FY 2000

FY 2005

Strategic Plan

Minerals Management Service

DEPARTMENT OF THE INTERIOR

Minerals Management Service Strategic Plan

FY 2000 - 2005

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Strategic Plan

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE

On behalf of our entire staff, I am pleased to present the *Minerals Management Service Strategic Plan for FY 2000-2005*. This *Strategic Plan* meets the requirements of the Government Performance and Results Act and revises and builds upon our 1997 *Strategic Plan*. It includes Minerals Management Service's (MMS) mission statement, the relationship of MMS's goals to Departmentwide goals, the objectives and strategies for achievement, and a description of the consultative process and program evaluations used in developing the document.

For almost 18 years, MMS has been a leader in revenue management, environmental responsibility, operational safety, and working closely with its stakeholders. This *Strategic Plan* embodies our commitment to continue that leadership, build a better bureau, and fulfill our vision to be the best minerals resource manager.

The MMS's mission is: "To manage the mineral resources on the Outer Continental Shelf (OCS) in an environmentally sound and safe manner and to timely collect, verify, and distribute mineral revenues from federal and Indian lands." This reflects the broader goals of the Department of the Interior, as well as our legislative mandate. Two guiding principles will help us achieve our objectives: (1) being responsive to our stakeholders and (2) working to enhance the quality of life for all Americans.

As stewards of the mineral resources on the OCS, and a leader in offshore safety, science, and environmental responsibility, our Offshore Minerals Management (OMM) program is responsible for balancing the Nation's search for energy with the protection of our natural environment. This *Strategic Plan* details OMM's goals, which are:

- Ensuring safe OCS mineral development;
- Ensuring environmentally sound OCS mineral development; and
- Ensuring a fair market value for the American people for OCS mineral development.

Our commitment to environmental protection and safe operations begins with the first step in the leasing process and continues through the decommissioning of facilities.

As a bureau born of reinvention, MMS continues to develop and implement innovative practices and cutting-edge technology to be the best minerals resource managers. Our Royalty Management Program (RMP), responsible for managing all the revenues generated by federal offshore and onshore and American Indian mineral leases, is one of the government's greatest sources of non-tax revenues. Using sophisticated accounting systems, RMP processes more than $300 million each month; bonuses, rents, and royalties from over 80,000 leases can amount to several billion dollars each year.

The RMP Reengineering Initiative is a new royalty management business process and accounting system that will deliver royalties faster, ensure compliance for all leases in the shortest possible time, and save millions of dollars for industry and the American taxpayer. This initiative will help us achieve RMP's mission goal of providing "timely, accurate, and cost-effective mineral revenue collection and disbursement services," which includes:

- Providing revenue recipients with access to their money within 24 hours of the due date;
- Assuring compliance with applicable laws, lease terms, and regulations in the shortest possible time, but no later than three years from the due date; and
- Fulfilling our mineral revenue Indian trust responsibilities.

Recognizing our practice of building strong partnerships and cooperative relationships with our stakeholders, this *Strategic Plan* emphasizes the importance of customer service. MMS has always worked constructively with its stakeholders toward fair solutions. We are committed to finding more ways to build consensus and balance national, regional, and local interests. This *Strategic Plan* presents our mission goal of "interacting with our customers in an open and constructive manner to ensure that we provide quality services that satisfy our customers' needs" and describes our efforts to develop a measure of our customer service performance.

In preparing this *Strategic Plan*, MMS consulted with many stakeholders, including the Congress and various executive branch agencies and bureaus. We incorporated comments and discussions as appropriate. During these consultations, one party noted disagreement with our decision to remove production goals from the Strategic Plan. We feel that since production is not within our span of control, it is inappropriate to continue it as a strategic goal. MMS will, of course, continue to monitor and report on production.

The issues we face today continue to evolve. All the initiatives and goals contained within this *Strategic Plan*, some already under way, will help us meet today's challenges and prepare us for those of the future. MMS has always sought to set the standard in public resource management.

My thanks go to MMS staff throughout the country who contributed to this effort. An electronic version of this document can be found on our Web site at **www.mms.gov**.

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MMS Quality Council

2000 - 2005 Minerals Management Service Strategic Plan

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Introduction

THE MINERALS MANAGEMENT SERVICE (MMS) MANAGES THE NATION'S OIL, NATURAL GAS, AND OTHER MINERAL RESOURCES ON THE OUTER CONTINENTAL SHELF (OCS), AND COLLECTS, ACCOUNTS FOR, AND DISBURSES REVENUES FROM OFFSHORE FEDERAL MINERAL LEASES AND FROM ONSHORE MINERAL LEASES ON FEDERAL AND INDIAN LANDS.

BACKGROUND

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

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

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

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

Since 1982, the MMS Royalty Management Program has distributed nearly $103 billion to federal, state, and Indian accounts; nearly $64 billion to the U.S. Treasury and approximately $24 billion to the Land and Water Conservation Fund, the National Historic Preservation Fund, and the Reclamation Fund. In addition, approximately $11 billion was distributed to 38 states and $2.8 billion to the Department's Office of Trust Funds Management (OTFM) on behalf of 41 Indian tribes and 20,000 individual Indian allottees. See Figure 1.

SCOPE AND CONTENT OF THE *MMS STRATEGIC PLAN*

This *Strategic Plan* ("Plan") provides the strategic direction and goals for the Minerals Management Service. Together with our annual performance plans it meets the requirements of the Government Performance and Results Act and will be used to manage our programs and achieve intended results. The Plan:

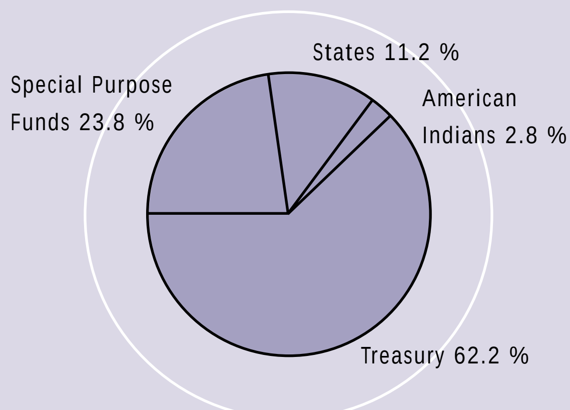
- Presents the MMS mission and vision statements, and the principles that guide us in fulfilling our mission to achieve them.
- Shows the relationship of MMS goals to the Department's goals.
- Highlights our goals and strategies.
  - Mission goal – describes the programmatic outcome.

FIGURE 1

MMS Royalty Management Program

Disbursement in thousands, of Federal and American Indian mineral lease revenues since inception of the Royalty Management Program.

