FY 2003 Annual Performance Plan

FY 2001 Annual Performance Report

Minerals Management Service

DEPARTMENT OF THE INTERIOR

Minerals Management Service

FY 2003 Annual Performance Plan

FY 2001 Annual Performance Report

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 our performance plan for Fiscal Year (FY) 2003, revise our annual performance plan for FY 2002, and present our performance results for FY 2001. The long term and annual performance goals discussed in this report reflect our responsibilities as a leader in sound management of mineral revenues and in the safe and environmentally responsible development of offshore mineral resources.

MMS is responsible for overseeing energy production from the Outer Continental Shelf (OCS), which has a major role to play in the President's National Energy Policy. The OCS today is the single largest contributor of oil for U.S. consumers, surpassing Saudi Arabia. The OCS also is the third largest producer of natural gas consumed by Americans. In addition, according to the U.S. Geological Survey, on a global basis more than 50 percent of remaining undiscovered resources are located offshore. As stewards of our Nation's limited energy resources, it is our objective to work in full partnership with local communities, State governments, industry, and all of our stakeholders to maintain a balance between providing energy and protecting the Nation's unique and sensitive environments and other natural resources.

Our mission also calls for us to provide timely collection, verification, and distribution of mineral revenues from Federal and Indian lands. We recently developed a new systems infrastructure to support reengineered business processes designed to enhance our management of mineral revenues. When fully implemented, the operational improvements we are making will result in increased revenues and cost savings for both MMS and the energy industry. The new processes are better aligned with industry and financial institutions and provide us with the means to implement an asset management approach for administering Federal and Indian oil and gas royalties. As part of this approach, we recently published a 3-year implementation plan designed to evolve and integrate Royalty-In-Kind into our asset management strategy.

Our goal is to manage the Nation's mineral interests to the maximum benefit of the American taxpayer. To do so, we intend to: continue our global leadership on safe and environmentally responsible offshore operations; continue improving minerals revenue management and increasing the net benefit to taxpayers; continue fulfilling our American Indian trust responsibilities; and continue consulting, communicating, and coordinating with our stakeholders in order to build consensus while balancing national, regional, and local interests. The goals, measures, and strategies contained within this report position us to build upon our successes and achieve our vision of being the best minerals resource manager.

Lucy Querques Denett
Acting Director

Minerals Management Service Quality Council

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Executive Summary

IN JANUARY 2002, THE MINERALS MANAGEMENT SERVICE (MMS) CELEBRATED ITS 20TH YEAR OF SERVICE TO AMERICA. THROUGHOUT ITS EXISTENCE, MMS HAS BEEN A LEADER IN SOUND MANAGEMENT OF MINERAL REVENUES AND IN SAFE AND ENVIRONMENTALLY RESPONSIBLE DEVELOPMENT OF OFFSHORE MINERAL RESOURCES. WE STRIVE TO PROVIDE HIGH QUALITY, TIMELY SERVICES TO ALL OUR CUSTOMERS AND OUTSTANDING VALUE TO THE AMERICAN PEOPLE. OUR VISION IS TO BE RECOGNIZED AS THE BEST MINERALS MANAGER IN THE WORLD WHILE SIGNIFICANTLY CONTRIBUTING TO MEETING THE NATION'S ENERGY NEEDS.

The goals, measures, and strategies contained within this Consolidated Report position us to build upon our successes and achieve our vision. This report meets the requirements of the Government Performance and Results Act (GPRA) by presenting the results of our efforts in FY 2001 toward meeting our goals, describing our plans for FY 2003, and providing our FY 2002 revised final annual performance goals. We also discuss our efforts in response to the President's management reform initiatives and the Secretary's citizen-centered governance initiatives. We are committed to communicating, consulting, and cooperating with our many diverse stakeholders in order to build consensus while balancing national, regional, and local interests.

MMS' mission 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, to collect, verify, and disburse mineral revenues generated from Federal and American Indian lands. Our long term and annual performance goals reflect these responsibilities.

As part of our mandate, we are responsible for overseeing energy production from the OCS, which has a major role to play in the President's National Energy Policy. As manager of the nation's offshore mineral resources, our long-term strategy is to assess mineral resources to determine--in consultation with affected parties--if they can be developed in an environmentally sound and safe manner. If OCS lands are leased for mineral development, we regulate activities offshore to ensure worker safety and environmental protection. We continually strive to maintain a balance between providing energy and protecting the nation's unique and sensitive environments and other natural resources. The Nation has much to gain from excellent safety and environmental performance because the production and consumption of energy are fundamental components for continued economic development, national security, and societal well being.

We also are responsible for administering mineral royalty and rental collections and ensuring compliance with financial terms for over 80,000 onshore and offshore mineral leases. 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. During FY 2001, we developed a new systems infrastructure to support our reengineered business processes. The new processes are better aligned with industry and financial institutions and provide us with the means to implement an asset management approach for administering Federal and Indian oil and gas royalties and meeting our Indian trust responsibilities. As part of this approach, we recently published a 3-year implementation plan designed to evolve and integrate Royalty-In-Kind into our asset management strategy.

Our goal is to manage the Nation's mineral interests to the maximum benefit of the American taxpayer. The goals, measures, and strategies contained within this report position us to build upon our successes and achieve our vision of being the best minerals resource manager.

Summary of our FY 2001 Performance:

Our goals are based on the following principles:

- Commitment to safety in exploration and operations
- Sensitive stewardship of the environment
- Assurance of fair market value for mineral resources
- Fast access to funds for mineral revenue recipients
- Timely, accurate compliance from mineral producers
- Dedication to our American Indian trust responsibilities.

In our FY 2001 Annual Performance Plan, we established ten FY 2001 annual performance goals, two of which had two performance targets each. We exceeded the targets on three of our goals-the on-time disbursement of mineral revenues, the compliance index, and one of the goals that relate to our Indian trust responsibilities. In addition, we met the target for our Indian trust responsibility goal relating to oil. We are still compiling data for the two offshore environmental goals because the data for the variables (a portion of which are obtained from other agencies) are generated on a calendar year basis. We should complete our analysis of the data by May 2002; however, preliminary data indicate that we will not deviate significantly from the target performance for either goal.

We did not achieve our targets for the offshore safety index, the fair market value ratio, the second compliance goal (which had two targets), one of our Indian trust responsibility goals, and the customer service goal. It should be noted that our performance relative to four of the goals was very close to being on target (the safety index, fair market value ratio, one target in the compliance goal, and the Indian trust responsibility goal). Also, we made significant progress toward achieving the second target in the compliance goal. For discussion of our performance relative to our goals, please see Section II and Appendix 1.

We are proud of our accomplishments during our 20 years of service as mineral resource managers, and we will continue to provide excellent value to the American people. While doing so, we will actively pursue the implementation of the President's management initiatives and the Secretary's vision for citizen-centered governance.

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 TO REPORT ON HOW WELL THEY MET THEIR GOALS. RATHER THAN SUBMIT SEPARATE DOCUMENTS, MMS HAS COMBINED THE FY 2001 ANNUAL PERFORMANCE REPORT AND THE FY 2003 ANNUAL PERFORMANCE PLAN INTO THIS CONSOLIDATED REPORT.

MMS followed Departmental guidance while preparing this consolidated report. In it, MMS presents an overview of FY 2001 accomplishments; planned performance for the current fiscal year, FY 2002; and FY 2003 proposed performance goals, based on requested budget resources.

The FY 2001 performance goals were established in the FY 2001 Annual Performance Plan, published in March 2000 and revised in December 2000. The FY 2002 performance goals were established in the FY 2002 Annual Performance Plan, published in March 2001. In this Consolidated Report, MMS is revising two of its long term goals (see Section 1.5) and five of the FY 2002 annual goals (see Appendix 2, which presents the revised final FY 2002 goals). All of the annual goals presented in this report are in line with the long-term goals in MMS' Strategic Plan for FY 2000 to FY 2005.

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' strategic plan, and the budget; provides minor adjustments to the strategic plan; and closes with an At-a-Glance view of the FY 2003 Annual Performance Plan.

Section II - *GPRA Program Activities and Goals*
Includes discussions about MMS' FY 2003 Annual Performance Plan, with trend data about prior years' performance, and contains the FY 2001 Annual Performance Report. This section also includes budget information and discussions of MMS' methods to validate and verify data used to measure performance.

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

Appendix 1 - Contains the *FY 2001 Annual Performance Report At-a-Glance Table*, which is a summary of FY 2001 performance information.

Appendix 2 - Contains the *FY 2002 Annual Performance Plan At-a-Glance Table*, which presents MMS' revised final FY 2002 annual performance goals and the revised final FY 2002 budget table.

ABOUT OUR PERFORMANCE GOALS AND MEASURES

The performance goals, measures, and FY 2003 targets presented in this combined FY 2003 Annual Performance Plan (APP) and FY 2001 Annual Performance Report (APR) are based on the Minerals Management Service's Strategic Plan for FY 2000 - FY 2005. At the time this APP/APR was published (February 2002) the Department of the Interior (DOI) was in the process of revising its Strategic Plan. The primary impact of the revised Strategic Plan will be on APPs developed for FY 2004 and beyond. However, we will review the performance goals, measures, and targets presented in this APP/APR and last year's APP/APR for consistency with the revised DOI Strategic Plan. As a result of that review, we may find it either necessary or appropriate to modify portions of our FY 2002 or FY 2003 performance plans. Any APP changes will be documented according to the provisions of the Office of Management and Budget Circular A-11.

Section I

Introduction and Overview

1.1 INTRODUCTION

The MMS is entrusted with managing the Nation's oil, natural gas, and other mineral resources on the Outer Continental Shelf (OCS), and with accounting for, collecting, and disbursing revenues from offshore Federal mineral leases and Federal and Indian onshore mineral leases.

Although it is a small bureau, approximately 1800 employees in 20 cities across the United States, MMS' activities provide major economic and energy benefits to taxpayers, States, and the Native American community - benefits that have both local and national importance. In addition, activities on the OCS significantly contribute to our national energy supply - providing more than 25 percent of the natural gas and oil produced in the United States (www.mms.gov/stats).

The framework to improve management of Federal and Indian mineral royalties was created by the Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA). That same year, an Independent Commission on Fiscal Accountability recommended the need for an administrative agency devoted solely to minerals management to ensure proper fiscal accountability and management of the public's minerals resources. Following these recommendations, the Secretary of the Interior created MMS, designating it as the agency responsible for overseeing the Secretary's obligations under the Outer Continental Shelf Lands Act of 1953 (OCSLA), as amended. To accomplish these goals, MMS utilizes two specialized operating programs - Minerals Revenue Management (MRM) and Offshore Minerals Management (OMM). The Directorates of Policy and Management Improvement and Administration and Budget, as well as the Offices of Congressional and Public Affairs, support both programs.

As part of our mandate, we are responsible for overseeing energy production from the OCS, which has a major role to play in the President's National Energy Policy. MMS administers more than 7600 active leases on 40 million acres of the OCS. Through these activities, MMS continues to demonstrate strong economic gains and environmental stewardship. While the development of offshore mineral resources has produced billions of dollars in revenues to the United States, MMS is especially mindful of safety and environmental concerns. MMS strives to achieve the proper balance between providing a domestic energy source and protecting sensitive coastal and maritime environments.

We also are responsible for administering mineral rental and royalty collections and ensuring compliance with financial terms for over 80,000 onshore and offshore mineral leases. Since its inception in 1982, MMS has distributed billions of dollars to various parties. More than $119 billion has been provided to Federal, State, and Indian accounts. Of this amount, nearly $75 billion has been transferred to the US Treasury and approximately $28 billion has been granted to the Land and Water Conservation Fund, the National Historic Preservation Fund and the Reclamation Fund. Additionally, over $13.5 billion has been distributed to 38 States and nearly $3.3 billion has been distributed to the Department's Office of Trust Funds Management on behalf of 41 Indian tribes and 20,000 individual Indian allottees[1]. The revenues collected and disbursed by MMS provide continuous benefits to the American people.

[1]MMS 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.

Throughout our 20-year history, we have provided high quality, timely services to our customers and outstanding value to the American people. Nevertheless, we continually strive to improve our business processes and effectiveness, as described in this report. We are committed to communicating, consulting, and cooperating with our many diverse stakeholders in order to build consensus while balancing national, regional, and local interests. We also are committed to our efforts to implement the President's management reform initiatives and the Secretary's citizen-centered governance initiatives.

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

1.2 MISSION AND VISION STATEMENTS

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 six 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
- Manage for excellence and accountability

The breadth of MMS activities needed to effectively fulfill the MMS mission generally support all Departmental goals. 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. In October 2001, MMS entered into a cooperative agreement with Texas A&M University (TAMU) to conduct an archaeological investigation of a 200-year old shipwreck in over 2,600 feet of water in the Gulf of Mexico. The wreck, located February 2001 by ExxonMobil during pipeline construction, will be investigated during the summer of 2002 aboard a research submarine. Scientists from TAMU will join MMS archaeologists in photographing and excavating the wooden-hulled sailing ship by using underwater robots. Historic preservation is just one of MMS's many responsibilities in protecting the nation's offshore environment. Because of MMS's regulatory oversight, many historic shipwrecks have been discovered on the floor of the Gulf of Mexico.

Our mandated mission and our 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

TABLE: 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 18
	Ensure environmentally sound OCS mineral development.	Environment - see page 24
	Ensure that the public receives fair market value for OCS mineral development.	Fair Market Value - see page 33
	Provide revenue recipients with access to their money within 24 hours of the due date.	Access to Money - see page 39
	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 pages 43 and 47
	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 55
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 51
	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 55
6. Manage for excellence and accountability	All of our programs and goals are carried out under the context of this Departmental goal.	See above

"meet our trust responsibilities to Indian tribes and our commitment to island communities." This relationship is depicted in the table above. All of our programs and goals are carried out under the context of the Department's sixth goal-to manage for excellence and accountability.

This FY 2003 Annual Performance Plan links directly to the MMS FY 2000 to 2005 Strategic Plan through the 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.

