule, and the rule provides a formula to calculate index zone prices each month. The index zone price is the basis for royalty value for Indian properties associated with the zone.

These changes made valuation of Indian gas more efficient for companies and MMS and at the same time fulfills our trust responsibility to the Indian community by ensuring an above average price for the gas.

FY 2002 ANNUAL GOALS:

By the end of FY 2002, ensure for the time period January 1, 2000, through March 31, 2002 that 71 percent of Indian gas producing properties are in compliance with index zone/major portion requirements. By the end of FY 2002, ensure for the time period 1984-1999 that 57 percent of Indian gas producing properties are in compliance with dual accounting requirements.

By the end of FY 2002, ensure for the time period 1984-2001 that 34 percent of Indian oil producing properties are in compliance with major portion requirements.

The Farmington Indian Minerals Office unites employees from the Bureau of Indian Affairs, Bureau of Land Management, and MMS under one director for outreach, inspection, enforcement, and mineral revenue compliance services to industry and American Indian stakeholders. A recent outreach session is shown here.

BUDGET TABLE

Minerals Revenue Management - Mission Goal MRM-3				
Budget Activity/Subactivity	FY 2000 Enacted		FY 2001 Enacted (Original)	
	Total MRM ($000)	Mission Goal MRM-3($000)	Total MRM ($000)	Mission Goal MRM-3 $000)
Valuation and Operations	45,853	9,537	54,057	11,218
Compliance	49,390	11,656	43,787	10,269
Program Support Office	3,159	663	3,183	668
Indian Allottee Refunds	17	17	17	17
Totals	**98,419**	**21,873**	**101,044**	**22,172**

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

The FY 2002 budget table for this mission goal is as follows:

BUDGET TABLE

Minerals Revenue Management - Mission Goal MRM-3				
Budget Activity/Subactivity	FY 2001 Enacted (After realignment)		FY 2002 President's Budget	
	Total ($000)	Mission Goal MRM-3 ($000)	Total ($000)	Mission Goal MRM-3 ($000)
Revenue and Operations	44,639	9,795	42,245	9,270
Compliance and Asset Management	56,405	12,377	57,671	12,654
Totals	**101,044**	**22,172**	99,916	**21,924**

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

GOAL: INDIAN TRUST RESPONSIBILITIES

Mission Goal MRM-3: *Fulfill our mineral revenue Indian trust responsibilities.*

Long Term Goal MRM-3A: *By the end of FY 2005, ensure 100 percent of Indian gas producing properties are in compliance with major portion and with dual accounting requirements for the time period 1984-2004*[15].

FY 2002 Annual Performance Goal: *By the end of FY 2002, ensure for the time period January 1, 2000, through March 31, 2002 that 71 percent of Indian gas producing properties are in compliance with index zone/major portion requirements. By the end of FY 2002, ensure for the time period 1984-1999 that 57 percent of Indian gas producing properties are in compliance with dual accounting requirements.*

Performance Measure: *Percentages of Indian gas producing properties that are in compliance with index zone/major portion and dual accounting requirements.*

FY 98 Actual	FY99 Actual	FY 00 Plan	FY 00 Actual	FY 01 Plan	FY 02 Proposed
N/A*	MP-45% DA-9%	MP-60% DA-30%	MP-60% DA-31.2%	MP-63% DA-45%	MP-71 DA-57%

Long Term Goal MRM-3B: *By the end of FY 2005, ensure 100 percent of Indian oil producing properties are in compliance with major portion requirements for the time period 1984-2004.*

FY 2002 Annual Performance Goal: *By the end of FY 2002, ensure for the time period 1984-2001 that 34 percent of Indian oil producing properties are in compliance with major portion requirements.*

Performance Measure: *Percentage of Indian oil producing properties that are in compliance with major portion requirements.*

FY 98 Actual	FY 99 Actual	FY 00 Plan	FY 00 Actual	FY 01 Plan	FY 02 Proposed
N/A*	8%	15%	25%	30%	34%

There are no data available for FY 1998 because these are new goals, and we do not have enough information to determine actual performance for prior years. We reported FY 1999 actual performance in the FY 2000 Annual Performance Plan to establish the baselines, but these were not goals in the FY 1999 plan.

[15]For gas major portion (MP) calculations, data reported for FY 2000 and prior captured data related to 1984-1999. However, we are not calculating MP for 34.5 percent of the gas properties for that time period due to IBLA decisions related to our previous gas valuation regulations. We have completed calculations for 60 percent of these properties, and we will complete the remaining 5.5 percent. Progress with oil major portion has been made through settlements with companies. We do not yet have a new Indian oil valuation rule published. For most of the remaining oil-related properties, we are not calculating oil major portion for the period March 1988 through December 1999 due to IBLA decisions that also impacted the current Indian oil regulations.

Goal Description: The objective of these goals is to eliminate the backlog of major portion and dual accounting calculations and enforcement for the time period 1984-1999 and to perform these calculations more contemporaneously for FY 2000 forward. Separate long-term goals were established for properties producing gas and properties producing oil because annual targets will move at different paces due to different valuation complexities, varied lease term requirements, and the specialized resource expertise needed for each product. Because much of the related information is the same, the descriptions of both goals have been combined below.

In setting the targets, we gave priority to the leases for the tribes with the highest revenues. We determined these specific tribes by analyzing the total Indian revenues reported to MMS. Recent decisions by the Interior Board of Land Appeals (IBLA), related to previous gas valuation regulations and current oil valuation regulations, have impacted our progress toward this goal.

STRATEGIES AND RESOURCES:

Maximize our Staff's Expertise: As part of our commitment to improve services to Indian mineral owners, we have established our Indian CAM Office. This office is specifically dedicated to serving mineral-producing tribes and individual Indian mineral owners. This will allow us to maximize efficiencies by utilizing staff with specialized expertise related to both previous and new Indian valuation regulations, and with an understanding of the differences between Indian oil and gas lease term requirements.

Publish the Final Indian Oil Valuation Rule: Targets are based on publication of the Indian Oil Valuation Rule. We published a supplementary proposed Indian oil rule on January 5, 2000, changing the comparative value to the average of the daily high spot prices for deliveries in the production month. In FY 2001, our intent is to publish a final Indian Oil Valuation rule and develop training for the new rule for industry, MRM, and the Indian community.

Implement the Final Gas Valuation Rule: Changes provided in the new Indian Gas valuation regulation, effective January 1, 2000, have simplified the burden of complying with these major portion and dual accounting lease term requirements. Following implementation of this rule, we have provided training and guidance to industry, MRM, and the Indian community. We also have established a web site for companies to obtain the major portion prices, index zone prices, and due dates to report this data. This has increased our efficiency in ensuring major portion and dual accounting compliance for gas related properties after January 1, 2000.