Special Purpose Funds:	
Historic Preservation	$ 2,400,000
Land &Water Conservation	$ 15,381,392
Reclamation	$ 6,696,165
Subtotal	**$ 24,477,557**
Indian Tribes and Allottees	**$ 2,830,520**
States	
Offshore	$ 2,799,925
Onshore	$ 8,680,116
Subtotal	**$ 11,480,041**
General Fund of the Treasury	**$ 63,848,217**
Total	**$102,636,335**



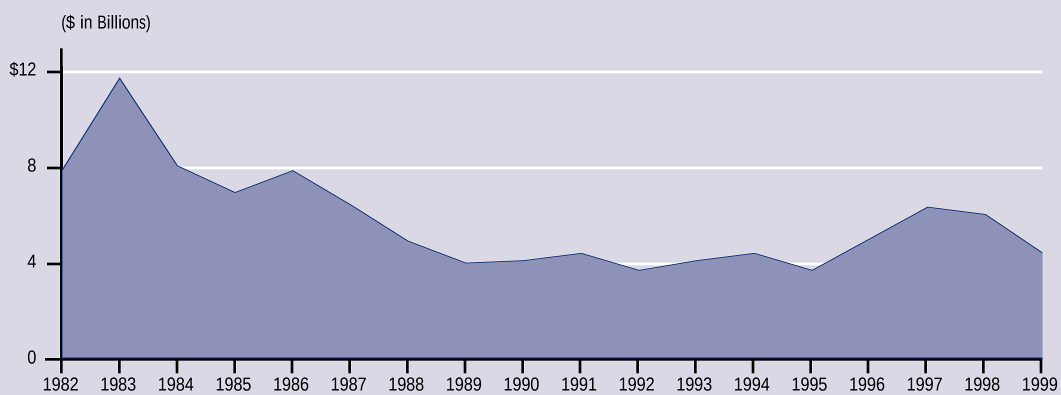


TABLE 1

SEPTEMBER 1997 PLAN Goal Categories and Mission Goals	FEBRUARY 2000 PLAN Mission Goals
1) Provide for safe and environmentally sound mineral development on the Outer Continental Shelf and ensure that the public receives fair value. • Ensure safe OCS mineral development. • Ensure environmentally sound OCS mineral development. • Ensure that the public receives fair value for OCS mineral development. • Provide for mineral development on the OCS.	**OMM: Provide for safe and environmentally sound mineral development on the Outer Continental Shelf and ensure that the public receives fair market value.** • Ensure safe OCS mineral development. • Ensure environmentally sound OCS mineral development. • Ensure that the public receives fair market value for OCS mineral development.
2) Provide timely, accurate, and cost-effective mineral royalty collection and disbursement services. • Improve the timeliness and accuracy of payments to states, Indian tribes, BIA offices, and other Federal agencies. • Improve the cost effectiveness of mineral royalty collection and disbursement services. • Improve reporters' compliance with lease terms, rules, regulations, and laws. • Provide Indian Tribes with increased opportunities for education and for assuming functional responsibilities with respect to the Royalty Management Program.	**RMP: Provide timely, accurate, and cost-effective mineral revenue collection and disbursement services.** • Provide revenue recipients with access to their money within 24 hours of the due date. • 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. • Fulfill our mineral revenue Indian trust responsibilities.
N/A	**MMS: Interact with our customers in an open and constructive manner to ensure that we provide quality services that satisfy our customers' needs.**
3) Encourage a culture that brings out the best in our employees.	Not included in this Plan. Will be used for internal management purposes.

Table 1 provides a crosswalk between the previous and this revised Strategic Plan. The most notable change is a reduced number of goals, which better focus our program. Also, we have increased the prominence of customer service goals, recognizing our continued commitment to develop a more cooperative relationship with our stakeholders.

- Long-term goal – offers an objective, measurable indication of future success.
- Annual performance goals – details the annual increments of the long-term goal. (These goals will be shown in the annual performance plans only.)

• Provides a brief description of the program evaluations used in developing this Plan.
• Discusses the MMS consultation process in developing this Plan, and intra-departmental and inter-agency crosscutting issues, i.e., those that potentially impact other organizations' goals.

While the MMS is serious about improving its management practices, it does not address them in this Plan. These issues tend to be tactical and/or operational. The MMS annual performance plans, however, do include a detailed discussion of MMS management issues and describe how each will be resolved.

The *MMS Strategic Plan* is a dynamic document that is routinely evaluated and updated. This Plan revises the September 1997 *MMS Strategic Plan*, and sets the goals, strategies, and performance expectations for Fiscal Years 2000 to 2005. This plan is based upon the Office of Management and Budget's (OMB) five-year budget projection.

ON THE HORIZON

The world is constantly changing. The MMS is committed to meet new challenges and take advantage of the opportunities created within its working environment by evolving its practices, strategies, and goals. And while we can't anticipate every change, we have considered significant aspects of that environment in developing this Plan.

Demographics: Currently, 93 percent of the MMS workforce are "baby boomers." As these workers move closer to retirement, MMS must find a cost-effective way to identify, recruit, and train competent replacements. The oil and gas industry faces a similar challenge. It too has an aging workforce and will be hiring less experienced workers — with less safety and environmental knowledge — to replace those employees who are retiring. The MMS will work with industry, states, and other stakeholders to maintain the excellent safety and environmental record of the offshore oil and gas industry.

Regulatory and statutory climate: Congressional mandates have and are expected to evolve as legislation is passed that impacts MMS's role in managing the nation's oil, natural gas, and other mineral resources. Regulations will need to be added or revised to implement new or amended laws. We will identify programmatic activities and external influences that could lead to possible legislation or regulation, and plan our programs to respond accordingly. The MMS will pursue alternative solutions to legislation or regulation where possible, and strive to increase cooperation and partner with industry to solve problems. Also, as global markets emerge, we will be actively involved with international standards-setting organizations and will provide U.S. leadership in developing international standards.

Changes in the minerals industry: Mergers, partnerships, and revolving lease ownership are becoming increasingly common. The MMS will follow these transactions closely to ensure that fair market value and correct royalty payments are received.

The importance of production in deep water will increase. Since 1996, there has been a dramatic increase in leasing in "ultra-deep water," i.e., water depth over 800 meters. Production in deep water now accounts for 36 percent of oil production in the Gulf of Mexico. The MMS will diligently watch developments in deep water and take appropriate steps to address associated environmental, socioeconomic, and technological challenges.

Production and price forecasts: Based on Energy Information Administration production and price forecasts through 2005, U.S. oil and gas consumption and the domestic production of gas will continue to increase, while domestic oil production will decrease. Oil prices are expected to be fairly constant, with occasional spikes, but over the next five years gas prices will rise only modestly. The MMS recognizes a long-term demand for oil and gas. We will continue to monitor price and production forecasts and trends and make decisions that protect the interests and resources of the American people.

The MMS Mission and Vision

MISSION:

To manage the mineral resources on the Outer Continental Shelf in an environmentally sound and safe manner and to timely collect, verify, and distribute mineral revenues from federal and Indian lands.

The MMS mission statement is based on the legislative mandates that have helped define it and reflects the broader mission statement of the Department of the Interior. Implicit in our role as steward of the nation's mineral resources is our responsibility to manage the orderly development of those resources, considering economic and safety factors, protection of human life, and protection of marine and coastal environments.

Two principles guide us in fulfilling our mission:
- Be responsive to our stakeholders' concerns and interests; and
- Work to enhance the quality of life for all Americans.

VISION

To be recognized as the best minerals resource manager.

While others in federal and state government manage mineral resources, we want to set the standards they follow.

The MMS is already recognized as a progressive and effective agency. Our goal is to become "the best in the business" and provide an outstanding service for the American people. Through high-quality service and information, reduced costs, increased efficiency, automation, and innovation, we can realize our vision. We will continue to work with the minerals industry to achieve our common objectives, and that partnership will maintain high standards for safety and the environment; meet national economic, security, and energy policy goals; and reduce the burden on industry.

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

Goal Summary

THE DEPARTMENT OF THE INTERIOR (DOI) HAS FIVE BROAD GOALS THAT PROVIDE A FRAMEWORK FOR THE NUMEROUS AND DIVERSE RESPONSIBILITIES OF ITS BUREAUS.