The target levels of performance in the annual goals were developed by subject matter experts at various levels throughout the organization. Senior officials identified and prioritized the results that need to be attained during FY 2003 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[2]. 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' total FY 2003 budget request, including amounts from appropriations and offsetting collections. (See the budget tables for each mission goal in Section 2 of this plan for the budget information for the goal.)

1.5 ADJUSTMENTS TO THE STRATEGIC PLAN

The FY 2003 Annual Performance Plan, which is part of this Consolidated Report, is based on MMS' revised Strategic Plan for FY 2000 to 2005, published in March 2000. The FY 2001 Annual Performance Report, which also is part of this report, is based on the current Strategic Plan and on the revised final FY 2001 annual performance goals, presented in the FY 2002 Annual Performance Plan in March 2001. Both are available on the Internet at http://www.mms.gov/StrategicPlan/stratpln.htm.

As provided in Circular A-11, Part 210.2 (d), MMS is making two minor adjustments to its current Strategic Plan as part of this annual plan. The adjustments are presented in the table below and discussed in more detail in Section 2 of this report and in footnotes 10 and 14 in Appendix 2.

Long Term Goal Number	Original Goal in FY 2000-2005 Strategic Plan	Revised Goal	Comments
OMM-2	By 2005, show a decrease in the environmental impact index from the 2000 baseline.	By 2005, show a decrease in the environmental impact indicator from the 1999 baseline.	The 1999 results reflect a more complete data set than the 2000 results. Therefore, 1999 represents a more accurate baseline. Also, the term "indicator" is more accurate than "index."
MRM-2B	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 2005, complete compliance work and issue necessary orders within 3 years of the due date for 95 percent of royalties associated with converted properties.	The previous long-term goal was too narrowly focused on issuance of orders and demands. The revised goal reflects the broader compliance asset management focus.

[2]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.

1.6 DATA VALIDATION AND VERIFICATION

MMS is working to strengthen its data validation and verification procedures. During MRM's reengineering effort, for example, MRM has been working with its contractor, Accenture, to develop data procedures that are compliant with the 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.

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 is developing 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. OMM also is cognizant of the importance of valid measures and verifiable data, and is working to strengthen its procedures.

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. OMM verifies the accuracy and completeness of operator data through investigations. The data for the oil spill indicator also are well tested and considered highly reliable.

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.

As part of the strategy, several bureaus, including MMS, tested a data validation and verification "matrix" that the Department developed last year. The Department, with assistance from some of the testing bureaus, including MMS, is refining the matrix for use later this year. The matrix employs basic principles that typically are applied to technical data collection and auditing situations and includes 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 12-18 months. After that, the Department 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.

1.7 MINERALS MANAGEMENT SERVICE FY 2003 GOALS AT-A-GLANCE

The MMS' FY 2003 goals are presented below.

GPRA Mission Goal	Long Term Goal
Ensure safe OCS mineral development.	Maintain or show a decrease in the safety index of .594.
Ensure environmentally sound OCS mineral development.	By 2005, show a decrease in the environmental impact indicator from the 1999 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' 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[3].	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, complete compliance work and issue necessary orders within 3 years of the due date for 95 percent of royalties associated with converted properties.
Fulfill our mineral revenue Indian trust responsibilities.	By the end of FY 2005, ensure 100 percent of Indian gas producing properties are in compliance with index zone/major portion and dual accounting requirements for the time period 1984-2004[4].
	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.

[3]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.

[4]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 2003 Annual Goal
Achieve a safety index not greater than .594.
In FY 2003, show a decrease in the environmental impact indicator 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 2003 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 2003, provide access for ultimate recipients of 30 percent of revenues within one business day of MMS receipt and disburse 98 percent of revenues to recipients by the end of the month following month received.
By the end of FY 2003, payments are within the expected payment range at the due date for 75 percent of royalties associated with converted properties.
By the end of FY 2003, complete compliance work through the order stage for 95 percent of royalties associated with year 2000 converted properties and 90 percent of royalties associated with year 2001 converted properties.
By the end of FY 2003, ensure for the time period January 1, 2000, through March 31, 2003, that 68 percent of Indian gas producing properties are in compliance with index zone/major portion requirements. By the end of FY 2003, ensure for the time period 1984-1999 that 95 percent of Indian gas producing properties are in compliance with dual accounting requirements.
By the end of FY 2003, ensure for the time period 1984-2001 that 30 percent of Indian oil producing properties are in compliance with major portion requirements.
In FY 2003, we will increase the customer satisfaction index over the FY 2002 baseline.

Future Goals and Past Performance

2.1 OFFSHORE MINERALS MANAGEMENT

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. The demand for natural gas is expected to continue to increase significantly during the next 10 to 20 years. Various organizations have conducted analyses to project the future natural gas needs for the U.S. The results of the analyses by the National Petroleum Council, the Energy Information Administration (Annual Energy Outlook 2000, AEO 2000), and the Gas Research Institute indicate the consumption of 22 trillion cubic feet (tcf) in 1998 is expected to reach over 30 tcf by 2015. This increase in demand is mainly from the industrial sector and from the demand for electrical generation.

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 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' 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 are 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, which includes an 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.

On November 1, 2001, the first oil from Federal waters off Alaska was produced. The Northstar project is a Federal-State unit located in the Alaskan Beaufort Sea. This project is calculated to produce 175 million barrels of oil - enough energy to fuel nearly 1 million American automobiles for six years. About 16 percent of the Northstar reserves are allocated to Federal leases and will represent approximately $120 million in Federal royalty in future years. The Northstar project underwent an exhaustive review by both the State of Alaska and the MMS, and its successful completion proves that, by working together, Federal and State governments and the energy industry can combine protection of the environment with cutting edge technology to bring America's energy resources safely to market.

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 1.6 trillion cubic feet of gas at prices of \$18/bbl and \$2.11/mcf (2000 National OCS Assessment).

In pursuit of meeting or exceeding all three of our goals, OMM procured a contractor to conduct a Foundational Study of how it should transition to an E-Government (E-Gov) environment. This study consisted 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 electronic government in a coordinated fashion. 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:

- Streamline and more fully automate key business processes to respond to increased workload and information exchange requirements.
- Enable near-real-time decision making so that industry can work at peak performance and avoid delays in exploration for and extraction of oil and gas.
- Coordinate workflow for the regulatory process to reduce redundant requests and maximize stakeholder reviews, promoting more efficient analysis.
- Support multiple Federal and State requirements surrounding regulation of the offshore oil and gas industry.
- Create a standardized data exchange to improve communication of information among OMM workers, customers, and stakeholders; create network economies that will allow OMM to easily scale IT operations to meet changes in demand; and make OMM more accessible through the Internet to all stakeholders.
- Electronically capture, store, and distribute information to both internal and external stakeholders to minimize knowledge loss from retiring employees; decrease delivery, data entry, and searching costs; and increase the potential for meaningful analysis.

The completed Foundational Study included specific tasks and objectives to be undertaken in FY 2002 to begin the transformation process. A small Program Management Office (PMO) was established in October 2001. A business case and a capital plan were prepared which supported a multi-year funding request. The President's Budget Request for FY 2003 includes \$8.742 million for the E-Gov initiative. The PMO is working with the contractor to baseline OMM Business Areas and Business Functions to establish priorities to begin the business process re-engineering effort. This will include business data, applications, and technology.

In FY 2002 and FY 2003, OMM will develop and implement a Change Management Plan and Communications Plan and develop appropriate inreach and outreach products to ensure stakeholder participation. The MMS will collaborate with other DOI bureaus, other Federal and State agencies, and other international regulators as appropriate.

Other steps in the process are to develop an enterprise-wide data model and define an enterprise security architecture, both to be consistent with those of the Department of Interior, and support extra-departmental e-Government initiatives, such as the 23 OMB-supported Quicksilver initiatives.

Additionally, OMM will develop a standard logical data model that will integrate the business architecture, data architecture, and applications architecture. OMM will work with standards organizations to align this model with existing standard models.

OMM has committed to development and implementation of an electronic permitting project during FY 2002 based on current architecture that will be an early prototype of the business re-engineering process. The re-engineered processes will be moved into the new enterprise architecture as a full e-Gov implementation.

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;
- Performance-based well control and production safety training requirements;
- Comprehensive and technically sound operating regulations that are developed with full public involvement;
- Participation in the development of industry-wide standards and guidelines that address offshore equipment, procedures, and safety devices, and incorporation of these documents into MMS regulations;
- Comprehensive approach to inspection of offshore facilities focused on those components or processes that present the most risk of failure;
- Vigorous enforcement program including warnings, component and facility shut-ins, civil penalties, and disqualification of operators;
- Use of annual performance reviews of companies to maintain an ongoing dialogue with an emphasis on improving performance;
- Close cooperation with the Coast Guard on offshore safety issues;
- Support of Coast Guard and industry efforts to minimize the threat of terrorist acts that could jeopardize offshore personnel, facilities, and production; and
- Exchange of safety and regulatory information with international counterparts in Norway, UK, Brazil, Canada, and other countries where offshore oil and gas operations are conducted;

An important component of our safety management approach 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 to minimize the environmental impact of operations by reducing the frequency and severity of accidents. Because MMS does not believe that management commitment and improved safety culture can be imposed by regulation, we have asked industry to voluntarily adopt SEMP. MMS will focus on industry achievement, penalizing the poor performers and recognizing the top achievers. Many companies are employing SEMP as a means of improving their safety performance, complying with MMS requirements, and (particularly in the case of contractors) improving their business. 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.

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 2000, these inspectors conducted over 14,000 inspections covering a diverse set of operations and facilities and pipelines systems of varying complexity. In the future, MMS 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 2003 ANNUAL GOAL:

Achieve a safety index not greater than .594

BUDGET TABLE

Offshore Minerals Management - Mission Goal OMM-1

Budget Activity/Subactivity	FY 2001 Enacted			FY 2002 Enacted			FY 2003 President'sBudget		
	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	42,836	175	0.4	46,027	178	0.4	44,868	178	0.4
Resource Evaluation	27, 660	1,262	4.5	29,818	1,881	6.3	30,221	1,555	5.1
Regulatory	50,592	43,063	85.1	59,151	50,929	86.1	60,222	51,838	86.1
Information Management	17,336	6,413	37.0	17,772	6,588	37.1	28,673	11,473	40.0
Oil Spill Research	7,163	4,627	64.6	7,285	4,706	64.6	7,279	4,702	64.6
Totals	**145,587**	**55,540**	**38.1**	**160,053**	**64,281**	**40.2**	**171,263**	**69,746**	**40.7**

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs. The figures do not include the government-wide CSRS/FEHB legislative proposal.

OMM-1 Budget History ($000)	FY 1998 Enacted	FY 1999 Enacted	FY 2000 Enacted	FY 2001 Enacted	FY 2002 Enacted	FY 2003 Enacted
	N/A	51,867	54,063	55,540	64,281	69,746

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs. The figures do not include the government-wide CSRS/FEHB legislative proposal.
**Note: Data are not available for this goal in FY 1998.*

GOAL: SAFETY

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

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

FY 2003 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 99 Actual	FY 00 Actual	FY 01 Plan	FY 01 Actual	FY 02 Plan	FY 03 Proposed
.578	.837*	.594	.658	.594	.594

** We previously reported that the FY 2000 safety index result was .867. We have revised the result because we discovered an error in a database query.*

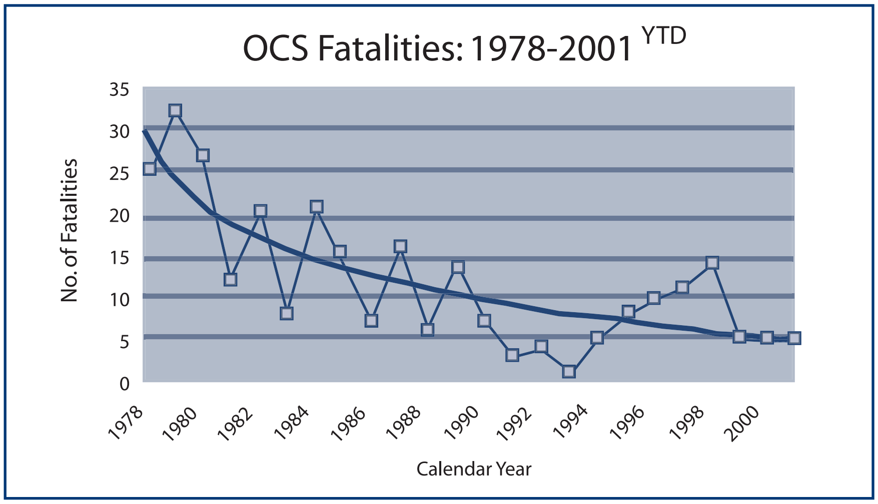
Goal Description: This index considers the number and severity of incidents and the relative risks of those activities. It can be compared only with results from other years. This measure will indicate whether offshore operations are improving upon an already excellent safety record. The index is derived 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, loss of well control, fire, and collision. Pollution events are excluded because they are captured in the environmental impact indicator.) 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 .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 subjective 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.



MMS and the industry have been working together over the last several years to reduce both the number and severity of accidents occurring during operations on the OCS. One indicator that these efforts have been paying off is the general downward trend in fatalities, as shown by the chart above.

The curved line is a logarithmic function that shows the general trend over time. The recent numbers that fall above the line are partially the result of crane-related incidents. This is a worldwide problem that MMS is studying and attempting to correct.

A document prepared by OMM titled "Performance Measures Primer" contains additional detail on the safety index. The primer is available on request.

STRATEGIES AND RESOURCES:

Stay abreast of new technologies: MMS' long-term goal is to maintain or decrease the safety index. Recent budget increases, including the initiative proposed for FY 2003, 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. A record number of wells were drilled in FY 2000 (1,364), including a record 225 wells drilled in deepwater - a 50 percent increase over the prior year. Deepwater production now accounts for more than half of the oil produced in the GOM and more than 13 percent of all domestically produced oil.

As operations continue to progress into deeper water, MMS expects that the number and complexity of Deepwater Operations Plans (DWOPs) will increase, as will the processing of industry plans of exploration and development. Additional resources are needed to keep plan approval on pace, preventing delays in oil and gas production and revenues, and to continue to ensure that ongoing production is done in a safe and environmentally sound manner.