FY 2000 ANNUAL PERFORMANCE REPORT:

Goal: By the end of FY 2000, ensure 60 percent of Indian gas producing properties are in compliance with major portion and 30 percent are in compliance with dual accounting for the time period 1984-2000.

Report: The FY 2000 results were 60 percent for major portion and 31.2 percent for dual accounting, meeting our major portion target and exceeding our target for dual accounting. However, IBLA decisions related to gas valuation regulations prior to January 1, 2000, have impacted our progress toward this goal. Based on those decisions, we are not calculating major portion for the remaining properties for the period March 1988 through December 1999 (34.5 percent of properties). Our FY 2001 and 2002 targets focus on the timeframe January 1, 2000, forward.

Goal: By the end of FY 2000, ensure 15 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2000.

Report: The FY 2000 result was 25 percent, which exceeded the target. Settlements with several companies have resolved numerous major compliance issues. However, IBLA decisions related to current oil valuation regulations have impacted our progress toward this goal. Based on those decisions, we are not calculating major portion for the remaining properties for the period March 1988 through December 1999. Once a new Indian oil valuation rule is published, this will enhance our ability to ensure compliance with major portion requirements on oil-related properties.

The MMS will be working with the State of Alaska on cleanup or prevention strategies should an oil spill occur during the broken ice season (periods of spring and fall in certain Alaskan waters). Coastal indigenous peoples are particularly concerned about long-term effects of offshore development. Native Alaskans' historical observations of the area are an important component of our Alaska research and planning initiatives.

DATA VALIDATION AND VERIFICATION

Data Validation	The MRM managers concluded this goal should be retained, but the performance measures must be modified to reflect changes in the reporting rules for gas major portion. Prior to 1/1/2000, MRM used audits, settlements, and compliance actions (issue and demand letters) to measure compliance with major portion goals. Starting 1/1/2000, compliance was measured monthly by an index zone price for the majority of Indian leases, and by major portion for the remaining leases. This allows the level of compliance with index zone/major portion valuation rules to be determined within 9 months of the original reporting cycle.
Data Source	Performance measurement data for this goal is collected from three sources. The index zone prices for gas are calculated using the average of published gas prices in Inside FERC and Natural Gas Intelligence (NGI). The major portion prices are determined from prices and volumes reported to MMS by companies. Dual accounting compliance is determined by payor audits and the percentage of completion.
Data Verification	The three types of data calculated for this performance measure are highly reliable. The gas price indices published by Inside FERC and Natural Gas Intelligence are widely used in the oil and gas industry and as a basis for contract pricing. The major portion prices are generated from MRM company data reported to MRM. The dual accounting data is the result of audits performed by the Indian CAM teams and has undergone a thorough MRM review.
Data Limitations	The data collected for this performance measure are highly accurate and reliable. The only limitation is the use of offline computers (PC's) to calculate the major portion prices. This creates some risk of mishandling of the data during downloads and data manipulation and could compromise its integrity. However, we believe the dedication and high competence level of the employees performing these tasks make the risk very low.
Planned Improvements	With the implementation of the new computer system on October 1, 2001, we will be able to perform automated computations. In addition, MRM will document the process of creating these performance measures in writing.

2.3 CUSTOMER SERVICE GOAL

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

Description: Both OMM and MRM always have focused on customer service and each program has a tradition of measuring customer satisfaction. However, MMS has not had an overall strategy to measure how well we are fulfilling our customers' needs. To address this need, we began to develop a survey instrument to measure our performance in this area in FY 2000, and included a customer service goal in our FY 2001 Annual Performance Plan.

Our intent was to complete the survey instrument and conduct a survey in late FY 2000 to establish a baseline customer satisfaction index. Our FY 2001 goal was to conduct another survey and show improvement over the baseline. However, we did not complete the survey instrument in FY 2000, and therefore could not conduct the baseline survey necessary for us to meet our original FY 2001 goal. Accordingly, we have revised our goal and have established a target of conducting the baseline survey in FY 2001 and following it with a survey in FY 2002 (see discussion below).

As discussed above, MRM currently is involved in an extensive reengineering initiative, and is collaborating with its stakeholders to develop and test new processes. Therefore, OMM will pilot MMS's customer service performance measurement initiative. The MRM will have the full benefit of OMM's experience when it begins to measure its performance after implementing its reengineered processes.

FY 2002 ANNUAL GOAL:

In FY 2002, we will increase the customer satisfaction index over the FY 2001 baseline.

GOAL: CUSTOMER SERVICE

Mission Goal MMS-1: *Interact with our customers in an open and constructive manner to ensure that we provide quality services that satisfy our customers' needs.*

Long Term Goal MMS-1: *By 2005, show an increase in customer satisfaction with our data and information services[16].*

FY 2002 Annual Performance Goal: *In FY 2002, we will increase the customer satisfaction index over the FY 2001 baseline.*

Performance Measure: *Percentage of customers indicating satisfaction with OMM's data and information services.*

FY 98 Actual	FY 99 Actual	FY 00 Plan	FY 00 Actual	FY 01 Plan	FY 02 Proposed
N/A*	N/A*	N/A*	N/A*	Increase over FY 2000 baseline**	Increase over FY 2001 baseline

** There are no data available for these years because this is a new goal. The MMS did not have an overall customer service goal prior to FY 2001. ** The MMS established a customer service goal in its FY 2001 Annual Performance Plan, but will not achieve that goal (see discussion in "Description" above).*

[16]We define "data and information services" to include industry training and outreach sessions, and assistance provided to walk-in/call-in/website customers.

Goal Description: In our FY 2001 APP, we stated that we planned to gather baseline data for OMM's customer service performance in FY 2000 using a survey instrument approved by OMB. However, during development of the survey we realized that we needed additional time to develop the robust statistical approach that will be needed to make the survey useful and useable. We have finished our draft of the instrument and expect to submit it to OMB in the very near future, in time to conduct the survey and establish a baseline in FY 2001.

We plan to survey a sample of OMM's customers, asking them about their satisfaction with our FY 2001 performance. We will use the results as the baseline for our FY 2002 survey, which we will conduct toward the end of FY 2002. Our FY 2002 goal will be to improve on the FY 2001 baseline.

The MRM anticipates an intense learning mode for its new systems in FY 2002. In FY 2003, after new systems are implemented and stabilized, MRM will gather baseline data regarding its stakeholders' satisfaction with the new reengineered processes and systems. For both MRM and OMM, subsequent performance goals will show incremental increases above prior results.