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

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

Our mandated mission and long-term goals contribute most directly to DOI's call to "manage natural resources for a healthy environment and a strong economy" and "meet our trust responsibilities to Indian tribes and our commitments to island communities." See Table 2 on page 12 for more details.

TABLE 2

Departmental Goals	MMS Mission Goals and Long-term Goals
Manage Natural Resources for a Healthy Environment and a Strong Economy	**Ensure safe OCS mineral development.** • Maintain or show a decrease in the average accident index of .594. **Ensure environmentally sound OCS mineral development.** • By 2005, show a decrease in the environmental impact index from the 2000 baseline. **Ensure that the public receives fair market value for OCS mineral development.** • From 2000-2005, the ratio of high bids received for OCS leases to the greater of MMS's estimate of value or the minimum bid is maintained at the 1989-1995 average level of 1.8 (+/- 0.4) to 1. **Provide revenue recipients with access to their money within 24 hours of the due date.** • By the end of FY 2005, provide recipients with access to 90% of revenues within one business day of MMS receipt and disburse 98% of revenues to recipients by the end of the month following month received. **Assure compliance with applicable laws, lease terms, and regulations for all leases in the shortest possible time, but no later than three years from the due date.** • By the end of FY 2005, ensure payments are within the expected payment range at the due date for 95% of properties. • By the end of FY 2005, issue 95% of necessary orders and demands within three years of the due date. **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.
Meet our Trust Responsibilities to Indian Tribes and our Commitments to Island Communities	**Fulfill our mineral revenue Indian trust responsibilities.** • By the end of FY 2005, ensure 100% of Indian gas producing properties are in compliance with major portion and 100% of Indian gas properties are in compliance with dual accounting for the time period 1984-2005. • By the end of FY 2005, ensure 100% of Indian oil producing properties are in compliance with major portion for the time period 1984-2005. **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.

THE MMS'S GOALS FOCUS ON OUR TWO PROGRAMS, THE OFFSHORE MINERALS MANAGEMENT PROGRAM AND THE ROYALTY MANAGEMENT PROGRAM, AND ON CUSTOMER SERVICE.

OFFSHORE MINERALS MANAGEMENT PROGRAM

The OMM Program's overarching goal is to:

Provide for safe and environmentally sound mineral development on the OCS and ensure that the public receives fair market value.

> "It is hereby declared to be the policy of the United States...the Outer Continental Shelf is a vital national resource held by the Federal Government for the public, which should be made available for expeditious and orderly development, subject to environmental safeguards, in a manner which is consistent with the maintenance of competition and other national needs."

By this statement in OCLSA, Congress established the MMS mandate for managing mineral resources on the OCS. The three primary facets of the 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.

In fulfilling our mission, we must balance these facets and comply with all relevant legislation, in particular the National Environmental Policy Act (NEPA).

Leasing of federal lands and their subsequent development have made the OCS a major source of the nation's supply of crude oil and natural gas. In the Gulf of Mexico alone, approximately 1.3 million barrels of oil and 13.8 billion cubic feet of gas are produced each day. These oil and gas resources are abundant but ultimately exhaustible. The MMS must manage these resources in a manner that is consistent with sustainable development.

"Sustainable development," in the words of the United Nations World Commission on Environment and Development, is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." We will contribute to a sustainable future in two ways:

- as a bridge to the future, until alternative energy sources become viable, and
- through creation of wealth, which facilitates the development of alternative energy sources, including renewable sources. Since OCS leasing began in 1953, the market value of oil and gas produced is more than $385 billion.

Today's offshore oil and gas industry is global, and MMS is committed to being involved in international activities that could impact its domestic program. We are also dedicated to developing collaborative projects with other countries to promote safe and environmentally sound oil and gas operations worldwide. True sustainability will only be achieved through the collective behavior of the world's population. For our part, and within our mandate and authority, MMS can assure orderly access to OCS resources, protect our environment, improve safety management systems, and obtain for the public a fair return on OCS resources.

Leasing and production of oil and gas on certain areas of the OCS have been restricted based upon congressional moratoria and the President's June 1998 decision to administratively withdraw from new leasing until 2015 areas of the OCS that were under congressional moratoria in FY 1998. In addition to oil and gas, offshore operators produce salt, sulphur, sand, and gravel from OCS leases. This Plan does not include the production mission goal that was in the 1997 Plan because after reevaluation we determined that production from offshore leases is beyond our span of control. We will, however, continue to measure, monitor, and report on offshore production.

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

According to the OCSLA, "Operations on the Outer Continental Shelf should be conducted in a safe manner by well-trained personnel using technology, precautions, and techniques sufficient to prevent or minimize the likelihood of blowouts, loss of well control, fires, spillages, physical obstruction to other users of the waters or subsoil and seabed, or other occurrences that may cause damage to the environment or to property, or endanger life or health." Other federal statutes that apply to this aspect of MMS regulatory responsibilities include the Occupational Safety and Health Act of 1970. The MMS programs are designed to protect life, property, the environment, and OCS resources.

LONG-TERM GOAL OMM-1A: MAINTAIN OR SHOW A DECREASE IN THE AVERAGE ACCIDENT INDEX OF .594.

The average accident index is an important indicator of operator performance and of how well industry — and MMS — is managing to reduce the frequency and severity of accidents related to offshore mineral development activities. It incorporates the severity of all accidents

OMM inspectors conduct a mock inspection of a Turkmenistan state-owned drilling rig during a 1999 visit.

during the year, as well as the complexity and volume of offshore activities. The severity of each accident is determined by the degree of injury, number of fatalities, type of event, and amount of property damage.

Improving this index is an indication of MMS's success in ensuring safe OCS mineral development. The index is also an important management tool. By monitoring and analyzing its fluctuations and components, MMS can identify areas of high risk and poorer performing operators, and focus resources and target inspections in these areas.

Relationship between Long-term Goal and Annual Performance Goals

The MMS is committed to improving safety on the OCS, both long- and short-term. The accident index is new for FY 2000. We will maintain our excellent record and strive to reduce the index over the next five years.

Strategies

To maintain and improve upon the nation's excellent record for safe and clean offshore operations, MMS continually seeks operational improvements that will reduce the risks to offshore personnel and the environment. The MMS reevaluates its procedures and regulations to stay abreast of technological advances that help ensure safe and clean operations, as well as increase awareness of their importance. We also maintain strong working relationships with the offshore industry and participate in research that will improve safety conditions.

Prevention is the key to achieving this goal. Our approach includes:

- **Fostering compliance through inspection and enforcement:** Adhering to established regulations is the basic building block for safe operations. The MMS will inspect offshore operations and foster compliance by imposing enforcement actions (warnings and shut-ins) and penalties for noncompliance. Violations that cause injury, death, or environmental damage, or pose a threat to human life or the environment, will trigger a civil penalty review.

- **Partnering with operators:** Improving safety calls for more than compliance with existing regulatory requirements. Human error or poor organization causes an estimated 80 percent of industrial accidents. The MMS will employ innovative approaches such as its Safety and Environmental Management Program (SEMP) to address these problems, and make OCS operations even cleaner and safer. The MMS will work with operators to develop SEMP plans that designate specific management activities, including how to operate and maintain equipment, identify and mitigate safety and environmental hazards, respond to and investigate accidents, work with contractors, and train personnel. We will also continue participating in the SEMP Performance Measures and Best Practices workshops that we developed with industry and the U.S. Coast Guard.