Deepwater expansion is not the only factor creating a need for additional resources. One of the significant problems MMS engineers must address is the aging infrastructure in the Gulf of Mexico and the corrosion that will have a detrimental effect on the equipment that makes up this development infrastructure. The occurrence of corrosion can result in premature abandonment of a well, pipeline, or even a production platform.

Expand inspections: MMS faces an accelerating workload on pipelines. In order to improve our ability to prevent further accidents in the Gulf, we are requesting additional resources to deal with accident investigations. MMS will be taking over the U.S. Coast Guard's responsibilities for conducting inspections on fixed OCS facilities for safety of the workplace and lifesaving in accordance with Coast Guard regulations.

MMS inspects drilling and production facilities on the OCS using both scheduled and unannounced inspections. An inspection can range from two hours in duration by a single inspector to several days by two or more inspectors, depending upon the operation being inspected and the complexity of the facility. MMS has increased the overall time spent on inspecting facilities, investigating incidents, and issuing civil penalties. These efforts contribute to a safe working environment.

The engineering staff is being challenged every day with changing technologies. MMS plans additional training to maintain an acceptable level of technical skills.

Other efforts underway to enhance the safety program include:

· Publishing Notices 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 Department of Transportation (DOT), which delineates each agency's respective responsibilities for offshore facilities. To simplify compliance and monitoring, MMS is working with the DOT's Office of Pipeline Safety 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 International Organization for Standardization efforts to develop regional guidelines and standards that are beneficial to improving safe domestic operations. International standards enhance performance worldwide and facilitate the global transfer of personnel, equipment, and services.

· Continuing to cooperate with regulators of other offshore producing nations to resolve inconsistencies in operating requirements and regulatory practices. Information on operational activities, accidents, oil spills, regulations, training programs, safety management issues, and technical developments is exchanged and used to enhance our domestic performance.

· 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. MMS is committed to maintaining an excellent safety and environmental record while contributing to the economy in the form of revenues and secure supplies of oil and natural gas. MMS also is committed to balancing the production of offshore energy with the protection of human, marine, and coastal environments.

FY 2001 ANNUAL PERFORMANCE REPORT

FY 2001 Goal: Achieve a safety index of not greater than .594.

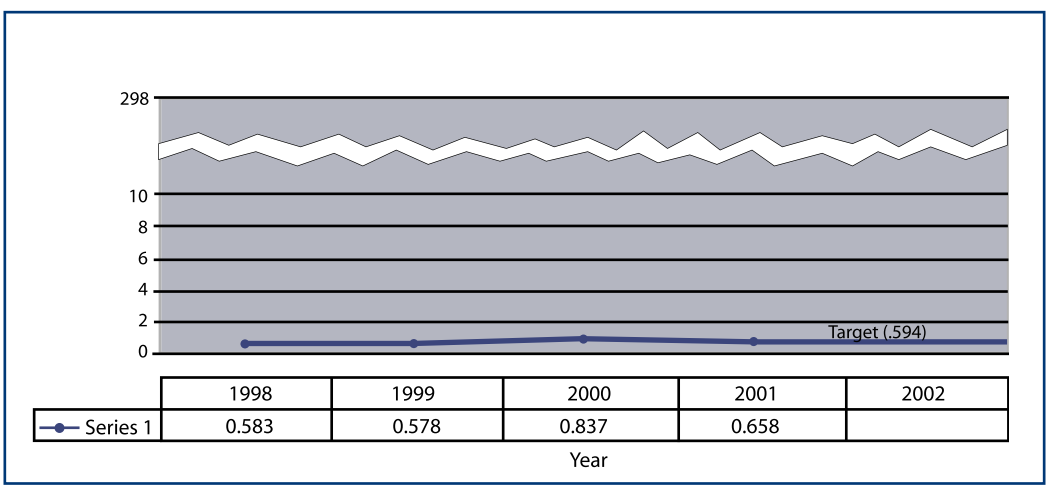
Report: Goal not met. The FY 2001 safety index was .658, which, although it did not meet the goal, was an improvement over the FY 2000 index.

The safety index is the ratio of the number of incidents (times the severity factor) to the number of activities (times the complexity/risk factor). The data for the last several years follow:

Saftey Index	FY 1998	FY 1999	FY 2000	FY 2001
	.583	.578	.837	.658

From FY 1998 to FY 1999 the safety index remained constant, but the accident severity and the activity level both went down proportionately. In FY 2000, the accident severity increased significantly and the activity level decreased. This resulted in the significant jump in the safety index in FY2000. The rise in severity in FY 2000 probably was due to several serious injury incidents and several high-damage-amount incidents. In FY 2001, the accident severity dropped. The activity level increased significantly from FY 2000 to FY 2001. These two factors caused the safety index to go down significantly for FY 2001. The accident severity for FY 2001 was still higher than it was in FY 1998 and FY 1999. This was due to a high number of serious injuries. The strategies and enhancements to the safety program listed on the previous pages will continue to address the issue of serious injuries and fatalities.

MMS WORKS WITH INDUSTRY TO ENSURE SAFETY IN OFFSHORE MINERAL OPERATIONS.



PERFORMANCE DATA DETAILS

Baseline	The safety index baseline is .594.
Data Validation-Supplemental (See Also Section 1.6)	This goal was reviewed by regulatory operations managers at headquarters and in the regions for consistency with future plans and capabilities. They 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 are 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-Supplemental (See Also Section 1.6)	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 Actions	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. MMS ensures environmentally sound development of OCS minerals through reviews of plans and projects for compliance with 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 2003 ANNUAL GOAL

In FY 2003, show a decrease in the environmental impact indicator 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 2001 Enacted			FY 2002 Enacted			FY 2003 Budget Request		
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	42,836	42,657	99.6	46,027	45,849	99.6	44,868	44,690	99.6
Resource Evaluation	27, 660	2,097	7.6	29,818	2,729	9.2	30,221	1,967	6.5
Regulatory	50,592	5,810	11.5	59,151	5,909	10.0	60,222	5,884	9.8
Information Management	17,336	3,738	21.6	17,772	3,837	21.6	28,673	6,761	23.6
Oil Spill Research	7,163	2,540	35.4	7,285	2,579	35.4	7,279	2,577	35.4
Totals	**145,587**	**56,842**	**39.0**	**160,053**	**60,903**	**38.0**	**171,263**	**61,879**	**36.1**

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs. The figures do not include the government-wide CSRS/FEHB legislative proposal.

OMM-2 Budget History ($000)	FY 1998 Enacted	FY 1999 Enacted	FY 2000 Enacted	FY 2001 Enacted	FY 2002 Enacted	FY 2003 Proposed
	N/A*	55,144	55,735	56,842	60,903	61,879

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs. The figures do not include the government-wide CSRS/FEHB legislative proposal.
**Note: Data are not available for this goal in FY 1998.*

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 indicator from the 1999 baseline.*

FY 2003 Annual Performance Goal: *In FY 2003, show a decrease in the environmental impact indicator 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 99 Actual	FY 00 Actual	FY 01 Plan	FY 01 Actual	FY 02 Plan	FY 03 Proposed
8.10	5.02	8.10	N/A[5]	8.10	8.10

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

FY 99 Actual	FY 00 Actual	FY 01 Plan	FY 01 Actual	FY 02 Plan	FY 03 Proposed
6.9	5.35	10	N/A	10	10

Goal Description:

Environmental Impact Indicator

Over the last several years, MMS has evaluated how best to determine program performance by way of an environmental index, now termed the environmental impact indicator. The MMS environmental program assists in decision making by assessing and monitoring biological and environmental resources to predict impacts of activities.

The challenge is to develop an environmental impact indicator that is entirely satisfactory for the three disparate areas-the shallow to deep, 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, and is also very important in the Gulf of Mexico in the vicinity of the Breton National Wilderness Area, a Class 1 Air Quality area. In other OCS areas, where emissions from OCS resources are less likely to significantly affect the air quality of coastal States, this indicator is less important. The measurement of environmental quality parameters in California, with 23 platforms, all fairly close to shore, is in itself relatively difficult and expensive. However, measuring water quality in the Gulf of Mexico, with about 4,000 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 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

[5] 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 basis. MMS should complete the 2001 analysis by May 2002.

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 1999, MMS 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 1999 and 2000 index results incorporate less data than 1998. At present, the indicators shown on the table below are used in the environmental impact calculations.

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 Impact Indicator

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. MMS has a measure that monitors oil spillage from OCS activities (see below). The environmental impact indicator currently focuses on cumulative environmental impacts from both permitted activities (by MMS and other Federal regulatory agencies) and accidental events. 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

MMS maintains a database of all oil spills greater than one 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 that could be 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 often are 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.

In FY 2001, OMM revised the baseline to maintain the amount of oil spilled to a level below 10 barrels spilled per million barrels produced (versus 5.06). Given that offshore production is 500 million barrels or more per year, this would equate to spillage of less than 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.

The original baseline 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. The average for these 15 years was 10.91 barrels spilled per million barrels produced.

During this 15-year period, the rate of 5.06 was 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 1985 to 1999, OCS operators produced over 6.3 billion barrels of oil. The amount of oil spilled totaled about 68,000 barrels (0.001percent of produced) or about 1 barrel spilled for every 94,000 barrels produced. Raising the baseline to 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 baseline is not set exceptionally high.

To put the baseline of 10 into perspective, there were no documented serious environmental impacts from spills related to OCS operations during the 15-year test timeframe. This includes 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).

MMS 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. 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:

Stay abreast of increased workload: As stated in the discussion of the safety index, the increase in activity of the Gulf of Mexico Region has translated to additional workload for MMS staff. Additionally, new requirements to existing regulations, such as those under the Coastal Zone Management Act and the Marine Mammals Protection Act, have added to MMS' environmental workload. Finally, MMS administers and tracks all bonding requirements. This includes tracking companies whose financial status exempts them from posting supplemental bonds for plugging and abandonment operations. This is extremely important for ensuring all companies are able to meet their financial commitments to control wells, abandon and remove wells, and keep production facilities in safe and environmentally sound working order.

The Gulf of Mexico OCS Region faces steadily increasing workloads across the board in environmental assessment (EA). These include areas of environmental review, coastal zone management review, and management of environmental studies. Environmental assessments now extend beyond planned oil and gas extraction activity to other types of activities that may involve new and technically challenging areas. These include EAs on Atlantic area gas pipelines (regassification of liquid natural gas), commercial waste disposal into salt caverns, and complex pipeline scenarios involving multiple projects and platforms.

Increase environmental review efforts: OMM's environmental operations staff reviews plans to drill and produce to ensure that activities take place in accordance with National Environmental Policy Act (NEPA) requirements. These reviews have become increasingly complex over the years, requiring the expertise of specialists in a wide variety of scientific disciplines. With the move into deeper water, the technological challenges to industry have increased considerably while the environmental considerations are less well understood. Additional resources are needed to adequately conduct the required environmental reviews in areas where environmental data are relatively scarce.

Other efforts underway to enhance the environmental program include:

- MMS just completed a 3-year meteorological data collection program in the Gulf of Mexico. Radar profilers placed on two OCS platforms collected the data. One platform is in shallow waters about 6 miles from the Louisiana shoreline; the other is in deep water about 100 miles from shore. The data will be used to improve our knowledge of the lower atmosphere over the Gulf as well as provide input for future air quality modeling efforts in the Gulf. Concurrently with this effort, MMS sponsored the atmospheric boundary layer study, which will integrate the data from the profilers with data being collected from other sources in the area, such as the NOAA buoys. This study should be completed in about a year.

The data will be essential in improving our meteorological database and our air quality modeling capabilities. It will be especially valuable in future modeling in the Gulf for ozone, fine particulate matter, and regional haze.

- MMS has made the products of its Environmental Studies Program (ESP) and its Oil Spill Modeling Program easily available to its diverse customer base for their information and use on the MMS web site. Information concerning MMS' modeling efforts and prospective study plans, plus ongoing and completed research efforts, are accessible via an intuition-based new web page. The new system also includes a revision of the MMS' Environmental Studies Program Information System (ESPIS), which provides immediate access to all completed MMS ESP studies. Descriptions of all "ongoing" (i.e. yet to be completed) ESP studies are also available, providing for a complete information package.

· The Gulf of Mexico Region has developed an approach to streamline environmental reviews of oil and gas activities in deepwater areas. The western and central Gulf OCS deeper than 400 meters has been divided into a rough grid of environmental analysis areas, based on water depth and similar biologic communities (the "rows"), then subdivided into smaller areas manageable for environmental analysis by longitude (the "columns). Comprehensive activity-specific and programmatic environmental assessments (EAs) are prepared for the first major proposed surface production facilities within grid areas (Grid EAs). Environmental reviews of subsequent plans for wells or facilities tier to the Grid EA, focus on the proposed activity, and can be prepared more efficiently. Additional requirements for surveys of well or production sites using submersible remotely operated vehicles (ROVs) provide information on the environment and biota of the deep Gulf, so that these remote areas are better understood.

· 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. MMS will maintain a strong environmental research and monitoring program assessing the potential effects of OCS activities in all areas with active offshore programs.

· 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.

· 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 addition, MMS continues to review oil spill contingency plans for Alaska offshore operations.

· 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. 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.

· 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.

· MMS supports oil spill research, oil spill prevention and response planning, financial responsibility, and activities in State waters. In fact, 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.

· 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).

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 2001 ANNUAL PERFORMANCE REPORT:

Environmental Impact Indicator

FY 2001 Goal: Show a decrease in the number of adverse environmental impacts per OCS mineral development activity below the 1999 baseline of 8.10.

Report: No report at this time. This index is calculated by calendar year because the data for the measures that are the basis of the index are collected by calendar year. OMM is continuing to gather the data for 2001. We hope to have the results by the middle of May 2002, and will post the results on our website. We have no reason to believe we will not achieve this goal.

FY 2000 GOAL ADDENDUM

MMS did not report the FY 2000 environmental index result in last year's report because it was not available. The goal was: **Show a decrease in the number of adverse environmental impacts per OCS mineral development activity below the 1998 baseline.**

The environmental impact rate for the 1998 baseline was 10.25. That rate was based on calculations derived from data on four resource activities in the three OCS regions. The actual result for FY 2000 was 5.02, indicating a great improvement in performance. This is only partially the case.