FY 2000 ANNUAL PERFORMANCE REPORT:
The MMS did not have a FY 2000 Customer Service goal.

DATA VALIDATION AND VERIFICATION

Data Validation	The MMS has submitted the survey instrument to internal and Departmental experts for review to ensure that it has statistical validity. Following Departmental approval, it will be sent to OMB for review and determination on whether it is appropriate for the intended purpose.
Data Source	The data will be obtained from OMM's customers through the use of an OMB-approved survey instrument. The data will be manually plotted and analyzed.
Data Verification	The MMS will ensure that the data used to tabulate the results are gathered following statistically valid protocol and can be verified.
Data Limitations	The MMS will study the survey procedures, including collection, data handling, and analysis to identify problems and limitations.
Planned Improvements	Not applicable.

The revenues generated from America's mineral resources on Federal lands are the Government's major source of funding to purchase parks and recreation areas. Since 1982, MMS has disbursed $26 billion to the Land and Water Conservation Fund, the National Historic Preservation Fund, and the Reclamation Fund.

Section III

Additional GPRA Information

3.1 CUSTOMER SERVICE

The MMS's many stakeholders are all our customers. The stakeholders we serve include the public, states, the oil and gas industry, marine minerals industries, environmental constituencies, Congress, and the Executive Branch. In addition, MRM's stakeholders include Indian tribes and allottees and the solid minerals industry. Despite the differing interests of these stakeholders, MMS seeks and considers their input on all major initiatives.

Although reaching consensus is difficult when stakeholders often have competing interests, MMS realizes the value in seeking consensus whenever possible. Even absent consensus, decisions reached by MMS managers are strengthened by considering the input from all constituencies. The goals MMS has set are important to the Nation as a whole, and their achievement is made more realistic when MMS forges partnerships.

The MMS keeps stakeholders informed and seeks their input and cooperation by:

- Providing outreach, public information, and training, in part through a vigorous communications program that includes public affairs, congressional affairs, and external affairs components. The public reviews all our proposed actions, and we hold frequent congressional briefings and public meetings and outreach sessions. This proactive approach fosters better understanding and acceptance of MMS's policies and regulations, which in turn helps MMS achieve its goals of safe and environmentally sound OCS mineral exploration and development and timely, accurate, and cost-effective mineral revenue collection and disbursement.

- Establishing partnerships with Indian, State and industry representatives in an ongoing attempt to involve them in our initiatives. Stakeholders have been engaged as full members on the MRM Operational Model teams and in developing compliance strategies. MMS also involves stakeholders through advisory committees and other forums. The Minerals Management Advisory Board comprises the OCS Policy Committee, the Royalty Policy Committee, the Alaska OCS Committee, and the Scientific Committee. Other venues include the Pacific Region's MMS/Tri-County Forum (the counties include Ventura, Santa Barbara, and San Luis Obispo, California), the State and Tribal Royalty Audit Committee, and the Environmental Forum.

- Actively collaborating with the American Petroleum Institute and other industry groups in developing regulatory standards, product specifications, and recommended practices for offshore development. The MMS also has become increasingly active in the International Organization for Standardization, or ISO, working towards raising worldwide safety and environmental performance.

- Initiating an Annual Operator Performance Review for operators. The MMS has used feedback received from the operators during these discussions to make changes to some of our internal processes to make them more efficient. We also include a discussion about a company's training plans in these reviews, as part of our evaluation of training programs. These reviews provide a forum for MMS and the operators to maintain a dialogue about performance in a non-threatening manner, with the goal of preempting problems and avoiding serious accidents.

- Offering a number of opportunities to tribes, including access to automated systems and the opportunity to handle royalty audit work through cooperative

agreements. These efforts will assist the tribes in assuming royalty functions and further improve our Government-to-Government relationship.

- Encouraging cooperation and enhancing the spirit of partnership by honoring the best in the oil and gas industry at the Annual MMS Awards Program and Luncheon. The awards include the National Safety Award for Excellence, Corporate Leadership and Corporate Citizen Awards, and the Secretary of the Interior's Mineral Revenue Stewardship Award.

- Maintaining our popular web site, www.mms.gov. It has information about MMS programs, ongoing activities, and initiatives, and contains extensive reference material.

- Pursuing various opportunities for electronic business. For example, most of MRM's large royalty payors report electronically. By October 1, 2001, MRM expects to have converted all previous e-mail, diskette, and tape reporters, and most paper reporters, to an electronic format. Electronic submissions increase reporting accuracy, which increases disbursement timeliness thereby helping MMS achieve its disbursement goal.

In OMM, electronic receipt and disbursal of data, applications (such as approvals for permit to drill), and information reduces the amount of paper being sent and provides cost avoidance and quicker response times for all parties. As an example of its desire to continuously improve its data and information services, OMM has provided its customers 50 years of Gulf of Mexico oil and gas information in a four CD-ROM set.

The OMM formed an Electronic Business Steering Committee (EBSC) and developed an E-business strategic plan. The plan was submitted to OMM's Information Management Committee (IMC). The IMC issued a contract to examine our business processes and our existing IT environment. This analysis will examine best practices in industry and government to provide a foundation and framework for aligning related FY2002 initiatives (such as E-Gov, and knowledge, document, and data management).

In accordance with the Department's American Indian trust responsibilities, MMS has a special dedication to the tribes and individual American Indian mineral owners. MMS serves American Indian tribes and individual American Indian mineral owners by ensuring that they receive accurate returns for mineral production on their land. Many of our Indian stakeholders live in remote areas. As part of our commitment to improve services to Indian mineral owners where they live, we have established an Indian Compliance and Asset Management (CAM) office. This CAM office is specifically dedicated to serving mineral producing tribes and individual Indian mineral owners and will perform all compliance and outreach activities. Based in Lakewood, CO, and also located in Oklahoma and New Mexico, these offices are advocates for the American Indian community and communication channels to DOI and other Federal agencies.

3.2 CROSSCUTTING ISSUES

The MMS coordinates OMM activities with the Fish and Wildlife Service, the U.S. Geological Survey, the National Oceanic and Atmospheric Administration, the Department of Energy (DOE), the Defense Department, Environmental Protection Agency, the Army Corps of Engineers, the U.S. military, the Coast Guard, State and local governments, environmental groups, and industry, and provides information that sometimes would not be available otherwise. For example, the MMS supplied information to the National Marine Fisheries Service from MMS-funded research to aid them in identifying essential fish habitat.

The MMS also coordinates MRM activities with the Bureau of Indian Affairs (BIA), the Bureau of Land Management (BLM), the Office of the Special Trustee, State Governments, Indian tribes and allottees, and industry.