- **Directing inspections to address the highest priorities:** The MMS will conduct annual performance reviews with operators to direct the inspection program toward those operators with poorer performance records. The MMS will also provide incentives to comply with regulatory requirements and conduct safe operations by granting safer operators some relief from inspections.

- **Using training as a tool for accident prevention:** By emphasizing comprehensive training and certification programs, MMS can prepare industry personnel to handle emergency situations and production safety system breakdowns. The MMS will also continue to issue its National Safety Award for Excellence (the "SAFE Award"), which recognizes and encourages companies to train and motivate employees to conduct offshore operations in a safe and environmentally responsible manner.

- **Investigating accidents and analyzing accident trends:** The MMS will use accident investigation and accident trend information to identify current and emerging high-risk areas and develop appropriate strategies for preventing accidents. These strategies may involve modified regulations, development of industry standards, technical research, or publication of accident information.

Key Factors Affecting Goal Achievement

- **The introduction and evolution of technology.** Changes in technology can make the offshore workplace safer, but may also introduce new hazards into the work environment. In recent years, improvements in monitoring equipment have allowed personnel to be more aware of changing operating conditions and less susceptible to unsafe conditions.

- **The changing faces of the industry and labor pools.** The offshore industry is becoming more and more international as companies merge and conduct operations worldwide. Industry and regulators are participating in the development of international standards. Global standards could positively affect the five-year average accident index by eliminating confusing and conflicting requirements for rigs and crews that move from country to country.

- **The price of oil and gas.** Changes in price directly impact the level of offshore exploration and development and can affect the accident index. Lower prices may result in less activity and less accidents. Increased prices can create a shortage of qualified, trained personnel, which can result in more accidents due to the number of less experienced personnel in the industry.

Crosscutting Relationships

We work closely with the U.S. Coast Guard, the Department of Transportation's Office of Pipeline Safety (OPS), and other federal and state regulatory agencies to minimize confusion and redundancy in regulatory oversight. The MMS shares accident investigation authority on the OCS with the Coast Guard, and is jointly developing an Internet-based reporting system to eliminate duplicative requirements. The MMS and OPS share pipeline regulatory authority on the OCS, and are working under a Memorandum of Understanding that defines each agency's authorities. Common training of inspectors is also shared with OPS, and MMS participates in and provides funding for common research projects.

Finally, the MMS coordinates its efforts with industry organizations, such as working with the American Petroleum Institute and the International Standards Organization to develop international standards acceptable for incorporation into OCS regulations.

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

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

> In accomplishing this goal, MMS and offshore operators will comply with all applicable environmental laws, including the National Environmental Policy Act, Endangered Species Act, Marine Mammal Protection Act, Magnuson-Stevens Fishery Conservation and Management Act, Clean Air Act, Federal Water Pollution Control Act, Oil Pollution Act of 1990, National Historic Preservation Act, and the Coastal Zone Management Act.

MMS is protecting the nation's natural biological resources.

LONG-TERM GOAL OMM-2A: BY 2005, SHOW A DECREASE IN THE ENVIRONMENTAL IMPACT INDEX FROM THE 2000 BASELINE.

The MMS is continuing to research ways to create an index that reflects environmental impacts on seafloor resources (hard bottoms, chemosynthetic communities, and archaeological sites), protected biological resources (threatened and endangered species, and all marine mammals), air, and water. Once this environmental index is completed and has a supportable baseline, it will be a good measure of our performance in achieving environmentally sound OCS mineral development.

Relationship between Long-term Goal and Annual Performance Goals

Developing a reliable outcome measure for the environmental program has proven more difficult and time consuming than originally envisioned. We have made good progress and are optimistic that we will have enough trend data to establish a baseline and set a target level of performance for FY 2002.

For FY 2000 and FY 2001 the amount of oil spilled per million barrels of oil produced — a key component of the index — will be used to measure success in decreasing environmental impacts. Preliminary data for the FY 2000 and FY 2001 environmental index will be reported for information purposes. Once established and proven reliable, the index will incorporate the oil spill measure and will be the sole measure reported annually.

Strategies

The primary strategies used to achieve the long-term goal include:

- **Fostering compliance through inspections and enforcement:** As with our safety goal, complying with regulations is the basic building block for environmentally sound operations. We continue to work and consult with other federal and state agencies that have jurisdiction over environmental resources.

- **Protecting seafloor resources:** We will analyze how lessees and operators implement mitigating measures placed on OCS operations for protecting certain elements of the environment. By reviewing documents submitted by operators upon completion of offshore activities, resource specialists will monitor projects in sensitive areas to determine if seafloor resources were contacted.

- **Protecting air and water quality:** For air quality in the Gulf of Mexico Region (GOMR) Class I Non-Attainment Area, inspectors will verify operator compliance with approved permits. In the Pacific and Alaska Regions, MMS will perform air quality equipment monitoring to verify operator compliance with project specifications and MMS or local requirements.

  For water quality, the GOMR is working with the Environmental Protection Agency (EPA) to carry out water sampling at the platforms and improve reporting. In the Pacific Region, MMS performs inspections and sampling on EPA's behalf at offshore facilities. In the Alaska Region, MMS will carry out compliance monitoring rather than actual water quality monitoring.

- **Protecting threatened and endangered species and protected marine mammals:** We will work with the Fish and Wildlife Service (FWS) and the National Marine Fisheries Service (NMFS) to develop mitigating measures and monitoring programs that protect biological resources.

- **Enhancing stakeholder decision-making:** By sharing environmental data and research information with states, industry, and the public, we can increase the information base and facilitate decision-making. We will also provide information through the NEPA process and on the MMS Web site.

- **Partnering with other federal agencies:** We will work with the Coast Guard to improve oil spill accident reporting requirements and use automated data systems to improve in-house accident monitoring and investigations. The MMS is also researching issues associated with an aging pipeline infrastructure, which continues to be the major source of spilled oil on the OCS. We will coordinate with the U.S. Army Corps of Engineers on pipeline right-of-way approvals.

Key Factors Affecting Goal Achievement

- The price of oil dictates the level of offshore exploration and development. Significant increases in industry activity from higher prices could result in decreased attention to environmental matters. Likewise, lower prices may mean that some companies may cut corners to reduce costs.
- Operations in increasingly deep water in the Central and Western Gulf of Mexico may introduce operational variables that, if not handled appropriately, could adversely impact the environment. Performance in these difficult environments will require diligence on the part of industry and MMS.
- Natural catastrophic events such as hurricanes.
- Accidents caused by other commercial ocean resource users.

Crosscutting Relationships

In assessing impacts to and protecting biological resources, we coordinate efforts with the FWS and NMFS on protected marine mammals and threatened and endangered species. We consult with NMFS on activities that may adversely impact essential fish habitat; work closely with EPA, the agency that sets acceptable limits of emissions into the atmosphere and discharge limits into OCS waters; and have joined with the Coast Guard to obtain reports on oil spill accidents to determine if those are applicable to MMS regulated activities.

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

The OCS mineral leasing program generates revenue from several sources:

- bonus bids paid on tracts at lease offerings;
- annual rental payments on leases not in production;
- minimum royalties assessed on producible leases that are not actively producing;
- shut-in gas payments on producible gas wells closed temporarily because of mechanical, safety, or other problems; and
- royalties paid on sales of crude oil, condensate, natural gas, oil lost, gas lost, gas plant products, sulphur, and salt.