Due to EPA not collecting the data in a way we can use it, MMS has dropped the collection of water quality data (non-permitted). (Water quality data were not included in the FY 1999 result of 8.10.) Also, in FY 2000, the Gulf of Mexico Region could not obtain air quality inspection or violation data. The initial air quality inspection exercise was developed as an experiment, but it was found to be too basic in its assumption that engine types that do not match permits result in air quality violations. This pilot experiment was completed, but the results indicated that further development is needed for a more valid air quality measurement technique. The Gulf Region does require air emissions reports by all operators within 100 km of the Breton National Wilderness Area on a monthly basis, and of all GOM operators on an annual basis, so that the Region can conduct modeling of the actual effects of OCS emissions on the air quality of the Breton NWA and of coastal areas Gulf-wide. The issues on EPA water quality data likely will not be settled in the near term; therefore, as we strive to improve data collection, MMS will retain the 1999 calculation methodology, which includes air quality data but not water quality data.

However, there was improvement (a reduction) in environmental impacts between FY 1999 and FY 2000. In 1999 the Gulf of Mexico Region reported six contacts with hard bottoms or archaeological sites when reviewing completed projects. In 2000, perhaps because the industry realized that MMS was scrutinizing their activities more carefully, no contacts were reported, which was an improvement. Also, even though the number of explosive platform removals in the Gulf of Mexico rose from 53 to 112, the number of threatened and endangered animals harmed dropped from 1 to 0, another improvement.

OIL SPILL

FY 2001 Goal: In FY 2001, maintain the amount of oil spilled at a level below 10 barrels spilled per million barrels produced.

Report: No report at this time. The 2001 rate can not be calculated yet because production has not been completely tabulated, and a higher, more accurate production volume would cause the rate to be lower. Also, the calendar year 2001 annual review of oil spill data has not been performed yet; it will be performed between January and March 2002. We hope to have the results tabulated by the middle of May 2002, and will post the results on our website.

FY 2000 GOAL ADDENDUM

MMS' FY 2000 oil spill goal was: **In FY 2000, show a decrease in the amount of oil spilled to a level of 5.06 barrels spilled per million barrels produced.**

The FY 2000 rate was 2,927 bbl spilled/557.72 million bbl produced = 5.25 spilled per million bbl produced.

Of the 2,927 barrels spilled, 2,240 were from one pipeline spill.

PERFORMANCE DATA DETAILS:

Baseline	The environmental impact indicator baseline is 8.10, established in 1999.The oil spill baseline is 10 barrels per million barrels produced, established in 2001 based on the 10.91 average from 1985 to 1999.
Data Validation-Supplemental(See Also Section 1.6)	Environmentally safe development of oil and gas resources is a primary MMS goal. It was determined that the resources measured in the environmental impact indicator 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 impact indicator, 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, an MMS 2010 Accident Investigation Report is prepared. For spills less than a barrel the data are obtained directly from the NRC.

PERFORMANCE DATA DETAILS: CONTINUED

Data Validation-Supplemental (See Also Section 1.6)	The environmental impact indicator is still under development. For example, beginning with the 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. 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' performance, procedures will be put into place to ensure that the data are reliable and complete. 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. 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 Action	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 impact indicator 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. 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 2003 ANNUAL GOAL:

In FY 2003 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 2001 Enacted			FY 2002 Enacted			FY 2003 Budget Request		
	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	42,836	0	0	46,027	0	0	44,868	0	0
Resource Evaluation	27, 660	24,301	87.9	29,818	25,208	84.5	30,221	26,699	88.4
Regulatory	50,592	1,718	3.4	59,151	2,314	3.9	60,222	2,500	4.1
Information Management	17,336	7,186	41.4	17,772	7,347	41.3	28,673	10,439	36.4
Oil Spill Research	7,163	0	0	7,285	0	0	7,279	0	0
Totals	**145,587**	**33,205**	**22.8**	**160,053**	**34,869**	**21.8**	**171,263**	**39,638**	**23.2**

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs. The figures do not include the government-wide CSRS/FEHB legislative proposal.

OMM-3 Budget History ($000)	FY 1998 Enacted	FY 1999 Enacted	FY 2000 Enacted	FY 2001 Enacted	FY 2002 Enacted	FY 2003 Proposed
	N/A*	31,691	32,099	33,205	34,869	39,638

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs. The figures do not include the government-wide CSRS/FEHB legislative proposal.
**Note: Data are not available for this goal in FY 1998.*

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' estimate of value or the minimum bid is maintained at the 1989-1995 average level of 1.8 (+/- 0.4) to 1.*

FY 2003 Annual Performance Goal: *In FY 2003 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: *Performance Measure: Ratio of the value of high bids accepted to the greater of MMS estimate of value or the minimum bid.*

FY 99 Actual	FY 00 Actual	FY 01 Plan	FY 01 Actual	FY 02 Plan	FY 03 Proposed
1.8 to 1	2.02 to 1	1.8 (+/- 0.4) to 1	2.26 to 1	1.8 (+/- 0.4) to 1	1.8 (+/- 0.4) to 1

Goal Description: MMS' 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.

MMS 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. MMS evaluates acreage under Federal jurisdiction. As stewards of Federal lands, our goal is to ensure that the American public receives fair market value for its resources.

STRATEGIES AND RESOURCES:

Stay abreast of deepwater advances: OMM's resource evaluation staff performs many functions that support revenue receipts to the Federal Treasury, including fair market value. To support field determinations and ensure the receipt of proper royalties involving hundreds of millions of dollars, additional resources are being requested in FY 2003.

The field determination process results in the proper placement of a "new producible lease" (a discovery) into a field. This has rapidly evolved into an important, resource intensive responsibility having a huge economic impact to both the government and industry. MMS believes there could be discoveries on about 340 new deepwater leases in the next 10 years. These discoveries will be on leases that may be subject to royalty suspensions under the Deepwater Royalty Relief Act. The value of potential royalty payments impacted by deepwater field determinations resulting from potential discoveries on these leases could be in the range of $45 billion.

As deepwater development matures, the amount of new drilling adjacent to existing fields will increase. The level of complexity in each field determination and the potential for challenges by industry of MMS field determinations will likely increase as companies explore these more marginal accumulations.

Manage the increasing data workload: To effectively manage OCS resources, MMS must effectively manage the massive set of technical data that exists about the Gulf of Mexico. This includes 225,000 well logs from 35,000 wells; 30,000 directional surveys; 30,000 velocity surveys; and analysis of well cores and production test data. Resources are required to collect, process, distribute, and archive technical data and records derived from industry exploration and production activities. In FY 2000, more than 1,300 new wells were drilled in the Gulf of Mexico, an increase of 40 percent from 1999. Our ability to keep pace with the technical data is becoming a daunting challenge. In a typical lease sale, the resource evaluation function has to consult 1,000 well logs to determine fair market value in evaluating the adequacy of bids by oil companies. On average, MMS purchases 3-D seismic data on approximately 1,600 to 5,000 blocks and about 60,000 line miles of 2-D seismic data during a year to evaluate lease sales.

Explore new options: While not a part of the fair market value performance measure itself, there are other areas within resource evaluation where we continually develop strategies to maximize the return on public resources. For example, the sand and gravel program is moving to an operational phase from what was purely a research phase; therefore MMS is requesting additional resources in FY 2003 for regional sand resource identification. In the 7-year period from 1995 to 2002, MMS worked with coastal states and other Federal agencies to make available 32.3 million cubic yards of OCS sand for shore protection projects. Hundreds of billions of dollars of property have been protected through these projects. The amount of OCS sand needed and being requested is increasing dramatically. By 2004, we anticipate that the amount of OCS sand requested and used for shore protection projects will at a minimum triple from FY 2001 levels. It is important to identify sand resources and conduct the studies necessary to ensure the public's resources are handled in an environmentally and fiscally sound manner.

Keep pace with industry: OMM uses Geologic Interpretive Tools (GIT) to evaluate qualified 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.

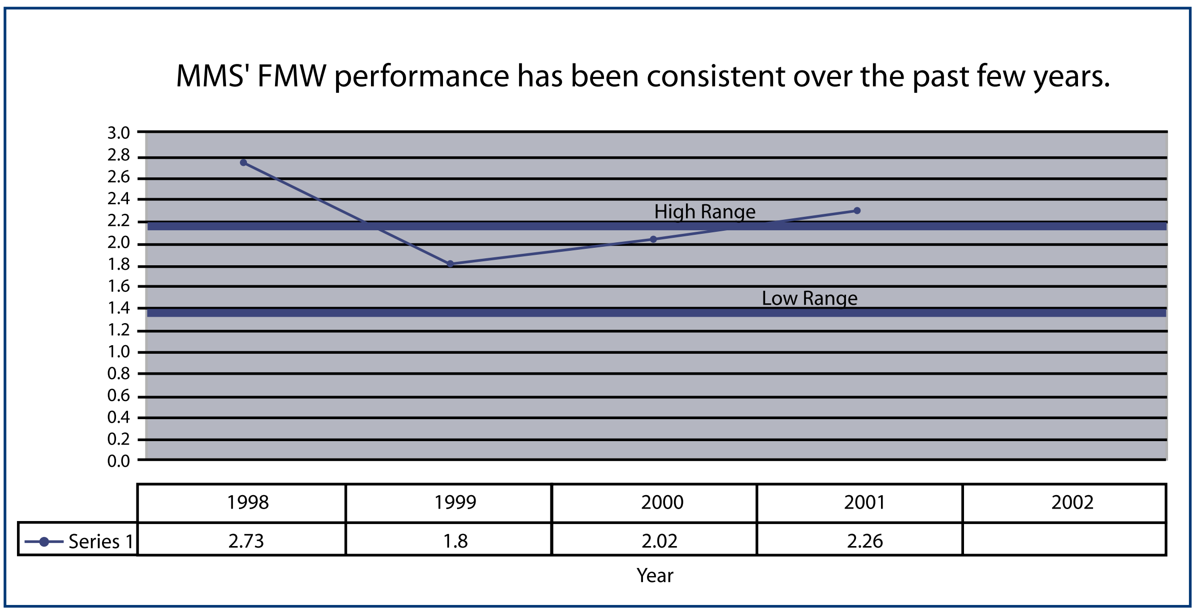
OMM's E-Gov initiative will catalog applications that support OMM/MMS' business operations. The storage and analysis of geological and geophysical data for use in FMV determination is a significant user of the information technology base of OMM. The analysis tools needed for determination of the value 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.

MMS has converted its modern seismic database into a digital form usable by its computer workstations. 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.

FY 2001 ANNUAL PERFORMANCE REPORT:

FY 2001 Goal: 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.

Report: This goal was not met because the FY 2001 ratio was 2.26 to 1, which slightly exceeded the range. However, the result is well within the measure of variation that we would expect to observe given the uncertainties of market factors from year to year.



PERFORMANCE DATA DETAILS:

Baseline	The FMV baseline of 1.8 to 1 was established in 1995.
Data Validation-Supplemental (See Also Section 1.6)	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. 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 2003 goal will be obtained directly from MMS' Mean Range of Values (MROV) compiled for lease sales conducted during the year. In addition, data from MMS' 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-Supplemental (See Also Section 1.6)	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. The choice of inputs into each parameter of the models being used is subjective, although consistent.
Planned Actions	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.

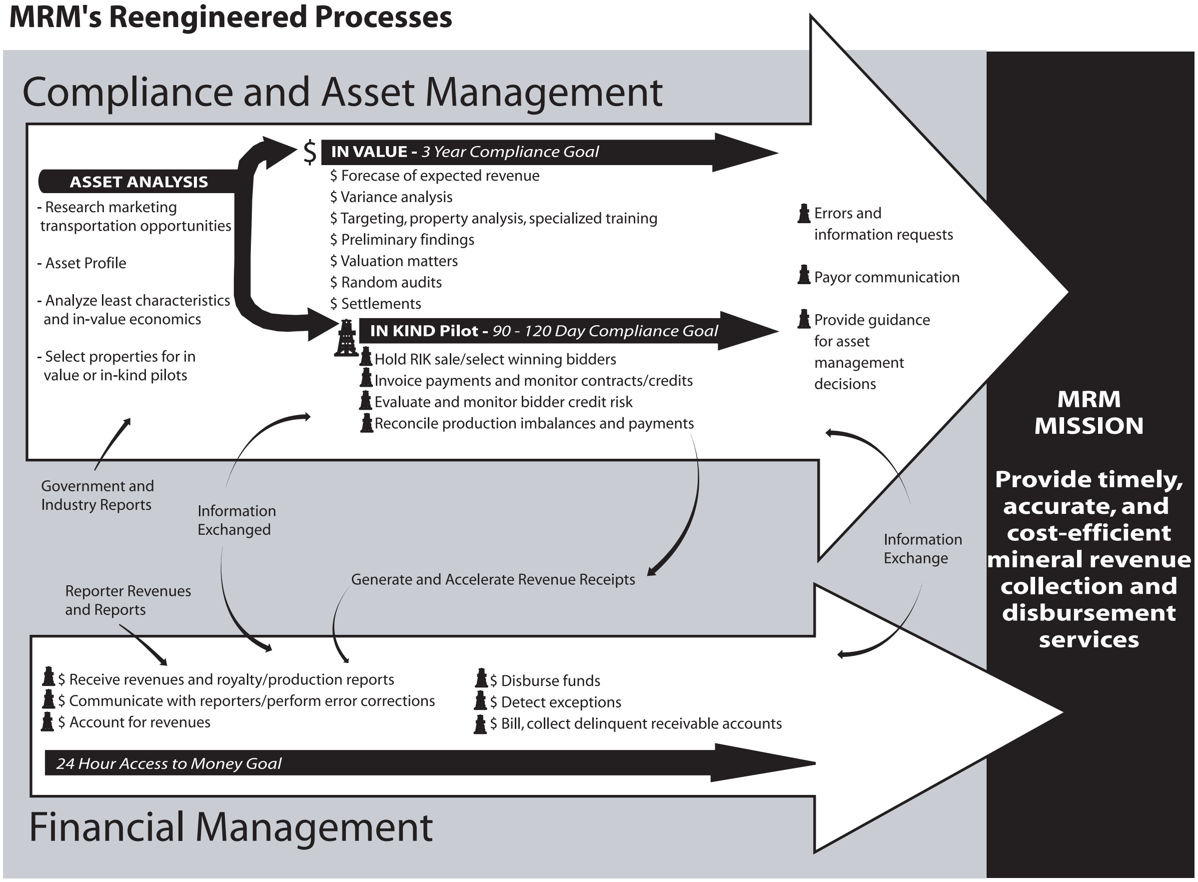
2.2 MINERALS REVENUE MANAGEMENT (MRM)

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 80,000 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, MRM 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. This interrelationship is shown below.