Specific examples of MMS's crosscutting efforts:

- In recent years, MMS has worked closely with DOE on a highly visible cross cutting initiative, the refilling of the Strategic Petroleum Reserve (SPR). On February 11, 1999, the Department of Energy and the

Department of the Interior announced the SPR initiative. The initiative took advantage of low oil prices at the time to rebuild the SPR, thereby enhancing national energy security. The strategy was for MMS to take oil royalties in kind from selected Federal leases in the Gulf of Mexico and give the oil to DOE to exchange for oil to be delivered to the SPR. The MMS delivered 28 million barrels of oil to DOE, which exchanged it for oil that was delivered to four SPR sites located at Bayou Choctaw and West Hackberry in Louisiana and Big Hill and Bryan Mound in Texas. The MMS completed deliveries to DOE in December 2000.

- In 2001, in response to formal requests, MMS began negotiating with the Corps of Engineers, the Defense Department, and State and local governments for access to OCS sand resources. The MMS has conveyed 5.1 million cubic yards of sand to Brevard County and Patrick Air Force Base in Florida for shoreline protection. For the remainder of FY 2001 and into FY 2002, MMS anticipates that the amount of sand conveyed will triple. Requests for OCS sand have been received from Brevard County, Florida; Corsons Inlet, NJ; Sandbridge, VA; Assateague, MD; and offshore Louisiana for use of up to 17.7 million cubic yards of OCS sand.

- The MMS is partnering with DOE to help further the development of technology for ultra-deepwater oil and gas production in the Gulf of Mexico. The partnership, formalized with a memorandum of understanding on December 5, 2000, could help reduce the Nation's dependence on imported sources of oil and better meet the increasing demands of domestic gas consumption. The MMS will work closely with DOE's office of Natural Gas and Petroleum Technology to research initiatives regarding safety of operations, conservation of oil and gas resources, oil spill research, and protection of the marine environment.

- The MMS recently signed a Memorandum of Agreement with Florida State University and the Florida Department of Environmental Protection proposing the creation of a Florida Coastal Marine Institute - the first such institute to support geologic and environmental studies offshore Florida for use in making OCS sand resource access decisions. The institute would use the interdisciplinary environments of the Florida Department of Environmental Protection and the Florida State University and improve existing local capabilities for innovative scientific research relevant to OCS sand and gravel resource management issues.

- In Farmington, New Mexico, MMS is participating in a Department pilot, implementing a new concept in serving our Navajo constituents. The Farmington Indian Minerals Office unites employees from the Bureau of Indian Affairs, Bureau of Land Management, and MMS, under one director for outreach, inspection, enforcement, and mineral revenue compliance services to industry and American Indian stakeholders.

- MRM has been coordinating system development and interface testing with BIA to ensure compatibility between MMS and BIA automated systems. In addition, MMS has been working with BLM to ensure the integration of MMS's new financial system with BLM's Automated Fluid Minerals Support System.

Also, by working with its constituents, MMS has been able to find program efficiencies while continuing to improve the effectiveness of its safety and environmental program. Examples include:

- A Memorandum of Understanding (MOU) with the U.S. Coast Guard concerning shared responsibilities under the Outer Continental Shelf Lands Act. The two agencies based the MOU on input from affected groups.

- An MOU in conjunction with the Special Programs Office of the Department of Transportation governing the regulation of offshore pipelines. With help from the regulated groups, the two agencies arrived at an agreement that gives pipeline owners a role in determining which agency will regulate a given pipeline.

- A series of agreements with other Federal agencies and coastal State Governments to cooperatively

develop Federal/State boundaries, describing data relevant to leasing as well as State regulatory and enforcement actions. Many of the agreements with coastal states will lead to fixing of the Federal/State boundary by Joint Motions filed with the United States Supreme Court. The latest effort has led to a Supplemental Decree fixing the Offshore Boundary with the State of Texas.

- A joint industry project with members of the oil industry that provided joint funding of research to monitor the environmental impacts of drilling activities in the Gulf of Mexico. The result leverages MMS's funds eight to one and provides information needed by the Federal Government and industry to ensure environmentally sound activities. In addition, MMS has undertaken several projects jointly funded with industry focusing on deepwater environmental issues in the Gulf of Mexico.

- The Coastal Marine Institute program was instituted by MMS through cooperative agreements with State universities in Louisiana, Alaska, and California to reach consensus on needed environmental and socioeconomic research. In recognition of the mutual benefits derived from this program, MMS research funds are matched one to one by the states.

- Cooperative efforts with the U.S. Coast Guard and U.S. Navy have been expanded on several fronts to provide support for those agencies' needs for training and equipment testing to address accidental spills in harbors as well as open seas. The MMS-maintained Ohmsett facility in Leonardo, New Jersey - the only facility of its type in North America - plays a crucial role in support of the U.S. Coast Guard and U.S. Navy's testing needs.

3.3 MANAGEMENT ISSUES

The MMS currently is working on issues raised in audit reports by DOI's Office of the Inspector General (OIG). These reports addressed: the adequacy of internal controls in the Financial Management Branch; general and application controls over MMS's Technical Information Management System; and inaccuracies in the supporting documentation for operators participating in the Stripper Oil Well Property Royalty Rate Reduction Program. The status of MMS's efforts is discussed below.

Financial Management Branch

In March 2000, following an audit of FY 1998 financial data, the Department's Office of the Inspector General issued a report on the adequacy of internal controls in the bureau's Financial Management Branch. The OIG identified three primary findings indicating that MMS's internal controls for financial data management were not sufficient to prepare FY 1998 financial statements for its bureau operations in accordance with Federal accounting standards.

The MMS accepted the OIG audit finding and initiated an aggressive program to address the deficiencies and design cost-effective and timely corrective action. MMS recruited a multi-Bureau task force of financial management professionals to work closely with MMS staff and with OIG staff in preparing information required for the FY 1999 Department of the Interior Consolidated Statements. Financial statements of MMS bureau operations could not be issued for FY 1999, but an unqualified opinion was issued on separate financial statements for Royalty Collection Activities.

In addition, the team was asked to identify and report on any corrective actions or further internal control issues they might uncover in their work. Following this effort, MMS engaged a national public accounting firm to conduct a comprehensive review of its accounting system, operational policies and processes. The OIG, the multi-bureau task force, and the national accounting firm recommended a number of corrective actions including changes in internal control procedures, adjustments to the organizational structure of the Financial Management Branch, and increases in resources.