Given the uncertainties of how much (if any) oil and gas exist under a lease, future oil and gas prices, and costs associated with production, estimates of a tract's value will vary considerably. In a competitive lease sale, the bidder that has the most optimistic view of a tract's value, and bids accordingly, will win the lease, unless our bid assessment shows it to be too low, i.e., below fair market value. The OCSLA mandates that the public receives fair market value for OCS mineral resource development. Tracts cannot be leased if they fail to meet the criteria necessary for awarding a bidder with a lease.

An MMS scientific diving team investigates the wreck of a 119 year old shipwreck, the SS Josephine, off Biloxi, Mississippi.

LONG-TERM GOAL OMM-3A: FROM 2000-2005, THE RATIO OF HIGH BIDS RECEIVED FOR OCS LEASES TO THE GREATER OF MMS'S ESTIMATE OF VALUE OR THE MINIMUM BID IS MAINTAINED AT THE 1989-1995 AVERAGE LEVEL OF 1.8 *(+/- 0.4)* TO 1.

This goal provides reasonable assurance that the public is receiving fair market value for tracts leased by the Federal Government. If industry and MMS had the same information and models, and if bids and values were based on the same criteria, high bids would tend to equal the expected value and the ratio would be "1 to 1." If the government always had the most optimistic view, the ratio would tend to be less than "1 to 1" and we would reject all bids and not issue any leases. If the ratio was significantly higher, it might indicate that the government was undervaluing the tracts or that industry is being optimistic or has a particular bidding strategy.

As a measure of fair market value for the public in an OCS lease sale, the ratio of high bids to the estimated value should always be greater than 1. Given all the speculation and potential for variation, our historical information and reviews of auction and evaluation procedures indicate that the current ratio of 1.8 *(+/- 0.4)* to 1 represents fair market value.

Relationship between Long-term Goal and Annual Performance Goals

Maintaining the current ratio of 1.8 *(+/- 0.4)* to 1 annually provides reasonable assurance that the public is receiving fair market value for OCS leases.

Strategies

The focus of fair market value procedures helps MMS understand as much as possible about the resource potential of a tract, thus enabling MMS to make better, more efficient estimates of monetary values. Primary strategies in achieving this goal are:

- **Investing in technological advancements:** Industry continuously invests in technological advances to improve its tract evaluation process. The MMS must keep pace with industry advances in technology and have the same data and analytical capabilities to ensure fair market value for the public. The MMS will continue to invest in Geologic Interpretive Tools (GIT) workstations and acquire state-of-the-art seismic information.

  For example, we have significantly improved our ability to evaluate acreage offered for lease by acquiring GIT workstations that enable the interpretation and analysis of three-dimensional (3-D) seismic data. We have also acquired updated information technology (IT) systems.

- **Improving procedures and tract evaluation modeling:** We will review and revise bid adequacy procedures, the tract evaluation process, and the auction format. Our tract evaluation models and economic models are constantly reviewed and improved upon. For example, we have recently made improvements to the MONTCAR model used for tract evaluation.

- **Maintaining a highly trained professional staff:** Analyzing geologic data and developing estimates of lease value requires a highly specialized, professional workforce. We will maintain a well-trained professional staff that includes petroleum geologists, geophysicists, engineers, economists, modelers, and computer specialists with experience in resource evaluation, resource assessment, and reserve analysis.

Key Factors Affecting Goal Achievement

- The price of oil and gas, corporate strategies regarding investments and exploration, and the political environment can all have significant impacts on the size and number of bids at OCS lease sales. With the exception of prices, these other factors do not enter into MMS tract evaluation, but they do impact industry bids. Therefore, the ratio of high bids to MMS evaluation can be affected.
- Technology is rapidly evolving and is also being used more by the industry. The MMS must be able to keep pace with industry in its ability to acquire and analyze geological and geophysical data.

Crosscutting Relationships

The MMS does not depend on other bureaus or agencies to any significant extent in its pursuit to assure that fair market value is received for tracts leased.

ROYALTY MANAGEMENT PROGRAM

The RMP's overarching goal is to:

Provide timely, accurate, and cost-effective mineral revenue collection and disbursement services.

The MMS's Royalty Management Program provides a comprehensive, consolidated service for collecting, accounting for, and disbursing mineral revenues. Along with a broad range of financial services, MMS also pursues an extensive compliance effort staffed by MMS employees and state and tribal auditors. Currently, MMS administers the rental, royalty, and other financial terms for more than 26,000 producing and 54,000 non-producing mineral leases, both onshore and offshore.

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

The reengineered program will be:
- Highly integrated
- Fully supported by state-of-the-art technology
- Process centered
- Focused on outcomes
- Less costly
- Viewed by stakeholders as the best.

Two end-to-end core business processes will meet the primary mission requirements of the future:
- The financial management process will receive and disburse information and money.
- The compliance and asset management process will manage a full range of activities, including product valuation, market analysis, verification, and audit.

Our 2001-2005 mission goals and strategies are based on a completed reengineering initiative. Preserving MMS's core knowledge and skills regarding royalty management, and transferring this information effectively, will be a key to ensuring ongoing success beyond reengineering. We will deploy "knowledge management" as a strategy to improve our performance as an organization and support all of our goals. Knowledge management is having the right information readily available in a useful form so it can be transformed into good organizational decision-making and actions.

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

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

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

In achieving this goal, MMS will provide recipients quicker access to their money and ensure that we receive expected revenues from companies by the due date. The latter objective is related to compliance and is addressed under long-term goal RMP-2A.

LONG-TERM GOAL RMP-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.

The MMS wants to improve timeliness by providing recipients with access to mineral revenues by the end of the business day following the day of receipt. *One business day* was set as the target, rather than our stretch goal of 24 hours, to allow for holidays and weekends. We also will continue to comply with the law, which requires that we disburse funds by the end of the month following the month of receipt.

Relationship between Long-term Goals and Annual Performance Goals

The MMS is required to disburse funds to recipients by the end of the month following the month it receives payments and reports. The MMS now disburses more than 98 percent of funds "timely," as defined by FOGRMA, and the goal is to maintain that excellent level of service.

Once new systems become operational in FY 2002, we will aspire to provide recipients access to funds within one business day (or later if the recipient prefers), so they have much quicker use of their funds. To account for the expected learning curve in using the new systems — by MMS and the companies involved — a fairly conservative target was set for FY 2002. The FY 2003 and FY 2004 targets, however, will move us incrementally closer to achieving 90 percent of funds accessible to recipients within one business day.

Strategies

To achieve this goal, the following strategies will be employed.

- **Implement New Systems:** Many of our systems and personal computer applications are outdated. New Commercial-Off-The-Shelf (COTS) financial software will expedite efficient management and timing of disbursements. The system is scheduled to be implemented by October 2001.

- **Streamline Reporting Requirements:** In response to industry feedback and to ensure more efficient data processing and fund access, MMS will simplify reporting requirements for companies. We will also pursue opportunities for electronic business.

- **Improve Process Efficiency:** The MMS will implement new processes and systems to allow more efficient control of data gathering and storage, error correction, cash matching, distribution, and disbursement activities. For example, simplified reporting requirements will contribute to more efficient data processing. These improvements will ensure that reporting flows quickly through the system and recipients have quicker access to money. This process will also provide for more efficient use of MMS staff resources.

Improving efficiency cannot be done by MMS alone. We must work closely with companies to resolve issues that arise. We can do so more effectively — and identify potential problems more quickly — by capturing trends and incorporating knowledge about companies and their reporting.

- **Use Incentive Tools:** The MMS will encourage companies to improve their reporting and payment processes through regulations, reporter training, and civil penalties.