MRM's Reengineered Processes



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

During FY 2001, MRM developed a new systems infrastructure to support our reengineered business processes. MRM implemented the PeopleSoft core software for the new financial system on November 1, 2001, and will phase in other components in early FY 2002.

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 (see below). 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.

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: MMS collects and processes reports and payments on over 80,000 leases each month related to bonuses, rents, and royalties. FOGRMA requires monthly distribution and disbursement of payments to states and Indians for their share of mineral leasing revenues. MMS distributes and disburses these revenues - more than $8 billion in 2001 - 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 2003 ANNUAL GOAL:

By the end of FY 2003, provide access for ultimate recipients of 30 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 2001 Enacted			FY 2002 Enacted			FY 2003 Budget Request		
	Total MRM ($000)	Mission Goal MRM-1 ($000)	%	Total MRM ($000)	Mission Goal MRM-1 ($000)	%	Total MRM ($000)	Mission Goal MRM-1 ($000)	%
Compliance and Asset Management	56,405	16,370	29.0	57,402	16,647	29.0	*58,109	16,851	29.0
Revenue and Operations	44,639	12,954	29.0	42,047	12,193	29.0	41,185	11,944	29.0
Totals	**101,044**	**29,324**	**29.0**	**99,449**	**28,840**	**29.0**	**99,294**	**28,795**	**29.0**

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs. The figures do not include the government-wide CSRS/FEHB legislative proposal.
**Note: Includes $15,000 for refunds on behalf of allottees.*

MRM-1 Budget History ($000)	FY 1998 Enacted	FY 1999 Enacted	FY 2000 Enacted	FY 2001 Enacted	FY 2002 Enacted	FY 2003 Proposed
	N/A*	N/A*	25,011	29,324	28,840	28,795

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs. The figures do not include the government-wide CSRS/FEHB legislative proposal.
**Note: MRM adopted this mission goal in FY 2000. For FY 1999 budget data by subactivity, see MMS' FY 1999 Annual Performance Plan.*

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 2003 Annual Performance Goal: *By the end of FY 2003, provide access for ultimate recipients of 30 percent of revenues within one business day of MMS receipt and disburse98 percent of revenues to recipients by the end of the month following month received.*

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 99 Actual	FY 00 Actual	FY 01 Plan	FY 01 Actual	FY 02 Plan	FY 03 Proposed
98.15%	98.49%	98%	98.4%	10% access 98% disbursed	30% access 98% disbursed

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.

Regarding earlier recipient access, the 2002 targets are not overly aggressive because we are in a learning mode with the new systems, as are companies. The 2003 and 2004 targets, however, will move us incrementally closer to achieving our goal of having 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 educate industry on our new reporting requirements and to implement new systems, we are continuing with 98 percent as our target for FY 2003.

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" brings 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.

lier revenue access to recipients.

STRATEGIES AND RESOURCES:

Implement New Systems and Improve Processes: MMS implemented the PeopleSoft core software for the new financial system on November 1, 2001 and will phase in other components in early FY 2002. Although MRM performed substantial testing and provided extensive training during FY 2001, MRM and companies are in a transition phase with the new systems. Once we are further along in our transition, our new financial systems and processes will expedite efficient management and timing of MMS disbursements and recipients' access to funds.

Streamline Reporting: We revised reporting formats to align industry reporting with the new reengineered processes and systems. These revised forms were implemented October 1, 2001. Many of the changes were based upon extensive outreach with industry groups. Once all companies have completed transition to the new reporting formats, we anticipate decreased reporting burden, reduced or eliminated data duplication, decreased error rates, and increased 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. In FY 2001, 90 percent of royalty reports were submitted electronically. However, with the implementation of new systems, we anticipate transition issues that temporarily may reduce electronic reporting. MMS is coordinating with Perigrine Corporation to convert companies to electronic reporting using the newly designed and approved royalty and production report forms. Electronic reporting will allow MMS to process and verify reports more quickly and to expedite fund access and disbursement.

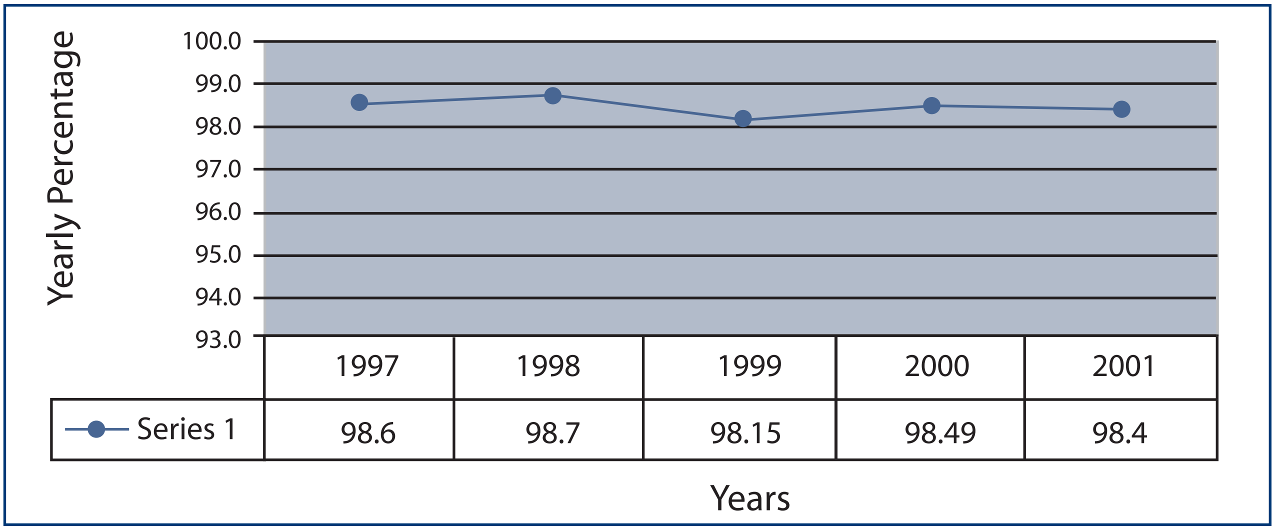
Additionally, the Royalty Simplification and Fairness Act of 1996 (RSFA) provided for assessments for chronic erroneous reporting. During FY 2002, after new systems are implemented, MMS will monitor company reporting history and consider reporting and procedural changes that will impact the definitions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

FY 2001 ANNUAL PERFORMANCE REPORT:

FY 2001 Goal: By the end of FY 2001, disburse 98 percent of revenues to recipients by the end of the month following month received.

Report: Goal exceeded. The FY 2001 actual percentage was 98.4 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 98.5 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 2001. We implemented the PeopleSoft core software for the new financial system on November 1, 2001. FY 2002, following new system implementation, is the first year we will measure that goal.)

IN RECENT YEARS, MMS CONSISTENTLY HAS EXCEEDED ITS 98 PERCENT DISBURSEMENT GOAL.



PERFORMANCE DATA DETAILS:

Baseline	The baseline on-time disbursement percentage is 93 percent, established in 1996.
Data Validation-Supplemental (See Also Section 1.6)	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. The reengineered financial system will utilize automated internal controls and accounting processes to ensure funds are disbursed to the correct recipients.
Data Verification-Supplemental (See Also Section 1.6)	Data will be accurate and reliable because it will be retrieved directly from the new MRM financial system. MRM management verifies system data for accuracy prior to reporting data externally. The new systems software is 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 being 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 Actions	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. We have developed written procedures for collection and consolidation of performance data. MRM also will perform periodic internal reviews to ensure data integrity.

provide funds earlier to recipients.

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 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.

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 2003 ANNUAL GOALS:

By the end of FY 2003, payments are within the expected payment range at the due date for 75 percent of royalties associated with converted properties.

By the end of FY 2003, complete compliance work through the random audit stage for 95 percent of royalties associated with year 2000 converted properties and through the company cycle-order stage for 90 percent

BUDGET TABLE

Minerals Revenue Management - Mission Goal MRM-2									
	FY 2001 Enacted			FY 2002 Enacted			FY 2003 Budget Request		
Budget Activity/Subactivity	Total MRM ($000)	Mission Goal MRM-2 ($000)	%	Total MRM ($000)	Mission Goal MRM-2 ($000)	%	Total MRM ($000)	Mission Goal MRM-2 ($000)	%
Compliance and Asset Management	56,405	27,659	49.0	57,402	28,127	49.0	58,109	28,473	49.0
Revenue and Operations	44,639	21,889	49.0	42,047	20,603	49.0	41,185	20,181	49.0
Totals	**101,044**	**49,548**	**49.0**	**99,449**	**48,730**	**49.0**	**99,294**	**48,654**	**49.0**

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs. The figures do not include the government-wide CSRS/FEHB legislative proposal.

OMM-2 Budget History ($000)	FY 1998 Enacted	FY 1999 Enacted	FY 2000 Enacted	FY 2001 Enacted	FY 2002 Enacted	FY 2003 Proposed
	N/A*	N/A*	51,535	49,548	48,730	48,654

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs. The figures do not include the government-wide CSRS/FEHB legislative proposal.
**Note: MRM adopted this mission goal in FY 2000. For FY 1999 budget data by subactivity, see MMS' FY 1999 Annual Performance Plan.*

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 2003 Annual Performance Goal: *By the end of FY 2003, payments are within the expected payment range at the due date for 75 percent of royalties associated with converted properties.*

Performance Measure: *Ratio comparing actual payments to expected revenues for properties that have been transitioned into the 3-year CAM process.*

FY 99 Actual (for CY 97)	FY 00 Actual (for CY 98)	FY 01 Plan (for CY 99)	FY 01 Actual (for CY 99)	FY 02 Plan (for CY 00)	FY 03 Proposed
.9809	.9730	.9775	.9835	.9775*	75%

** In FY 2002, we will continue to use 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 2001 we calculated the CY 1999 index.*

of royalties associated with year 2001 converted properties.

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' 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. During FY 2002, 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.

Beginning in FY 2003, we will measure actual payments compared to expected values for converted properties (properties that have been transitioned into the 3-year end-to-end CAM process).

Although our new CAM process focuses on properties, this goal focuses on royalties because our mission is to provide cost effective mineral revenue collection and disbursement services. Therefore, it is important to measure royalties for this goal. However, we will continue to focus on properties as a strategy toward ensuring compliance, and will continue transitioning properties into the 3-year compliance cycle.

STRATEGIES AND RESOURCES:

Implement New Systems and Processes: The new systems infrastructure builds on our experiences with a prototype system. Once new CAM systems are fully implemented--including a relational database, data warehouse, and a variety of technology tools, the 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. 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 were implemented in October 2001, and will improve our ability to ensure accurate and timely company reporting and payments.

Publish Valuation Regulations: We have successfully implemented the new Indian gas valuation rule, which was effective January 1, 2000. We also have implemented a Federal oil valuation rule, published in final on March 15, 2000, effective June 1, 2000. Additionally, we published a supplementary proposed Indian oil rule on January 5, 2000. In FY 2002, our intent is to publish a final Indian oil valuation rule and develop training for the new rule for industry, MRM employees, and the Indian community. 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. We 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: MMS has a 3-year strategy for evolving its future RIK asset management processes. Current RIK activities include the Small Refiner Oil Program and three pilot projects involving the competitive sale of oil and natural gas. MMS is continuing its pilot approach to further evaluate and refine its RIK asset management processes and develop supporting technology solutions. Expansion of the competitive RIK program in terms of properties and sales volumes will be guided by the results of pilot program evaluations. Lease-specific opportunities will be pursued by MMS when the RIK option can be effectively utilized. For properties where we determine RIK makes the best business sense, a market-sensitive price will be set up front in the contract, providing greater certainty of expected value for these properties.

Transition Properties into the 3-year end-to-end CAM process: This goal will measure properties that we have converted into the 3-year property-focused CAM process. Initially, during our operational models, we included properties with a variety of attributes in the 3-year CAM process. In FY 2002, we converted additional properties, focusing on those encompassing at least 50 percent of all royalties. In future years, we will incrementally increase the universe of converted properties and associated royalties. Our goal is to have all offshore properties fully transitioned into the 3-year CAM process by the end of 2005. However, converting onshore properties will take longer due to the substantial number of properties. As we convert additional

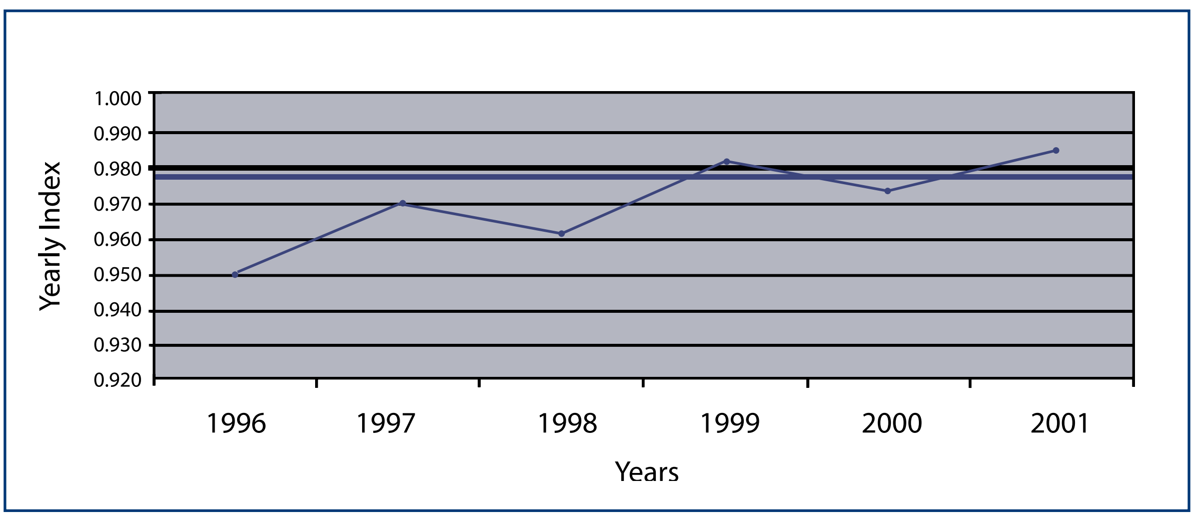
FY 2001 ANNUAL PERFORMANCE REPORT:

FY 2001 Goal: In 2001, achieve a Compliance Index of .9775 (for calendar year 1999.)