In response to various third party findings and recommendations, MMS instituted organizational changes, realigned staff, clarified work assignments, and developed and implemented desk procedures. In addition, MMS added or improved internal control responsibili-

ties. Cash, identified as one of the primary areas of concern, was fully reconciled by the end of FY 2000. Monthly reconciliation procedures were revised and implemented. New staff resources are being added to the organization and recruitment actions are underway to implement the recommendations in FY 2002. Consolidated financial statements on MMS bureau operations were issued for FY 2000, but not audited. However, an unqualified opinion was issued on the Statement of Custodial Activity for Royalty Collections.

Technical Information Management System

The report stated that overall MMS's OMM had established adequate general and application controls over TIMS. However, it was noted that the general controls of OMM needed improvements in four areas: security program; continuity of operations in the event of a disaster or a system failure; controls over access to TIMS; and software development and change management. The lack of adequate controls may increase the risk of: (1) unauthorized access and modifications to and disclosure of sensitive TIMS data; (2) theft or destruction of OMM software and sensitive information; (3) loss of TIMS systems and functions in the event of a disaster or a system failure; and (4) TIMS not performing as intended. The report made 15 recommendations.

The MMS has completed its responses to all of the audit's recommendations except for one. That recommendation was that OMM periodically test the Continuity of Operations Plan (COOP) and update it based on the test results. The OMM has revised the COOP to incorporate new operations activities and plans to complete testing by the end of May 2001.

Stripper Oil Well Property

The OIG found that MMS needed to develop and implement a plan to eliminate the Stripper Oil Well Property Royalty Rate Reduction Program notification processing and data entry backlog, and to approve future notifications for the program in a timely manner. In addition, MMS needed to develop and implement a plan to review program exceptions generated by the automated matching process and collect underpaid royalties from operators.

The MRM has developed an automated methodology to perform royalty rate exception analysis on Stripper Oil Well Properties. The testing of preliminary runs has identified problems, which MRM is mitigating. We will perform our first official run -- using this new automated methodology -- in late April 2001, at which time we will begin full implementation.

3.4 DATA VALIDATION AND VERIFICATION

The MMS is working to strengthen its data validation and verification procedures. During MRM's reengineering effort, for example, MRM is working with Accenture to develop data procedures that are compliant with Joint Financial Management Implementation Program. Currently, however, the performance measurement process is in a transitional period, with some measurement data being captured and calculated automatically and other data being captured and manipulated manually, as discussed in Section 2.

The MRM is working with Accenture to develop a performance measurement system that uses a top-down process that will capture and calculate performance measurement data automatically. This process will allow MRM to verify the integrity of performance measurement data in two ways: first, by developing policies and procedures for defining calculation and reporting procedures; and, second, by developing company profiles that will highlight problems with the data.

During this development process, MRM will develop policies that define calculation methods and the timing of reporting on performance measures. It also will establish procedures to assess their effectiveness, incorporate GPRA requirements, review and analyze performance with respect to the goals, and develop plans for improving performance measurement.

The OMM also is cognizant of the importance of valid measures and verifiable data, and is working to strengthen its procedures. For example, in FY 1999, OMM determined that it could not obtain accurate water quality data for use in the environmental index. Accordingly, OMM dropped that data from the index calculations (see discussion in Section 2). The OMM is now in the process of determining what meaningful and

accurate data are available to use as reflections of MMS's performance, and will use that data in the environmental index calculations.

The OMM believes that the safety and fair market goals are valid and logical reflections of their progress toward the accomplishment of the respective targets, especially given the stable history of the measures and validation of the procedures by internal and outside reviewers. The data for both goals are highly accurate and reliable because they come from MMS databases, except for safety data that are gleaned from operator reports. The MMS verifies the accuracy and completeness of operator data through investigations.

In addition, during the past several years, the Department of the Interior has addressed data reliability issues through internal reporting and tracking systems and other internal control mechanisms. A variety of approaches have been developed to accommodate the particular needs of offices with widely varying missions.

Last year, the Department began development of a more unified approach - a data validation and verification "matrix" that is being tested at various organizational levels. The matrix employs basic principles that are typically applied to technical data collection and auditing situations. The Department developed the matrix by reviewing recent literature, including the GAO report on data validation and verification, participated in local data validation and verification conferences, reviewed agency plans, and conferred with Federal organizations that have demonstrated leadership in the GPRA arena. The advice and perspectives of the DOI OIG and a number of field-level personnel also were solicited. The result is a draft core set of criteria for data validation and a draft five-part set of criteria for data verification applicable to GPRA goals.

The Department-wide implementation strategy involves several aspects or phases, several of which are concurrent. Because data validation and verification has the potential for being a very labor intensive undertaking, implementation will be staged over the next 18-24 months. After that, DOI believes the basic tenets and benefits of data validation and verification will be reinforced or fully integrated in the culture and practices of each Interior organization.

Phase I has been completed. It involved the development of the draft data validation and verification criteria as described above. The OIG not only participated in the development and review of the criteria but intends to use the data validation and verification guidelines as a check-listing tool for auditing Departmental and bureau goals as it turns greater attention to program evaluations in FY 2002. By internally distributing these guidelines in FY 2001 after they are adopted (Phase II), organizations will have the opportunity to review their data validation and verification practices and address weaknesses that have been detected (Phase III).

The basic strategy underlying the Department's data validation and verification approach is to establish clear expectations and requirements for achieving data credibility, ground tested for their practicality and reasonableness, that will enable organizations to position themselves to succeed in delivering accurate information to guide decision making. The strategy also has focused on the pivotal concern that data validation and verification could be viewed as another GPRA reporting burden instead of as an integral component of any business plan.

3.5 PROGRAM EVALUATIONS

A number of internal and external efforts comprise MMS's program evaluations. The MMS is a major source of revenue to the Federal Government, and therefore is continuously under review by oversight agencies such as the Office of Inspector General and the U.S. General Accounting Office. The OMM also is periodically reviewed by the OIG because of its importance in monitoring safety and environmental impacts on the OCS. The OIG performed two program audits in FY 2000. In the first, OIG reviewed the criminal referral process for OMM'S offshore criminal penalties program. The OIG issued a report with three recommendations. In the second, OIG reviewed whether OMM had effective general and application controls over TIMS, and whether TIMS was operated in compliance with applicable Federal laws and regulations. The OIG concluded that

OMM had established adequate general and application controls over TIMS, but improvement was warranted in four areas. The report had 15 recommendations (see Section 3.3 for a discussion of the status of the recommendations).

The OIG also performs annual financial management reviews. The OIG plans to conduct at least one MMS review in FY 2001 in addition to the annual financial management review.