Key Factors Affecting Goal Achievement
Our targets are based on the projected October 2001 system implementation date and assumed capability to ensure increased electronic payments and reporting by companies. We also assumed that company reporting and payments will be accurate and that we will have increased efficiencies in our processes. Any change in these factors could cause us to adjust our targets for this goal.

Crosscutting Relationships
Indian trust responsibility is a high priority. We will work closely with BIA on its new systems development project to ensure efficient fund disbursement to tribes and allottees.

Since 1982, MMS has collected more than $20 billion from federal onshore leasing activities administered by the Bureau of Land Management (BLM), in addition to the more than $82 billion in revenue collections from OCS activities. We are coordinating our reengineering effort and communicating with BLM to ensure more accurate and timely receipt of lease data and information. This will ensure more expedient flow of related revenues to recipients.

We will also continue to work with other federal agencies that receive revenues we collect, including the U.S. Forest Service, the Bureau of Reclamation, and the U.S. Treasury, and with states to determine how to best meet their needs for access to their federal funds.

Program evaluation and performance improvements
The Joint Financial Management Improvement Program (JFMIP), a cooperative undertaking by the Office of Management and Budget (OMB), the General Accounting Office, the Department of the Treasury, and the Office of Personnel Management, has defined financial management system requirements for the federal government. We will evaluate our new system for compliance using the JFMIP recommendations for core financial system management, general ledger management, receipt management, and financial reporting.

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

The compliance process is currently conducted through automated verification, desk and field audits, valuation advice and monitoring, and collection and enforcement. We have accomplished significant coverage of royalty revenues with limited staff resources, resulting in additional revenue collections of more than $2 billion from compliance activities through 1999. However, up until now, our goal has been to accomplish most compliance activities within six years, with a focus on companies rather than properties.

The adoption of our goals for the reengineered compliance and asset management processes requires radical change in our audit and compliance strategy. Consequently, we plan to reduce our compliance cycle from six years to three years. We will also change our compliance focus from companies to properties. Instead of looking at a specific company's payments on its leases nationwide, we will concentrate on the total payments made by all companies selling production from a particular lease. An independent audit function will also be implemented to ensure that end-to-end financial and compliance processes are consistently applied and effective.

LONG-TERM GOAL RMP-2A: BY THE END OF FY 2005, ENSURE PAYMENTS ARE WITHIN THE EXPECTED PAYMENT RANGE AT THE DUE DATE FOR 95 PERCENT OF PROPERTIES.

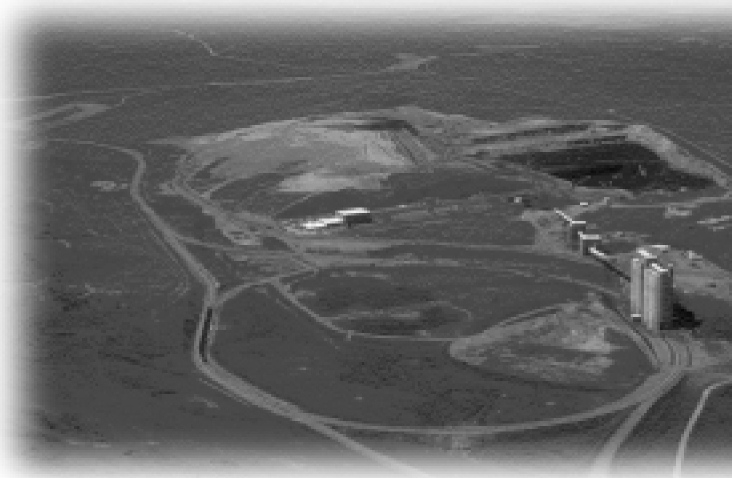
The objective of this goal is to improve the accuracy and timeliness of company royalty payments at the due date. This goal most closely relates to our previous compliance index goal that compared overall dollars expected to dollars received. The focus of this new goal is on expected values for defined producing areas and properties, which is a major departure from our current company-based approach, and more in line with the way industry operates.

By focusing analyses on properties and producing areas, we can better understand the markets and prices being realized for commodities and their impact on royalties. Information obtained to establish the calculated expected value will vary by property and producing area, depending on the characteristics of that area. We will establish the expected values for each element of the royalty formula — volume, quality, unit price, royalty rate, and allowances. These expected values will be based on reported data, information gathered from third-party sources, industry contracts, and information from surface management agencies such as BLM. As compliance analysis provides our employees with more knowledge about specific properties, transportation systems, and local markets, we will be able to identify increasingly realistic expected values.

Relationship between Long-term Goals and Annual Performance Goals

The current estimated baseline is that companies paid and reported at least 90 percent of expected dollars at the due date on 32 percent of leases. This baseline was established using auditor judgment on a random sample of 100 leases. Current systems do not support our ability to perform in-depth analysis of expected value for all properties. However, through the system developed for our test environment (known as "RUBY"), we will begin to refine this ability for some properties so that we can provide data toward this measure in 2001 and 2002.

In FY 2001, we do not anticipate a great change in this measure because we will still be working toward final reengineering implementation. By 2002 the expected value process will be further refined and systems will be in place so analysis can be performed for all properties. From 2002 forward, our targets will incrementally increase towards the 2005 goal of 95 percent of all properties.



Coal mines are one of the sources from which RMP collects royalties.

Strategies

The following strategies will assist MMS in achieving this goal.

- **Implement New Systems:** Recommended IT investments include implementation of a relational database management system, a host of automated analytical tools, and enhanced use of the capabilities of the World Wide Web for reporting and information exchange. These changes will dramatically improve our capability to ensure correct reporting at the due date. Systems are scheduled for implementation by October 2001.

- **Streamline Reporting Requirements:** Reporting requirements will be simplified to assist companies in providing accurate and more timely reporting. Earlier and accurate reporting will help MMS focus resources on ensuring compliance within three years, rather than on correcting reporting errors with companies.

- **Focus Staff Resources:** A portion of MMS's staff will concentrate on those properties that are paid significantly below the expected value range. Once the new systems are in place, and as we gain more knowledge of specific producing areas, our staff will be able to efficiently scrutinize many related leases, regardless of their size.

- **Publish Valuation Regulations:** A major component of our compliance effort is devoted to determining whether lessees have valued production for royalty purposes in compliance with the appropriate regulations. To ensure recipients fair market value for the resources produced, the MMS is updating its oil valuation regulations. The new regulations will lead to earlier certainty of expected value.

- **Implement Royalty-In-Kind (RIK) Initiatives:** The MMS is partnering with Wyoming and Texas on two RIK pilots and began a third pilot in the Gulf of Mexico in the fall of 1999 to test the circumstances under which royalties could best be taken in kind. In a related initiative, the Department of Energy (DOE) and Department of the Interior are partnering to take 28 million barrels of crude oil royalties in kind to help fill the Strategic Petroleum Reserve (SPR).

  We have also altered the way we determine the price of oil sold to refiners in the small refiner program, to add certainty and fairness to the valuation process. As the steward for mineral assets on federal public lands, we are determined to achieve a fair market value. For properties where we determine RIK makes the best business sense, the price will be set up-front in the contract, providing greater certainty of expected value for these properties.