Report: Goal exceeded. In FY 2001, we calculated the index for CY 1999 as .9835. In comparison, the FY 2000 index (for CY 1998) was estimated to be .9730, the FY 1999 index (for CY 1997) was estimated to be .9809, the FY 1998 index (for CY 1996) was estimated to be .9610, the FY 1997 index (for CY 1995) was estimated to be .9695, and the FY 1996 index (for CY 1994) was estimated to be .9500.

Throughout FY 2002, we will continue to use the compliance index, drawing on expected value information gathered from Compliance and Asset Management teams, as the measurement most closely aligning with this goal. During FY 2002, we will determine a new compliance measurement methodology to best reflect this goal. As with the current compliance index, the new measure will continue to compare expected value with actual reports and payments.

THE COMPLIANCE INDEX HAS BEEN CLOSE TO THE TARGET FOR THE LAST 3 YEARS



PERFORMANCE DATA DETAILS:

Baseline	The baseline compliance index is .95, established in 1996.
Data Validation-Supplemental (See Also Section 1.6)	This 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' 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	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-Supplemental (See Also Section 1.6)	Employees with specialized understanding of the calculation methodology will review the results of this measure. Compliance managers also will review the results for accuracy. CAM teams will compare actual reported revenues 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 be calculated only 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. MRM implemented new systems November 1, 2001, and we will need to work with these systems before we know of any data limitations for this measure.
Planned Actions	Once we have become familiar with new systems we believe we can make this measure contemporaneous. Once the majority of properties are transitioned into the 3-year end-to-end process, we will be able to include a substantial percentage of all revenues, instead of a random sampling. We will develop written procedures for collection and consolidation of performance data. 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,complete compliance work and issue necessary orders within 3 years of the due date for 95 percent of royalties associated with converted properties.*

FY 2003 Annual Performance Goal: *By the end of FY 2003, complete compliance work through the random audit stage for 95 percent of royalties associated with year 2000 converted properties and through the company cycle-order stage for 90 percent of royalties associated with year 2001 converted properties.*

Performance Measure: *Percentage of royalties associated with completed compliance work through the order stage for year 2000 converted properties, adjusted based on random audit results. Percentage of royalties associated with completed compliance work through the order stage for year 2001 converted properties.*

FY 99 Actual	FY 00 Actual	FY 01 Plan	FY 01 Actual	FY 02 Plan	FY 03 Proposed
N/A*	N/A*	N/A*	N/A*	95% - 99 prop 90% - 00 prop	95% - 00 prop 90% - 01 prop

** 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).*

properties, the associated royalties included in this measure also will increase.

Goal Description: The objective of this goal is to measure and ensure the effectiveness of MMS' new reengineered 3-year end-to-end compliance and asset management (CAM) processes.

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.

The long-term goal as previously written was too narrowly focused on issuance of orders and demands. The revised goal reflects the broader CAM focus by measuring both our progress in completing compliance work through the order stage for converted properties and in issuing orders as necessary. "Necessary orders" is the terminology we use to describe our effectiveness in issuing all of the orders that should have been issued. In FY 2002, we will perform random audits, using statistically valid samples, as a tool to determine our effectiveness in issuing all of the orders that should have been issued.

Random audits are full-scope audits of randomly selected properties and production months. The purpose of the audits is to determine whether the previous compliance work left undetected any material issues. Any additional findings discovered during our random audits will be addressed with companies, and orders issued if necessary. Also, we will continuously review random audit findings and make necessary changes in our compliance work process to ensure more effective identification of issues in future processes.

Each year we will measure and report data for 2 years. For example, in FY 2003, we will measure completion of compliance work for year 2001 converted properties and we will adjust the year 2000 data reported in FY 2002 to reflect additional compliance work completed and also to reflect the results of random audits. The adjustment based on random audit results will inform us of the effectiveness of our previously completed compliance work. By reporting our measures in this way each year, we will demonstrate both our progress in completing compliance work within 3 years and our effectiveness in ensuring that all necessary orders have been issued. In addition, as we transition additional properties into the 3-year compliance cycle, the measure will reflect a larger universe of properties.

STRATEGIES AND RESOURCES:

Implement New Systems: With the knowledge gained from using our system in the test environment, MMS is phasing in a new compliance system 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. With our new CAM system, we will utilize automated targeting and resolution processes for compliance, focusing on properties and analyzing all compliance components concurrently, thereby making the 3-year goal more realistic.

Royalty-in-Kind Pilots: MMS published the RIK Road Map to the Future, a plan to evolve RIK from its pilot phase to an operational activity over a 3-year period ending December 2003 for those projects which are shown to make good business sense. MMS senior management established an RIK performance objective 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, 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 operations 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: 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. Our goal is to have all offshore properties fully transitioned into the 3-year CAM process by the end of 2005. However, the transition for onshore properties will take longer due to the substantial number of properties. For both onshore and offshore properties, our FY 2003 strategy will be to ensure compliance for properties representing the highest dollars, as we continue to learn how to most efficiently and effectively implement the 3-year end-to-end compliance process. In future years, as CAM personnel increase knowledge of new processes and systems, we will continue to transition additional properties into the 3-year cycle.

FY 2001 ANNUAL PERFORMANCE REPORT:

FY 2001 Goal: 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.

Report: Goal not met. In FY 2001, we completed compliance work (which includes sending necessary orders) for 82.5 percent of properties, which accounted for 89.2 percent of expected royalty dollars. Although we made significant progress toward achieving this goal, the property results were below target because we currently cannot issue several gas-related orders due to litigation and court-ordered injunctions.

PERFORMANCE DATA DETAILS:

Baseline	This is a new measure.
Data Validation-Supplemental (See Also Section 1.6)	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 are currently analyzing the capability to draw data for this measure automatically from our new CAM system. For our random audits, we use an automated program that draws a statistically valid sample based on the size of the universe and the resources available to do the work.
Data Verification-Supplemental (See Also Section 1.6)	Employees with specialized understanding of the calculation methodology will review the results of this measure. Compliance managers also will review the results for accuracy.
Data Limitations	To date, we have captured data for this measure in databases maintained by each analyst. To the extent that we are able to capture data for this measure automatically in the future, data limitations will be minimal.
Planned Actions	MRM is working with Accenture to determine how we can capture data for this measure in the new compliance modules. Automated capture of data will enhance the integrity of this measure. We are developing the capability to measure the effectiveness of the new 3-year CAM process, based on random audit results.

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

Description: 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 self-governance. 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[6] and dual accounting[7] coverage to Indian tribes and individuals that previously were not being serviced. 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 calculation processes to determine both major portion and dual accounting amounts for gas leases and major por-

[6] "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.
[7] "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.

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

The Indian gas rule, which was 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 16 in Appendix 2). 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 2003 ANNUAL GOALS:

By the end of FY 2003, ensure for the time period January 1, 2000, through March 31, 2003, that 68 percent of Indian gas producing properties are in compliance with index zone/major portion requirements.

By the end of FY 2003, ensure for the time period 1984-1999 that 95 percent of Indian gas producing properties are in compliance with dual accounting requirements.

By the end of FY 2003, ensure for the time period 1984-2001 that 30 percent of Indian oil producing properties are in compliance with major portion require-

BUDGET TABLE

Minerals Revenue Management - Mission Goal MRM-3									
	FY 2001 Enacted			FY 2002 Enacted			FY 2003 Budget Request		
Budget Activity/Subactivity	Total MRM ($000)	Mission Goal MRM-3 ($000)	%	Total MRM ($000)	Mission Goal MRM-3 ($000)	%	Total MRM ($000)	Mission Goal MRM-3 ($000)	%
Compliance and Asset Management	56,405	12,377	22.0	57,402	12,629	22.0	58,109	12,784	22.0
Revenue and Operations	44,639	9,795	22.0	42,047	9,250	22.0	41,185	9,061	22.0
Totals	**101,044**	**22,172**	**22.0**	**99,449**	**21,879**	**22.0**	**99,294**	**21,845**	**22.0**

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs. The figures do not include the government-wide CSRS/FEHB legislative proposal.

MRM-3 Budget History ($000)	FY 1998 Enacted	FY 1999 Enacted	FY 2000 Enacted	FY 2001 Enacted	FY 2002 Enacted	FY 2003 Proposed
	N/A*	N/A*	21,873	22,172	21,879	21,845

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs. The figures do not include the government-wide CSRS/FEHB legislative proposal.
**Note: MRM adopted this mission goal in FY 2000. For FY 1999 budget data by subactivity, see MMS' FY 1999 Annual Performance Plan.*

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 index zone/major portion and dual accounting requirements for the time period 1984-2004.[8]

FY 2003 Annual Performance Goal: By the end of FY 2003, ensure for the time period January 1, 2000, through March 31, 2003, that 68 percent of Indian gas producing properties are in compliance with index zone/major portion requirements.
By the end of FY 2003, ensure for the time period 1984-1999 that 95 percent of Indian gas producing properties are in compliance with dual accounting requirements.

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

FY 99 Actual	FY 00 Actual	FY 01 Plan	FY 01 Actual	FY 02 Plan	FY 03 Proposed
MP-45% DA-9%*	MP-60% DA-31.2%	MP/I-63% DA-45%	MP/I-60.2% DA-51.2%	MP-64% DA-85%	MP-68% DA-95%

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 2003 Annual Performance Goal: By the end of FY 2003, ensure for the time period 1984-2001 that 30 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 99 Actual	FY 00 Actual	FY 01 Plan	FY 01 Actual	FY 02 Plan	FY 03 Proposed
8%	25%	30%	30%	30%	30%

[8] 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.

ments.

Goal Description: The objective of these goals is to eliminate the backlog of dual accounting calculations and enforcement for the time period 1984-1999 and to ensure compliance with major portion 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 established our Indian CAM Office. This office is specifically dedicated to serving mineral-producing tribes and individual Indian mineral owners. This allows 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. For example, in FY 2001, we redirected several staff in our Dallas office to accelerate our progress toward ensuring that companies were in compliance with dual accounting 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 2002, 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 Indian gas valuation regulation, which became 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 provided training and guidance to industry, MRM, and the Indian community. We also 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

FY 2001 ANNUAL PERFORMANCE REPORT:

FY 2001 Goal: 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.

Report: We exceeded the dual accounting target, but did not quite reach the index zone/major portion target. The results were 60.2 percent for index/zone major portion and 51.2 percent for dual accounting. We are slightly behind target for our index zone/major portion goal; however, once companies comply with recent MRM orders, we will meet the target. The dual accounting goal is ahead of schedule because we have focused additional CAM staff in Dallas toward this goal. In addition to meeting the projected targets, we have ensured dual accounting compliance for an additional 1,624 lower dollar properties and payors not originally in our project universe.

IBLA decisions related to gas valuation regulations prior to January 1, 2000, have impacted our progress toward our original long-term 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). (See also footnote 8.) Our FY 2001 and 2002 targets focus on the timeframe January 1, 2000, forward.

for gas related properties after January 1, 2000.

FY 2001 GOAL:

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.

Report: Goal met. The FY 2001 result was 30 percent. Settlements with several companies have resolved major portion compliance issues for oil properties. 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, our ability to ensure compliance with major portion requirements on

PERFORMANCE DATA DETAILS:

Baseline	The baseline for the Indian gas index zone/major portion measure is 45 percent, established in 1999. The baseline for the Indian gas dual accounting measure is 9.0 percent, established in 1999. The baseline for the Indian oil major portion measure is 3.6 percent, established in 1999.
Data Validation-Supplemental (See Also Section 1.6)	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-Supplemental (See Also Section 1.6)	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 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 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 Actions	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.

oil-related properties will be enhanced.

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.

Our FY 2001 goal was to conduct a survey and establish a baseline. However, we currently are in the process of developing the survey instrument. Once we have completed the instrument, we will be seeking OMB approval for the information collection. Accordingly, we are revising our timetable and have established a target of conducting the baseline survey in FY 2002 and following it with a survey in FY 2003.

FY 2003 ANNUAL GOAL:

In FY 2003, we will increase the customer satisfaction index over the FY 2002 baseline.

GOAL: CUSTOMER SERVICE

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

Long Term Goal MMS-1: *By 2005, show an increase in customer satisfaction with our data and information services.*[9]

FY 2003 Annual Performance Goal: *In FY 2003, we will increase the customer satisfaction index over the FY 2002 baseline.*

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

FY 99 Actual	FY 00 Actual	FY 01 Plan	FY 01 Actual	FY 02 Plan	FY 03 Proposed
N/A*	N/A*	N/A*	N/A*	N/A*	Increase over FY 2002 baseline

**There are no data available for these years because this is a new goal.*
*** MMS planned to conduct a baseline customer service survey in FY 2001, but was unable to do so (see discussion below). Therefore, we will not be able to achieve our FY 2002 goal, which was "In FY 2002, we will increase the customer satisfaction index over the FY 2001 result." We are revising the FY 2002 goal (see footnote 19, Appendix 2).*

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. The draft of the instrument is under review in the Department and we expect to submit it to OMB this year in time to establish the baseline in FY 2002.