Also external reviews, MMS routinely conducts scheduled in-depth appraisals and ongoing self analysis with various internal evaluations, including Alternative Management Control Reviews (AMCR), Performance Management Assessment Tool Reviews (PMAT), Departmental Function Reviews (DFR), Automated Information System Reviews (AISR), and Quality in Contract Program Reviews (QUIC). We conduct the reviews on a rotating basis among the various programs and functional areas. These reviews examine whether adequate controls are in place to ensure that intended results are achieved, resources are protected from waste, fraud, and mismanagement, and management information is reliable. We have scheduled six internal reviews in FY 2001, including four in Administration and Budget, one in MRM, and one in OMM (see the table below).

We also use quantitative measures to assess our progress toward meeting our goals, use program evaluations to identify ways to improve our performance, and rely on internal and external feedback from our customers to gauge our success in meeting their needs. Our scheduled FY 2001 reviews are shown in the following table.

MMS FY 2001 MANAGEMENT CONTROL PLAN

Review	Review Type/Rating	Scope
Southern Administration Service Center (SASC) Computer Center/Telephone Switch (A&B)	AISR High	Evaluate the effectiveness of the facility's telephone switch operation, support, and management.
Advanced Budget Accounting/Control and Information System (ABACIS) (A&B)	AISR High	Review the effectiveness of the financial management system's internal controls and the security posture of the system to ensure that it meets current Federal IT security requirements.
Property Management System - NT. Comprehensive assessment of capitalized property items. (A&B)	DFR High	The report will provide (1) a comprehensive bureau-wide assessment of capitalized property items, (2) a summary updating findings and corrective actions in response to any OIG, GAO, or other reviews, and (3) any property-related "best practices" that can be shared with other DOI bureaus.

MMS FY 2001 MANAGEMENT CONTROL PLAN - CONTINUED

Review	Review Type/Rating	Scope
Quality in Contracting (QUiC) Phase I - Management Control Phase II - Performance Measurement and Assessment (A&B)	DFR (using QUIC tool) Medium	Phase I-Assess compliance with the Contracting Officer's Technical Representative Certification. The Phase I QUiC Acquisition Review Report will provide (1) the results of our bureau-wide targeted compliance reviews of the bureau's status on administering the Contracting Officer's Technical Representative (COTR) Certification Program and use of convenience checks, (2) a summary of the "best practices" review of our Denver Procurement Branch, and (3) any business related "best practices" that could help the other DOI bureaus improve productivity, effectiveness, and efficiency. The Phase II QUiC Acquisition Review Report will include the MMS QUiC Acquisition Process Data and Acquisition Survey Module results, which is predicated on timely data gathering and reporting guidance being established by the Office of Acquisition and Property Management and the Acquisition Managers Partnership.
ADP Systems Initiation and Development (MRM)	AISR High	Evaluate selected system initiation-related and system development-related controls. The initiation phase of the review will determine if there is adequate project management, cost/benefit analysis, and a life cycle strategy. The development phase of the review will determine if there are adequate methodology, documentation, and program and acceptance testing controls.
Technical Information Management System (TIMS) Security Activity (OMM)	AISR High	Assess TIMS general and application controls, including general controls over software development and change development, risk assessment, security plans, service continuity, system software, and access controls, and application controls over input, processing, authorization, and output.

3.6 CAPITAL ASSETS/CAPITAL PROGRAMMING

The MMS has three on-going capital projects: Minerals Revenue Management Reengineering, Technical Information Management System, and Royalty-in-Kind System.

The MMS completed Capital Asset Plans and associated justifications in support of these capital projects. The documents were prepared in conformance with Office of Management and Budget Circular A-11, Part 3, 300b--guidelines for planning, budgeting, and acquisition of capital assets. Pursuant to this guidance, they contain discussions of the background and status of the projects, system life cycle cost projections, and cost/benefit analysis with related assumptions. In addition, performance goals and objectives are presented along with the MMS project management structure and contracting strategy.

A brief discussion of each capital project follows.

Minerals Revenue Management Reengineering

As discussed throughout this report, MRM is reengineering its business processes. The principal objective of this initiative is to design, develop and implement new royalty management business processes and supporting information technology (IT) systems for the 21st century. The MMS is in the process of modernizing its systems infrastructure to support the reengineered business processes.

The MMS has engaged Accenture to develop a new integrated royalty management system consisting of a PeopleSoft-based financial module, a compliance and asset management module, a robust relational database environment, a data warehouse, and a variety of technology tools. These new systems are scheduled for implementation in October 2001.

The IT plays a key enabling role in business process reengineering. The proposed IT investments will support related process improvements and will contribute directly to the accomplishment of all of MRM's mission goals, as discussed in Section 2.

Technical Information Management System (TIMS)

Objectives for the TIMS, which is a completed system that currently is in the maintenance mode, include transformation of the applications and hardware and software to an electronic government environment. The MMS has engaged Booz, Hamilton and Allen to develop a foundational study that documents the current OMM business processes and information technology support environment, develops a strategy for moving to the electronic government environment, and provides a modular implementation plan to get there.

In addition to transforming the hardware and software systems, OMM has acquired a larger, more comprehensive database for TIMS to meet the mission needs related to fair market value, leasing, environmental, and safety data. Capabilities also were added to provide analysis of trends and risk data.

Initial application development work for the TIMS began with creating modular, manageable applications components using data transferred from existing systems. This process concentrated on data for Geological Interpretation Tools (GIT) and provided a foundation for the corporate database. The GIT contains management, reporting, integration and analysis functions, as well as map generation. The completed maps are used for resource evaluation and decision management purposes. The successful process provided a template for future application development.

Achieving and sustaining goals in support of OMM's day-to-day business operations depends fully on the continued availability of sophisticated IT technology. In particular, TIMS supports data gathering and integrity in support of all of OMM's goals, and maintaining GIT contributes directly to the achievement of the fair market value goal. By continuing to modernize the OMM IT infrastructure and architecture, MMS keeps pace with the offshore mineral industry it regulates.

The MMS is also a global mineral resource leader. In this capacity, MMS must continually improve its IT efficiency while lowering regulatory costs for industry.

Thus, an ongoing requirement is the timely and adequate life cycle replacement of TIMS and GIT hardware and software and the ongoing upgrade or transformation of the system and its architecture.

Royalty-in-Kind

As discussed above, MRM is continuing to pursue RIK pilots to further explore where RIK makes good business sense. At the Secretary's discretion, mineral royalties derived from Federal oil and gas leases may be paid to the MMS either in cash as a percentage of revenues realized by the lessee (royalty in value) or in kind as a percentage of the actual production from the lease.