Key Factors Affecting Goal Achievement

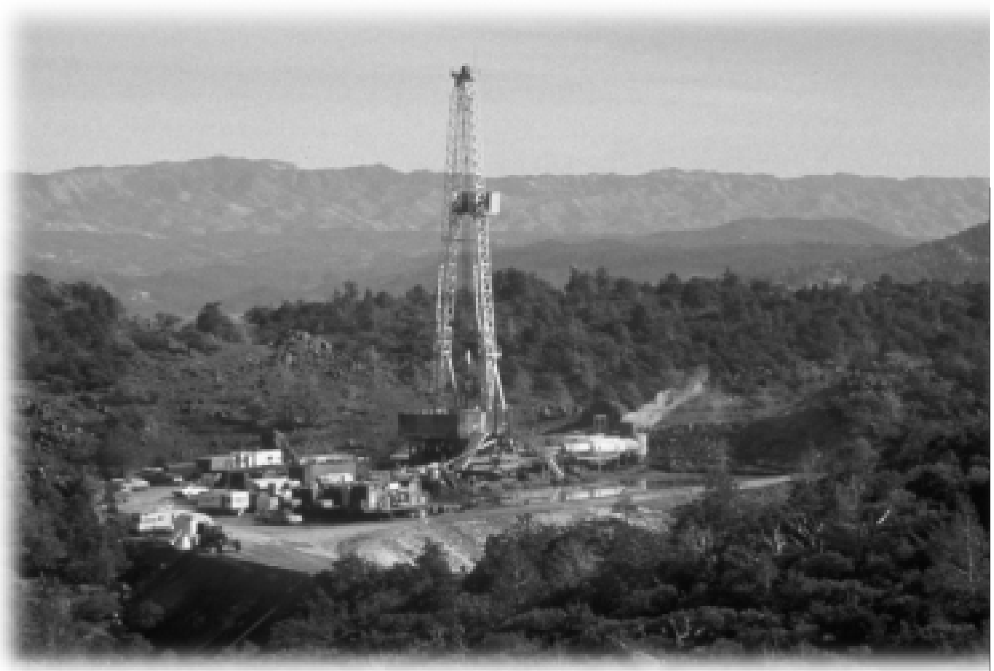
Our targets are based on the October 2001 system implementation date. Also, in the recently passed appropriations bill for the Department, Congress extended the moratorium on publishing final oil valuation rules until March 15, 2000. The MMS reproposed the rule for valuing oil produced from federal lands and plans to publish a final rule in March 2000. The MMS has also reproposed the rule for valuing oil on Indian lands and expects to publish a final rule by April 2000. If these regulations are not published, we will not be able to ensure early certainty of expected value.

Crosscutting Relationships

In partnership with states and tribes, MMS will determine how future delegated agreements should be modified to incorporate future end-to-end compliance processes. Also, we will continue to work with states regarding the best way to implement RIK initiatives and with DOE to complete the transfer of the royalty oil to the SPR.

Program evaluation and performance improvements

In response to Inspector General (IG) recommendations and the internal MMS reengineering team's conclusions that existing systems cannot efficiently support reengineered business processes, MMS is modernizing its IT environment. Once new systems are implemented, MMS will have the knowledge and capabilities to ensure early detection and resolution of compliance issues, which will enhance our ability to detect whether companies are paying correctly at the due date.



An onshore gas well, from which RMP collects royalties.

LONG-TERM GOAL RMP-2B: BY THE END OF FY 2005, ISSUE 95 PERCENT OF NECESSARY ORDERS AND DEMANDS WITHIN THREE YEARS OF THE DUE DATE.

Our objective is to measure and ensure the effectiveness of MMS's new reengineered end-to-end compliance processes and three-year compliance cycle. Ensuring that all orders and demands that should have been issued have been issued will contribute to meeting our mission goal of industry compliance with laws, lease terms, and regulations.

To develop and test reengineered processes, MMS established Operational Model Teams in 1998. The transfer of responsibility for leases to these teams began in 1999. State and tribal auditors cover a significant portion of onshore royalties under audit delegations from MMS. They are partnering with MMS by placing members on our Operational Model Teams to test and develop the end-to-end compliance processes under the new three-year cycle.

To ensure that necessary orders and demands have been issued within the three-year cycle and to determine whether MMS discovered and ordered the necessary correction of all significant non-compliance by lessees, MMS will perform independent random sample audits of converted properties. We will not ascertain the timing, extent, and scope of these process assurance audits until the new business processes are finalized and their related automated controls are designed and made fully operational.

Relationship between Long-term Goals and Annual Performance Goals

The annual target for each year will be 95 percent of converted properties. Since we will be converting more properties each year into the three-year cycle, we will be measuring against a larger converted population each year.

Strategies

The following strategies will be employed to achieve this goal.

- **Implement New Systems:** The Operational Model Teams are testing the model system RUBY to determine the extent to which MMS has sufficient data and expertise to discover all of the significant instances of incorrect payment. With the knowledge gained from these tests, MMS will contract for a permanent system to be integrated with the new financial system. The new system will enable us to focus on several properties at once, enhancing timely and cost-effective processes.

- **Streamline Reporting Requirements:** Timely and accurate mineral revenue reporting and payments are necessary in order for MMS to ensure compliance. Streamlined reporting requirements should increase companies' reporting accuracy and help to achieve this goal.

- **Transition Production to Three-Year Process:** The "Transition Audit Strategy for 1999 and Beyond" is our plan to move from our current six-year company-focused audits to the three-year property-focused end-to-end compliance processes. Although most production will be converted to the new three-year cycle by 2001, residual audits for past periods will remain. During 2002 and 2003, MMS will wrap up these residual audits and be fully transitioned by the end of 2003. By increasing use of statistical sampling and extrapolation techniques, consolidating royalty valuation and audit components common to multiple properties, and consolidating properties and concentrating on points of market commonality, this audit transition strategy will enable us to maximize our resources.

MMS Director Walt Rosenbusch visits a coal mine in New Mexico.

- **Implement RIK Initiatives:** As discussed under long-term goal 2A, MMS is altering small refiner RIK processes and piloting expanded RIK initiatives. For leases where RIK makes good business sense, MMS's ability to ensure compliance within three years will be enhanced because the price of production is set up-front in the contract, providing greater certainty in value. This would virtually eliminate one of the more contentious and time-consuming compliance processes, enhancing our ability to ensure compliance within three years.

- **Use Enforcement Tools:** The FOGRMA grants MMS the authority to assess civil penalties from companies that fail to comply with requirements in statutes, lease terms, and regulations. The MMS will continue its use of civil penalties to encourage proper and timely payment.

Key Factors Affecting Goal Achievement

A key factor that could significantly affect achievement of the long-term goal is late mineral revenue reporting and payment adjustments by companies. Our research shows that most company adjustments occur within the first few months after the initial royalty report and payment are due. However, the Federal Oil and Gas Royalty Simplification and Fairness Act allows companies up to six years to adjust reporting and payments. The MMS will develop system capability that shows when adjustments occur following completion of the three-year compliance processing cycle. However, when companies make these late adjustments, it will interfere with our ability to achieve this goal.

Crosscutting Relationships

The MMS will facilitate communications among its management, Operational Model Teams, and state and tribal audit teams. The MMS will also increase cooperation with the Department of Justice and DOI's Office of the Inspector General in investigating potential instances of knowing or willful underpayment or inaccurate reporting.

Program Evaluation and Performance Improvements

The recommended IT investments respond to Inspector General recommendations and reengineering conclusions that a relational database and programwide workflow/case management tools are necessary but not currently available. Our reengineering analysis concluded that current operations are time-consuming, frequently repetitive, somewhat arbitrary, and take entirely too long. The new systems will automate the targeting and resolution process for compliance, focusing on properties and analyzing all compliance components concurrently.