Accordingly, we have revised our goal and have established a target of conducting the baseline survey in FY 2002. Our FY 2003 goal will be to improve on the FY 2002 baseline.

OMM will pilot MMS' customer service performance measurement initiative. As discussed in Section 2 above, MRM currently is involved in an extensive reengineering initiative, and is collaborating with its stakeholders to develop and test new processes. 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.

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

FY 2001 ANNUAL PERFORMANCE REPORT:

FY 2001 Goal: In FY 2001, we will establish a baseline customer satisfaction index.

Report: Goal not met. We did not complete the survey instrument in FY 2000 as planned, and therefore could not conduct the baseline survey necessary for us to meet our FY 2001 goal. We underestimated the time that would be required for us to develop a robust survey and ensure that it included the statistical methods necessary in a good survey instrument. Accordingly, we are revising our timetable and have established a target of conducting the baseline survey in FY 2002 and following it with another survey in FY 2003.

PERFORMANCE DATA DETAILS:

Baseline	MMS will establish the baseline in FY 2002.
Data Validation-Supplemental (See Also Section 1.6)	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-Supplemental (See Also Section 1.6)	MMS will ensure that the data used to tabulate the results are gathered following statistically valid protocol and can be verified.
Data Limitations	MMS will study the survey procedures, including collection, data handling, and analysis, to identify problems and limitations.
Planned Actions	Not applicable.

Section III

Additional GPRA Information

3.1 CITIZEN-CENTERED GOVERNANCE

The Secretary of the Department of the Interior has outlined a vision for effective program management that is centered around the "Four C's:" Conservation through Cooperation, Consultation, and Communication. MMS has embraced this vision. In fact, throughout our 20-year history, we have worked with our stakeholders in an attempt to build consensus while balancing national, regional, and local interests. The stakeholders we serve include Congress, the Executive Branch, the public, states, the oil and gas industry, marine minerals industries, environmental constituencies, 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.

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.
- Establishing partnerships with Indian, State, and industry representatives in an ongoing attempt to involve them in our initiatives. For example, stakeholders were 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), and the State and Tribal Royalty Audit Committee.
- Actively collaborating with the American Petroleum Institute and other industry groups in developing regulatory standards, product specifications, and recommended practices for offshore development. 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 offshore operators. 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 discussions about operators' 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 MMS' large royalty payors have been reporting electronically for several years, and MMS has converted most of the remaining e-mail, diskette, tape reporters, and paper reporters to an electronic format.
- Converting to electronic receipt and disbursal of data and information to reduce the amount of paper being exchanged, provide cost avoidance and quicker response times for all parties, and increase accuracy. These improvements are discussed elsewhere in this document, especially in the sections discussing e-government transformation and business process reengineering.

In accordance with the Department's American Indian trust responsibilities, MMS has a special dedication to serving the tribes and individual American Indian mineral owners. 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 the Department and other Federal agencies.

3.2 CROSSCUTTING ISSUES

MMS coordinates offshore 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, the 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, MMS supplied information to the National Marine Fisheries Service from MMS-funded research to aid them in identifying essential fish habitat.

MMS also coordinates 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' 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). MMS completed deliveries of 28 million barrels of oil to DOE in December 2000. On November 13, 2001, the President made the decision to proceed with the utilization of Gulf of Mexico royalty oil to fill the remaining storage capacity of the SPR. The initiative will involve the delivery of approximately 120 million barrels of RIK oil to DOE for use in filling the SPR. Delivery of the oil is expected to begin in April 2002 and be completed in December 2004.

- 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. 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.

- 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.

- MMS has been participating in a Departmental pilot in Farmington, New Mexico, implementing a new concept in serving our Indian constituents. The Department established an office that 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. With this Department-wide trust focus, the Farmington Indian and Minerals Office (FIMO) has been instrumental in reengineering processes and services. In FY 2001, the Department deemed the pilot a success and made FIMO permanent. Departmental officials are interested in adopting this approach in other geographic areas, and are formalizing the Federal and Indian Mineral Offices concept for implementation elsewhere.

- MMS 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' new financial system with BLM's Automated Fluid Minerals Support System.

- MMS has entered into 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.

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;
- An MOU in conjunction with the Special Programs Office of the Department of Transportation governing the regulation of offshore pipelines;
- 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' funds eight to one and provides information needed by the Federal Government and industry to ensure environmentally sound activities;
- Several projects jointly funded with industry focusing on deepwater environmental issues in the Gulf of Mexico;
- The Coastal Marine Institute Program, 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, which 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.

3.3 MANAGEMENT ISSUES

MMS currently is working on issues raised in two audit reports by the Department's Office of the Inspector General (OIG). These reports addressed the adequacy of internal controls in the Financial Management Branch and inaccuracies in the supporting documentation for operators participating in the Stripper Oil Well Property Royalty Rate Reduction Program. MMS completed work in FY 2001 on another issue that addressed the general and application controls over MMS' Technical Information Management System. We also are implementing the President's management reform initiatives and the Secretary's vision of citizen-centered governance. The status of our efforts is discussed on the following page.

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. OIG identified three primary findings indicating that MMS' 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.

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 multi-bureau task force 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. 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 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 responsibilities. 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. During FY 2001 and 2002, new staff members were added to the organization and the entire staff was reorganized to implement the various recommendations. All recommendations of the March 2000 OIG report were completed by the established deadline of December 2001.

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.

In September 2001, OIG released a report on their review of FY 2000 financial statements. The report identified seven recommendations for improved activities. To date, these recommendations have been implemented in practice but still require formal documentation to be considered complete. A completion date of June 30, 2002, has been established and MMS is on schedule to meet that date.

Technical Information Management System

MMS has completed its responses to all of the OIG audit's recommendations and has prepared a final report to the OIG indicating that all 15 recommendations have been implemented. There were no material weaknesses in the audit. MMS is waiting for a response from OIG.

Stripper Oil Well Property

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.

MMS has one remaining open issue from the OIG recommendations, which is to audit the top 100 stripper well properties. Nearly all of those properties are located in States with which MMS has a cooperative audit agreement to audit the Federal leases located in that State. We have provided the States with the list of the top 100 stripper properties and asked that they include these properties in the audit work plans to the extent audit resources and competing underpayment issues allow. At least one State made considerable progress in auditing these properties in FY 2001.

The President's Management Initiatives

In addition to the specific issues discussed above, MMS is working to improve service delivery using the President's management initiatives and the Secretary's vision of effective program management (discussed in Section 3.1). MMS' efforts related to the President's management initiatives are discussed below.

Competitive Sourcing

In keeping with our past practices, MMS supports the concepts of the Federal Activities Inventory Reform Act. We have begun to conduct the comprehensive self-examinations and evaluations of in-house performance and costs relative to the private sector, as required by the Act. As part of our commitment to improving how government works, we recently completed Competitive Sourcing Plans for FY 2002 and FY 2003. In FY 2002, 5 percent of our positions will be subject to competition and, in FY 2003, 10 percent will be competed.

Strategic Management of Human Capital

We have analyzed our workforce to assess the impacts of technology, changes in missions/goals, and competitive outsourcing. In each of these areas, MMS already has experienced changes and expects to see more. MRM's reengineering initiative with its redesigned work processes and continued use of technology to achieve program efficiencies and attain goals has challenged MRM to develop new skill mixes. In addition, plans to initiate an E-Government transformation in OMM will bring about significant changes in work processes that will require a new set of skills for current and future OMM employees.

Improving Financial Performance

MMS has an excellent record of financial performance in the area of royalty collections and disbursement and has received unqualified audit opinions consistently in this area. MMS is responding to recommendations made by the Inspector General and has moved aggressively during the past two years to improve our administrative financial performance (see page 67).

Expanding Electronic Government

Since MMS' formation, we have sought to find easier, faster, more reliable means of exchanging information with our constituents. We use our Internet web page as a portal to all interested parties and the Internet itself as a means of moving information back and forth between MMS and our constituents. We also recognize that electronic government expansion is an integral part of transforming the way we do business. During the past several years, MRM has undertaken a major reengineering effort that, among other things, is providing constituents improved access to MRM activities through the Internet (see page 73).

OMM also has initiated an electronic government initiative, E-Government Transformation (see page 75). The President's Budget Request for FY 2003 includes $8.742 million for this initiative. OMM established a small Program Management Office (PMO) in October 2001 that is working with a contractor to baseline OMM business areas and business functions and to establish priorities to begin the business process re-engineering effort.

Budget and Performance Integration

MMS is committed to the integration of budget and performance data. To that end, this report includes budgeted amounts for our mission goals that were determined by evaluating the contributions of the various parts of the organization toward each of the goals (see Section 2). MMS is fully committed to improving this linkage in accordance with the leadership and direction provided by the Assistant Secretary - Policy, Management and Budget.

The Department has decided to implement activity based costing (ABC) throughout the agency (see "A Plan for Citizen-Centered Governance," September 2001). ABC will provide managers with information they can use to monitor and evaluate their program performance, allocate resources more effectively, and measure results. ABC also is a tool that will help in the implementation of one of the President's management initiatives-budget and performance integration. MMS plans to have a methodology and system in place to begin activity based costing by October 1, 2002.

3.4 PROGRAM EVALUATIONS

A number of internal and external efforts comprise MMS' program evaluations. 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 (OIG) and the U.S. General Accounting Office (GAO). OIG periodically reviews offshore operations because of the importance of monitoring safety and environmental impacts on the OCS. OIG performed two program audits in FY 2000. In the first, OIG reviewed the criminal referral process for OMM's offshore criminal penalties program and issued a report with three recommendations. MMS fully implemented the recommendations and the Department sent a closure memorandum to OIG on May 31, 2001. In the second, OIG reviewed whether MMS had effective general and application controls over TIMS, and whether TIMS was operated in compliance with applicable Federal laws and regulations. OIG concluded that MMS had established adequate general and application controls over TIMS, but improvement was warranted in four areas. MMS fully implemented the recommendations by May 2001, but the Department has not yet sent a closure memorandum to OIG.

OIG initiated a new MMS audit in June 2001-- "Audit of Royalty Compliance Activities of the MRM Program, MMS." The objective of the audit is to determine whether MRM's royalty compliance strategy provides assurance that companies pay the full amounts of royalties owed on Federal and Indian leases. OIG also will determine whether MMS accurately reported its accomplishments relative to its royalty compliance performance goals.

In December, OIG began a review of MMS' RIK system. The objective of the review is to compare the in-kind process to in-value royalty collections to assess the risks of underreporting oil and gas royalties due to the Government. This review will not result in a formal report; the report probably will be in the form of management suggestions.

OIG also has retained KPMG to perform annual financial management reviews. KPMG currently is auditing MMS' FY 2001 financial statements.

Finally, OIG is evaluating the Department's "IT Acquisition and Design Process, Including Capital Planning." MMS will be involved in this evaluation.

GAO also is conducting an RIK review in FY 2002. This review, begun in January 2002, will focus on the revenue impacts for leases in the RIK pilots and on whether the pilot programs should be expanded. The scope will include comparisons of RIK and in-value methodologies and a review of the history of the RIK pilots. GAO will include in its review other recent studies of the RIK initiative.

In addition to external reviews, MMS routinely conducts scheduled in-depth appraisals and ongoing self analyses with various internal evaluations, including Alternative Management Control Reviews (AMCR), Performance Management Assessment Tool Reviews (PMAT), 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 seven internal reviews in FY 2001--three in Administration and Budget, two in MRM, and two in OMM (see the table on the following page).

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 2002 reviews are shown in the following table:

MMS FY 2002 MANAGEMENT CONTROL PLAN

Review	Review Type/Rating	Scope
Atrium Building Computer Center (A&B)	AISRHigh	Review the network infrastructure and update the network security posture of the LAN in the Atrium Building in Herndon, Virginia.
Property Management System (NT) (A&B)	DFRHigh	Perform targeted MMS-wide compliance reviews of the report of survey process and internet sales of surplus and exchange/sale of personal property. Also, conduct a personal property management compliance review that focuses on capitalized property in Denver.
Quality in Contracting (QuiC) Phase I - Management Control Phase II - Performance Measurement and Assessment (A&B) This review was begun in FY 2001.	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 requirements are: (1) Provide a cost-to-spend ratio that compares the total FY 2001 dollar amount awarded to total FY 2001 salaries benefits, and contractor support costs of the procurement offices; (2) Provide the total number of GS-1102's in MMS and the total number of 1102's who meet the Clinger-Cohen education requirements; and (3) Provide the total number of MMS-warranted 1102's and the total number who do not meet the training requirements for their respective warrant level.

MMS FY 2002 MANAGEMENT CONTROL PLAN - CONTINUED

Review	Review Type/Rating	Scope
Cash Management and Revenue Disbursement (MRM)	AMCR High	The review will focus on the critical internal control functions of the new financial system and the reengineered financial processes. The team also will follow up on recommendations from an FY 2000 external review of MRM's internal controls and will determine whether there are proper internal controls on funds from receipt to disbursement.
Physical Security over Proprietary Data (MRM)	AMCR High	Evaluate security procedures in Building 85. The scope of the review will not include electronic proprietary data because there are other IT security reviews planned for the near future.
Pacific Region's Computer Room(OMM)	AISR Medium	Perform a comprehensive review of the center's physical and operational security, including all aspects of center operations.
The International Program (OMM)	PMAT Low	The International Program is a small program within OMM. This PMAT will focus on any possibilities for fraud, waste, abuse, and mismanagement of six integrity measures: management information, regulatory compliance, resource stewardship, program effectiveness, risk management, and organizational control and environment.

3.5 CAPITAL ASSETS PLANNING

MMS has three on-going capital projects: Minerals Revenue Management Reengineering, Technical Information Management System, and Royalty-in-Kind System. In addition, MMS has initiated a new capital project, e-Government Transformation, scheduled to be in the "new" phase in FY 2003.

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, Section 300--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 analyses with related assumptions. In addition, performance goals and objectives are presented along with the MMS project management structure and contracting strategy.