Since 1995, MMS has been conducting feasibility studies and pilot projects to determine if, and under what circumstances, royalty-in-kind is in the Nation's best interests. The initial evaluation of the first 18 months of the ongoing Wyoming RIK pilot shows that, in some circumstances, RIK may be a viable alternative for collecting royalties.

The RIK pilots are separate from, and yet distinctly related to, the ongoing MRM reengineering initiative. The reengineering initiative is focused primarily on the royalty in value component of the MRM asset management responsibility - the collection, distribution, and verification of revenues. The RIK pilots reflect another asset management approach - the generation, collection, distribution, and verification of revenue. Both methodologies have the need to access certain common data sets and record transactions in a common financial system. These commonalties, as vital as they may be, do not encompass the full breadth of functionality needed to manage the actual Federal ownership, management and sales of oil and gas production.

Information technology plays a key enabling role in establishing and operating the RIK Program. The proposed IT investments in a gas management system in 2002 and oil management in later years will be needed to support continued RIK pilots and will contribute to future MRM mission accomplishments, especially the disbursement and compliance goals in the near and long term.

3.7 USE OF NON-FEDERAL PARTIES IN PREPARING THIS PLAN

This document was prepared by MMS employees and formatted for printing by a contractor under a Department of the Interior contract.

3.8 WAIVERS FOR MANAGERIAL ACCOUNTABILITY AND FLEXIBILITY

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

Appendix I

At-A-Glance View of Minerals Management Service's FY 2000 Performance

GPRA Mission Goal	Long-Term Goal	FY 2000 Annual Performance Goal
Ensure safe OCS mineral development	Maintain or show a decrease in the average accident index of .594	Achieve an accident index not greater than .594.
Ensure environmentally sound OCS mineral development	By 2005, show a decrease in the environmental impact index from the 2000 baseline.	Show a decrease in the number of adverse environmental impacts per OCS mineral development activity below the 1998 baseline.
	By 2002, show a decrease in the amount of oil spilled below the 1992-1996 average level of 5.09 barrels spilled per million barrels produced.	In FY 2000, show a decrease in the amount of oil spilled to a level of 5.06 barrels spilled per million barrels produced.
Ensure that the public receives fair market value for OCS mineral development	From 2000-2005, the ratio of high bids received for OCS leases to the greater of MMS's estimate of value or the minimum bid is maintained at the 1989-1995 average level of 1.8 (+/- 0.4) to 1.	By the end of FY 2000, we will maintain the current high bids received for OCS leases to MMS estimated value ratio of 1.8 (+/- 0.4) to 1.
Provide revenue recipients with access to their money within 24 hours of the due date.	By the end of FY 2005, provide recipients access to 90 percent of revenues within 1 business day of MMS receipt and disburse 98 percent of revenues to recipients by the end of the month following month received.	In 2000, the percentage of the collected dollars and accompanying information that is provided timely to states and Indians is 98 percent.

Target Performance	Actual Results	Comments
.594	.867	Property damage is increasingly based on actual data versus estimates. Underestimating property damage in the past understated the index. While fatalities decreased, the number of reported severe injuries increased. A lower level of activity accentuated the increase(s).
9.45	N/A	This index is calculated by calendar year, and was not available at the time of publication. At this time, we have no reason to believe that we will not achieve this goal.
5.06	N/A	The data collection and analysis for this goal were incomplete at the time of publication.
1.8 (+/- 0.4) to 1	2.02 to 1	This result is within the target range.
98%	98.49%	Exceeds target.

At-A-Glance View of Minerals Management Service's FY 2000 Performance (Con't)

GPRA Mission Goal	Long-Term Goal	FY 2000 Annual Performance Goal
Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than 3 years from the due date.	By the end of FY 2005, ensure payments are within the expected payment range at the due date for 95 percent of properties.	In Calendar Year 2000, achieve a compliance index (calculated on the year 1998) of .9775
	By the end of FY 2005, issue 95 percent of necessary orders and demands within 3 years of the due date.	In FY 2000, issue 95 percent of all orders for issues found during end-to-end processing properties converted in 1999.
Fulfill our mineral revenue Indian trust responsibilities.	By the end of FY 2005, ensure 100 percent of Indian gas producing properties are in compliance with major portion and with dual accounting for the time period 1984- 2005.	By the end of FY 2000, ensure 60 percent of Indian gas producing properties are in compliance with major portion and 30 percent are in compliance with dual accounting for the time period 1984-2000.
	By the end of FY 2005, ensure 100 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2005.	By the end of FY 2000, ensure 15 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2000.

Target Performance	Actual Results	Comments
.9775	.9730	Preliminary analysis of the results indicates that one industry segment's compliance declined significantly. The MMS will attempt to identify the causes and will determine appropriate follow up action.
95%	20.4%	We are behind target due to automated prototype system delays that delayed us 8-9 months.
60%/30%	60%/31.2%	The MMS met the major portion target and exceeded the dual accounting target. However, we are not calculating major portion for properties in the 1988-1999 time period due to IBLA decisions based on previous gas valuation regulations. This will affect MMS's ability to achieve its long-term goals.
15%	25%	Exceeds target. However, we are not calculating major portion for the time period 1988 to the present due to IBLA decisions based on current Indian oil valuation rules. This will affect MMS's ability to achieve this long-term goal.

Appendix II

Minerals Management Service's FY 2001 Revised Final Goals

The table below presents MMS's revised final FY 2001 annual performance goals. The changes from the FY 2001 Annual Performance Plan, published as part of the March 2000 Consolidated Report, are noted and explained in the footnotes.

GPRA Mission Goal	Long-Term Goal	FY 2001 Annual Performance Goal
Ensure safe OCS mineral development	Maintain or show a decrease in the average safety index of .594[17]	Achieve a safety index of not greater than .594[18].
Ensure environmentally sound OCS mineral development	By 2005, show a decrease in the environmental impact index from the 2000 baseline.	Show a decrease in the number of adverse environmental impacts per OCS mineral development activity below the 1999 baseline of 8.10.
		In FY 2001, show a decrease in the amount of oil spilled to a level of 10 barrels spilled per million barrels produced[19].
Ensure that the public receives fair market value for OCS mineral development	From 2000-2005, the ratio of high bids accepted for OCS leases to the greater of MMS's estimate of value or the minimum bid is maintained at the 1989-1995 average level of 1.8 (+/- 0.4) to 1.	In FY 2001, we will maintain the current high bids accepted for OCS leases to MMS estimated value ratio of 1.8 (+/- 0.4) to 1.
Provide revenue recipients with access to their money within 24 hours of the due date.	By the end of FY 2005, provide recipients access to 90 percent of revenues within 1 business day of MMS receipt and disburse 98 percent of revenues to recipients by the end of the month following month received.	By the end of FY 2001, disburse 98 percent of revenues to recipients by the end of the month following month received.

[17]This is a wording change from the long term goal established in our current strategic plan, which was "Maintain or show a decrease in the average accident index of .594." The change from "accident" to "safety" was made to make the goal consistent with the mission goal. This change may not be reflected in the performance section of the FY 2002 President's Budget.

[18]This is a change from our original FY 2001 goal, which was "In FY 2001, we will evaluate our new accident index and strive to improve our safety record by showing a decrease in the average accident index from the FY 2000 baseline." The reason for this change is the change is that MMS decided not to change the components of the index, but rather to refine and improve data collection.

[19]This is a change from our original FY 2001 goal, which was "By the end of FY 2001, we will evaluate our new environmental impact index, refine the index for use in FY 2002, and demonstrate program performance by reporting on preliminary compilation of the index and showing a decrease in the amount of oil spilled to no more than 5.05 barrels spilled per million barrels produced." The proposal to integrate the oil spill measure into the environmental impact index has been dropped. We will retain the oil spill rate as a separate measure. We are increasing the FY 2001 oil spill target to 10 barrels of oil spilled per million barrels produced, which is more reflective of actual data on average. The environmental index has been revised to eliminate a component for which we cannot collect data. Please see "Goal Description" for the environmental goal for further detailed discussion.

Minerals Management Service's FY 2001 Revised Final Goals (con't)

GPRA Mission Goal	Long-Term Goal	FY 2001 Annual Goal
Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than 3 years from the due date.	By the end of FY 2005, ensure payments are within the expected payment range at the due date for 95 percent of properties.	In 2001, achieve a Compliance Index of .9775[20] (for calendar year 1999).
	By the end of FY 2005, issue 95 percent of necessary orders and demands within 3 years of the due date.	By the end of FY 2001, issue 90 percent of all orders for 1999 converted properties, ensuring that issued orders cover 90 percent of the expected royalty dollars for 1999 converted properties[21].
Fulfill our mineral revenue Indian trust responsibilities.	By the end of FY 2005, ensure 100 percent of Indian gas producing properties are in compliance with index zone/major portion and dual accounting requirements for the time period 1984-2004[22].	By the end of FY 2001, ensure 63 percent of Indian gas producing properties are in compliance with index zone/major portion requirements for the time period January 1, 2000, through March 31, 2001, and complete the analysis for dual accounting compliance for 45 percent of Indian properties for the time period 1984-1999[23].

[20]This is a change from the original FY 2001 goal, which was "By the end of FY 2001, ensure payments are at least 90 percent of expected value at the due date for 35 percent of properties." The reason for this change is that MMS prefers to wait until the new compliance verification system is implemented before making this calculation to ensure that statistically valid data by property are available. Until then, MMS will continue to use the compliance index as the measure that most closely relates to the long-term goal.

[21]This is a change from our original FY 2001 goal, which was "By the end of FY 2001, complete 95 percent of random audits for 1999 converted properties." The original goal will be the goal for FY 2002. However, we will begin the random audits in FY 2001.

[22]This is a change from the long term goal established in our current strategic plan, which was "By the end of FY 2005, ensure 100 percent of Indian gas producing properties are in compliance with major portion and dual accounting for the time period 1984?2005." The changes in the goal are twofold: 1) adding "/index zone" and 2) changing the time period to 1984-2004. This is a measure of properties for which we have completed major portion compliance analysis and issued necessary orders, or properties that reported using the correct index price as specified in MMS's recent Indian gas valuation rule. These latter properties will be deemed to be in compliance with major portion requirements, thus the "index zone" addition. The time period change is a technical change to correct an error in the original goal. It would be impossible to complete all actions on FY 2005 properties in FY 2005.

[23]This is a change from our original FY 2001 goal, which was "By the end of FY 2001, ensure 70 percent of Indian gas producing properties are in compliance with major portion and 47 percent are in compliance with dual accounting for the time period 1984-2001." See footnote 22 for a discussion of the "index zone" change. In addition, we changed the 70 percent target to 63 percent because the original target was based on FY 2000 trends and did not take into consideration the fact that we cannot complete work on 34.5 percent of the 1984 to 1999 properties because of the IBLA decisions discussed in Section 2.2.3. We also changed the time period we will be reviewing because we want to focus our efforts on FY 2000 forward. The easier calculation method, based on the new Indian gas valuation rule, enables us to measure outcomes of leases in compliance, rather than outputs of compliance workload completed. Finally, we changed the dual accounting compliance target because the 47 percent target was for the end of December 2001, rather than the end of Fiscal Year 2001, for which the target is 45 percent.

Minerals Management Service's FY 2001 Revised Final Goals (con't)

GPRA Mission Goal	Long-Term Goal	FY 2001 Annual Goal
	By the end of FY 2005, ensure 100 percent of Indian oil producing properties are in compliance with major portion requirements for the time period 1984-2004[24].	By the end of FY 2001, ensure 30 percent of Indian oil producing properties are in compliance with major portion requirements for the time period 1984-2000[25].
Interact with our customers in an open and constructive manner to ensure that we provide quality services that satisfy our customers' needs.	By 2005, show an increase in customer satisfaction with our data and information services.	In FY 2001, we will establish a baseline customer satisfaction index[26].

[24]This is a change from the long term goal established in our current strategic plan, which was "By the end of FY 2005, ensure 100 percent of Indian oil producing properties are in compliance with major portion for the time period 1984?2005." This is a technical change to the time period (see footnote 22).

[25]This is a change from the original FY 2001 goal, which was " By the end of FY 2001, ensure 25 percent of Indian oil producing properties are in compliance with major portion for the time period 1984-2001." See footnote 23 for the reason for the time period change.

[26]This is a change from the original FY 2001 goal, which was " In FY 2001, we will increase the customer satisfaction index over the FY 2000 baseline." The reason for this change is that MMS needs additional time to develop the robust statistical approach that will be needed to make the survey useful and usable.

MINERALS MANAGEMENT SERVICE REVISED FINAL FY 2001 BUDGET TABLE

Mission Goal	FY 2001 Enacted ($000)
Ensure safe OCS mineral development.	55,540
Ensure environmentally sound OCS mineral development.	56,842
Ensure that the public receives fair market value for OCS mineral development.	33,205
Provide revenue recipients with access to their money within 24 hours of the due date.	29,324
Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than three years from the due date.	49,548
Fulfill our mineral revenue Indian trust responsibilities.	22,172
Total MMS	**246,631**

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

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