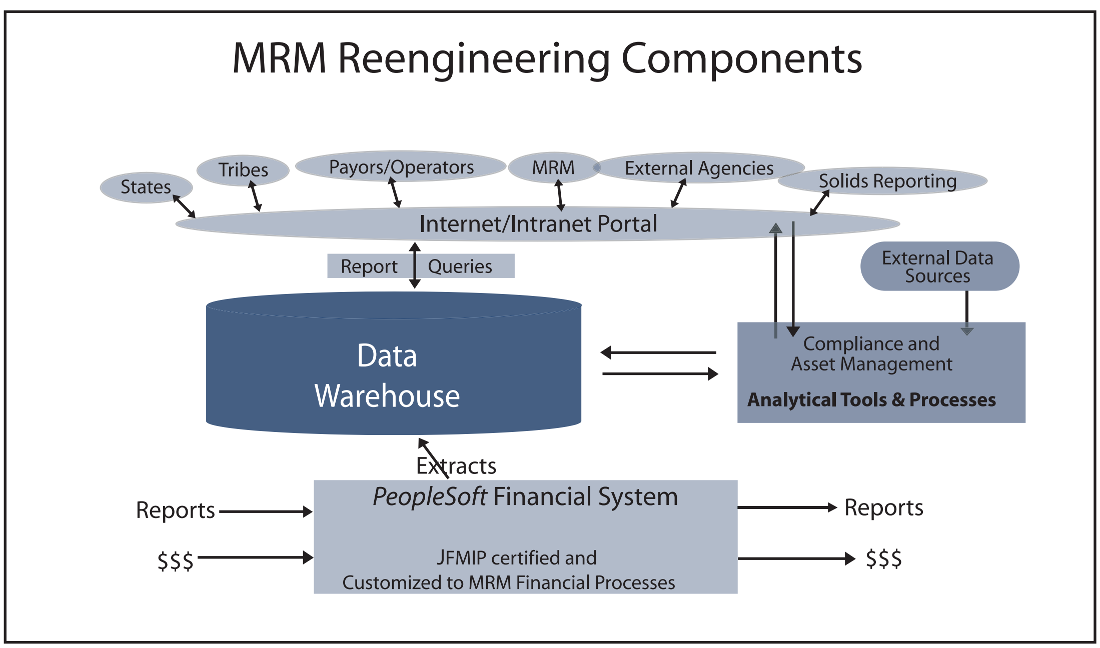
A brief discussion of each capital project follows.

Minerals Revenue Management Reengineering

During FY 2001, MRM developed a new systems infrastructure to support reengineered business processes. The build phase included substantial testing, training, and conversion activities. MRM engaged Accenture (formerly Andersen Consulting) to develop a new integrated royalty management system consisting of a PeopleSoft-based financial module, a Compliance and Asset Management (CAM) module, a robust relational database environment, a data warehouse, and a variety of technology tools. MMS implemented the PeopleSoft core software for the new financial system on November 1, 2001, and will phase in other components in early FY 2002.

These recent IT investments contribute directly to the accomplishment of all of MRM's mission goals, as discussed in Section 2. When fully implemented, the reengineered end-to-end business processes will help us achieve our goals while supporting a strong emphasis on our Indian trust responsibilities.

- The financial management process will greatly enhance MRM's ability to provide recipients access to their mineral revenues within 1 business day of MRM receipt.
- The compliance and asset management process will help MRM reduce the business cycle time by 50 percent.



In a number of respects the new Financial and CAM systems will deliver common functionality or capabilities that can be utilized to further support future royalty-in-kind (RIK) activity. However, MRM will need specialized technology investments to transition from pilot projects to full integration of RIK into our financial and CAM processes.

Royalty-in-Kind

MRM's Reengineering Initiative established core business processes and organizational structures to support its future asset management approach for administering Federal oil and gas royalties. RIK is a critical component of this strategy. Although MMS has had the authority to collect oil and gas royalties either in cash or in kind, it historically focused on the cash approach. One exception has been the long-standing Small Refiner Program. However, significant advances have been made by MMS since 1997 in evaluating the feasibility of competitive RIK strategies and developing and successfully operating a series of RIK pilot projects to test the viability of the approach. Through the operation of the pilot projects and the Small Refiner Program, the MMS positioned itself well to take the next logical step in the development of the RIK approach.

In January 2001, MMS published its RIK Road Map to the Future. The Road Map is a three-year implementation plan designed to evolve and integrate the RIK option into MMS' asset management strategy. The key focus areas of the Road Map include development of business processes and organization, acquisition of enabling technology to support RIK activities, and definition of future information reporting requirements. MRM is utilizing the Operational Model approach to support and manage the Road Map implementation as well as the continued operation of the RIK pilots and Small Refiner Program. The RIK pilots for FY 2001-2002 include competitive sales of oil production in Wyoming and the Gulf of Mexico and natural gas in the Gulf of Mexico. MMS is continuing to assess the results of these pilots and incorporating the findings in the further evolution of RIK business strategies. In March 2001, MMS published its draft assessment report on the Wyoming Pilot. The draft report concluded that the RIK approach used in Wyoming was a viable option in managing the royalty asset. MMS is completing its assessment of the first RIK gas pilot in the Gulf of Mexico and will be publishing the results in FY 2002. Additional evaluations of Gulf of Mexico oil and gas pilots will be conducted in FY 2002.

Significant investments in technology to support the RIK process are planned for FY 2002 and 2003. During FY 2002, MMS will acquire a needed gas management system to support its natural gas RIK business activities. Additional funding is being sought for the development of an oil/liquids management system in FY 2003. These systems investments are critical to the evolution and integration of the RIK option into the asset management strategy of the MMS.

E-Government Transformation

As discussed above, 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.

To carry out its OCSLA mandates within a complex network of stakeholders (industry, other agencies, states, and the public) OMM must upgrade its ability to:

- process an increased number of requests from industry in a timely manner;
- distribute proposed decisions for comment;
- provide approvals; and
- monitor activities on leases through analysis of complex information reported.

Therefore, OMM has initiated an electronic government initiative, E-Government Transformation. The President's Budget Request for FY 2003 includes $8.742 million for this initiative. This investment in capital assets will support all of the above activities through true automation of information exchange and storage.

OMM established a small Program Management Office (PMO) in October 2001 that is working with a contractor to baseline OMM business areas and business functions and to establish priorities to begin the business process re-engineering effort. Initial planning envisions a strong OMM infrastructure that will support web-based, customer-responsive solutions, facilitate internal analysis, and set a foundation for future integrated systems. Additional investments will support processes such as permitting, inspections, Freedom of Information Act requests, public commenting, and industry reporting.

To ensure that the foundation is flexible, capabilities will be built in a coordinated and modular fashion, using commercial off-the-shelf applications and outsourcing when feasible. The approach is driven by customers and stakeholders, focused on mission and strategy, process-efficient, and technology-enabled.

The new system will bring numerous significant changes to OMM processes and will assist OMM staff in the achievement of all of OMM's performance goals by decreasing cycle time, increasing efficiency, and improving effectiveness. There also will be increased access to OCS-related information, a more transparent regulatory process, and improved public awareness of OCS activities and understanding of the OMM mission.

See page 15 for further information about this electronic government initiative.

Technical Information Management System (TIMS)

Objectives for 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. MMS engaged Booz, Allen, and Hamilton to develop a foundational study that documented the current OMM business processes and information technology support environment, developed a strategy for moving to the electronic government environment, and provided a modular implementation plan to get there. Execution of this plan has begun with a more detailed planning phase in preparation for the full implementation of the E-Government Transformation project in 2003.

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 information 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.

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.

3.6 USE OF NON-FEDERAL PARTIES IN PREPARING THIS PLAN

This document was prepared by MMS employees.

3.7 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 2001 Performance

GPRA Mission Goal	Long-Term Goal	FY 2001 Annual Goal
Ensure safe OCS mineral development	Maintain or show a decrease in the average safety index of .594.	Achieve a safety index of 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 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.
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' 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.

Target Performance	Actual Results	Comments
.594	.658	Although this result does not meet the goal, it represents an improvement over the FY 2000 result, which was .837.
8.10	Will be available in May 2002	This index is calculated by calendar year because the data for the measures that are the basis of the index are collected by calendar year.
10 bbls/million	Will be available in May 2002	The rate cannot be calculated until total production has been tabulated and the annual review of oil spill data has been performed.
1.8 (+/- 0.4) to 1	2.26 to 1	Although the FY 2001 ratio of 2.26 to 1 slightly exceeded the range, it is well within the measure of variation that we would expect to observe given the uncertainties of market factors from year to year.
98%	98.4%	MMS consistently has maintained a high on-time disbursement percentage for the last several years.

At-A-Glance View of Minerals Management Service's FY 2001 Performance (Continued)

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 (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.
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.	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.
	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.	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.
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.

Target Performance	Actual Results	Comments
.9775	.9835	We will continue to use the compliance index as the measurement most closely related to this goal in FY 2002.
90%/90%	82.5%/89.2%	Although we have made significant progress toward achieving this goal, the property results are below target because we currently cannot issue several gas-related orders due to litigation and court-ordered injunctions.
63%/45%	60.2%/51.2%	We are slightly behind target for the index zone/major portion goal, but will be on target when companies comply with recent MRM orders. We exceeded the dual accounting goal because we committed additional staff to its attainment.
30%	30%	Although IBLA decisions related to current oil valuation regulations are impacting our progress toward this goal, settlements with several companies have resolved several major portion compliance issues.
Establish baseline	Did not establish baseline	We underestimated the time that would be required for us to develop a robust survey and ensure that it included the statistical methods necessary in a good survey instrument. Accordingly, we are revising our timetable and will conduct the baseline survey in FY 2002.

Appendix II

Minerals Management Service's FY 2002 Revised Final Goals

The table below presents MMS' revised final FY 2002 annual performance goals. The changes from the FY 2002 Annual Performance Plan, published as part of the March 2001 Consolidated Report, are noted and explained in the footnotes.

GPRA Mission Goal	Long-Term Goal	FY 2002 Annual Goal
Ensure safe OCS mineral development.	Maintain or show a decrease in the safety index of .594.	Achieve a safety index not greater than .594.
Ensure environmentally sound OCS mineral development.	By 2005, show a decrease in the environmental impact indicator from the 1999 baseline.[10]	In FY 2002, show a decrease in the environmental impact indicator below the1999 level of 8.10 and maintain an oil spill rate of no more than 10 barrels spilled per million barrels produced.[11]
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' estimate of value or the minimum bid is maintained at the 1989-1995 average level of1.8 (+/- 0.4) to 1.	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.
Provide revenue recipients with access to their money within 24 hours of the due date. [12]	By the end of FY 2005, provide recipients access to 90 percent of revenues within one business day of MMS receipt and disburse 98 percent of revenues to recipients by the end of the month following month received.	By the end of FY 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.

[10]This is a change to the original long term goal, which was "By 2005, show a decrease in the environmental impact index from the 2000 baseline." The reason for the change is that the 1999 results reflect a more complete data set than the 2000 results. Therefore, 1999 represents a more accurate baseline. Also, the term "indicator" is more accurate than "index."
[11]This is a change from the original FY 2002 goal, which was " 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." The reason for the change is to remove misleading words.
[12]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.

Minerals Management Service's FY 2002 Revised Final Goals (Continued)

GPRA Mission Goal	Long-Term Goal	FY 2002 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 FY 2002, achieve a compliance index[13] of .9775 (for calendar year 2000).
	By the end of FY 2005, complete compliance work and issue necessary orders within 3 years of the due date for 95 percent of royalties associated with converted properties.[14]	By the end of FY 2002, complete compliance work through the random audit stage for 95 percent of royalties associated with year 1999 converted properties and through the company cycle-order stage for 90 percent of royalties associated with year 2000 converted properties.[15]

[13] The compliance index is a ratio of actual voluntary royalty payments divided by expected royalty payments.
[14] This is a change from the original long-term goal, which was "By the end of FY 2005, issue 95 percent of necessary orders and demands within 3 years of the due date." The reason for the change was the original goal was too narrowly focused on issuance of orders and demands. The revised goal reflects the broader compliance asset management focus.
[15] This is a change from the original FY 2002 goal, which was "By the end of FY 2002, complete 100 percent of random audits for 1999 converted properties." The reason for the change was to more comprehensively monitor and track the effectiveness of completed compliance work. Random audits will be a tool to determine this effectiveness.

Minerals Management Service's FY 2002 Revised Final Goals (Continued)

GPRA Mission Goal	Long-Term Goal	FY 2002 Annual Goal
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.[16]	By the end of FY 2002, ensure for the time period January 1, 2000, through March 31, 2002, that 64 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 **85** percent of Indian gas producing properties are in compliance with dual accounting requirements.[17]
	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.	By the end of FY 2002, ensure for the time period 1984-2001 that 30 percent of Indian oil producing properties are in compliance with major portion requirements.[18]
Interact with our customers in an open and constructive manner to ensure that we provide quality services to satisfy our customers' needs.	By 2005, show an increase in customer satisfaction with our data and information services.	In FY 2002, we will establish a baseline customer satisfaction index.[19]

[16] 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.

[17] This is a change from the original FY 2002 goal, which was "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." The reason for the change is that we have directed additional resources toward this goal and have accelerated our targets. Also, 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.)

[18] This is a change from the original FY 2002 goal, which was "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 reason for the change was that IBLA decisions related to gas valuation regulations prior to January 1, 2000, have impacted our ability to make any additional progress toward our original goal. 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.

[19] This is a change from our original FY 2002 goal, which was "In FY 2002, we will increase the customer satisfaction index over the FY 2001 result." See the discussion in Section 2.3, Customer Service.

MINERALS MANAGEMENT SERVICE REVISED FINAL FY 2002 BUDGET TABLE

Mission Goal	FY 2002 Enacted ($000)
Ensure safe OCS mineral development.	64,281
Ensure environmentally sound OCS mineral development.	60,903
Ensure that the public receives fair market value for OCS mineral development.	34,869
Provide revenue recipients with access to their money within 24 hours of the due date.	28,840
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.	48,730
Fulfill our mineral revenue Indian trust responsibilities.	21,879
Total MMS	**259,502**

All figures include amounts from annual appropriations and offsetting collections and include a pro rata share of General Administration support costs. The figures do not include the government-wide CSRS/FEHB legislative proposal.

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