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

The MMS's continuing objective is to provide the highest possible Indian trust protection relative to our role in collecting and dispersing royalties on Indian lands. We are focusing our efforts on the accuracy and timeliness of collections and disbursement and on industry compliance, to ensure that Indian tribes and allottees receive all monies due to them. We are also providing training and assisting the tribes so that they may assume royalty functions, as discussed in our customer service goal.

To enforce the unique terms contained in Indian leases, MMS is expanding its major portion[1] and dual accounting[2] coverage to Indian tribes and allottees not currently being serviced. These lease requirements are designed to ensure maximum revenues to tribes and allottees for oil and gas produced and sold from their land. This can require calculations dating as far back as 1984. Additional royalty collections from enforcing these lease requirements to date total approximately $7 million.

In 1992, MMS began an initiative to ensure appropriate collection of royalties and enforcement of the lease term requirements for major portion, in addition to the emphasis we already had given to dual accounting requirements. We will continue to collect additional royalties due to the enforcement of these lease requirements, and our long-term goals are related to this initiative.

Long-term Goal RMP-3A: By the end of FY 2005, ensure 100 percent of Indian gas-producing properties are in compliance with major portion and dual accounting for the time period 1984-2005.

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

The MMS looks to eliminate the backlog of major portion and dual accounting calculations and enforcement for the time period 1984-1999 and perform these calculations more contemporaneously for 2000-2005. We anticipate significant additional revenues to our Indian stakeholders as the initiative advances. Separate long-term goals are established for properties producing gas and properties producing oil because annual targets will move at different paces due to different valuation complexities, varied lease term requirements, and the specialized resource expertise needed for each product. Because much of the related information is the same, the descriptions of both goals have been combined below.

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

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

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

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

After January 2000, this process for Indian gas-producing properties will become less burdensome. Under the new Indian Gas Valuation Regulation, companies can comply with the regulations on their own by calculating major portion based on publicly available index prices for most producing areas. For areas where there are no available indices, MMS will publish major portion prices in the *Federal Register*, giving companies the information they need to calculate their major portion liabilities.

The MMS will contemporaneously ensure proper major portion and dual accounting calculations for 2000-2005 as a part of the end-to-end compliance process.

Relationship between Long-term Goals and Annual Performance Goals

In setting the targets for completing the 1984-1999 time period, we gave priority to the leases for each tribe with the highest revenues. Targets are based on an analysis of the total Indian revenues reported to MMS. Separate annual targets are set for oil and gas.

Strategies

The following will assist us in achieving this goal.

- **Implement the Final Indian Gas Valuation Rule:** The new Indian Gas Valuation Regulation, published on August 10, 1999, addresses valuation issues including major portion and dual accounting for gas-producing properties. For gas production after the rule's effective date of January 2000, changes in this rule simplify the burden of complying with these lease term requirements from 2000 forward. For Indian leases located in certain areas, MMS can confirm the level of accuracy of the lessees' reports and payments upon receipt.

- **Publish the Final Indian Oil Valuation Rule:** New Indian oil valuation regulations, if published, would ensure earlier valuation certainty and less complexity in major portion calculations for oil leases. In the recently passed appropriations bill for the Department, Congress extended the moratorium on publishing final oil valuation rules until March 15, 2000. The MMS has reproposed the rule for valuing oil produced from federal lands and plans to publish a final rule in March 2000. The MMS has also reproposed the rule for valuing oil on Indian lands and expects to publish a final rule by April 2000.

- **Maximize our Staff's Expertise:** While MMS is completing implementation of major portion and dual accounting for 1984-1999, we will also ensure compliance with these lease requirements for time periods

2000 forward. We must maximize utilization of staff who have specialized expertise to complete calculations based on both past regulations and new regulations, who understand differences between oil and gas lease term requirements, and who can efficiently complete the calculations.

In addition, major portion and dual accounting analyses require a great deal of data and knowledge currently captured only in filing cabinets. In the new end-to-end compliance process, MMS will develop new ways of capturing, assimilating, and disseminating major portion knowledge so that our analysts do not have to re-acquaint themselves with the property each time they perform a new analysis.

Key Factors Affecting Goal Achievement
Targets are based on the October 2001 system implementation date; on receiving the additional resources requested for FY 2001; and on publication of the Indian Oil Valuation Rule. A change in any of these factors could affect the achievement of this goal.

Crosscutting Relationships
We coordinate service to our Indian constituents with other agencies through our participation in the Indian Minerals Steering Committee (IMSC), a group that acts as a forum to facilitate the resolution of Indian mineral resources and royalty management issues. The IMSC includes representatives from MMS, OST, BIA, BLM, the Office of the Secretary, and the Department's Office of Policy, Management and Budget.

CUSTOMER SERVICE

All of MMS shares in this mission goal.

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

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

As discussed, RMP is in the midst of an extensive reengineering initiative, and is collaborating with its stakeholders to develop and test new processes. Thus MMS intends to pilot its performance measurement in the OMM Program. The RMP will have the full benefit of OMM's efforts when it begins to measure its performance after implementing its reengineered processes.

LONG-TERM GOAL CS-1: BY 2005, SHOW AN INCREASE IN CUSTOMER SATISFACTION WITH OUR DATA AND INFORMATION SERVICES.

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

Relationship between Long-term Goal and Annual Performance Goals
Baseline data for OMM in FY 2000 will be gathered using surveys approved by the Office of Management and Budget. The RMP anticipates an intense learning mode for its new systems in FY 2002. In FY 2003, after new systems are implemented and stabilized, we will gather baseline data regarding our stakeholders' satisfaction with new reengineered processes and systems. For each program, annual performance goals will be incremental increases above the baseline.

Strategies
Strategies for meeting this goal include:

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

Involving our Indian stakeholders.

The MMS maintains a highly popular Web site: www.mms.gov. It has lots of information about MMS programs, ongoing activities, initiatives, and reference material. Regarding the Gulf of Mexico Region alone, the Web site has over 2600 pages available to the public. We will also continue innovations to improve quality data and information services to our customers, such as the recent release of 50 years of Gulf of Mexico oil and gas information in a four-CD-ROM set.

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

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

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

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

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

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

- **Locate MMS Staff in New Field Locations:** By locating our staff nearer to Indian country, MMS will be closer to the Indian mineral owners and be better positioned to address issues and concerns specific to each owner in locations convenient to them. The IMSC has evaluated the success of the Farmington Indian Minerals Office, a pilot office, which placed BIA, BLM, and MMS employees under single management/leadership to provide seamless service to individual Navajo stakeholders. Based on this evaluation, the IMSC decided to extend the pilot for two more years.

Key Factors Affecting Goal Achievement

Developing a survey requires OMB approval. We intend to use the results of our surveys to determine which activities to continue and where improvements are needed. The ability to get approval to conduct the surveys in a timely manner will impact our achievement of this goal. This goal is also closely related to programmatic initiatives for increasing electronic business. New systems for RMP must be implemented by October 2001 to achieve greater services.

Crosscutting Relationships

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

We also coordinate RMP activities with BIA, BLM, OST, state governments, Indian tribes and allottees, and industry and will coordinate efforts with OMB to gain approval for our surveys.

Program Evaluations

A NUMBER OF INTERNAL AND EXTERNAL EFFORTS COMPRISE MMS'S PROGRAM EVALUATIONS. THE RMP IS A MAJOR SOURCE OF REVENUE TO THE FEDERAL GOVERNMENT, AND THEREFORE IS CONTINUOUSLY UNDER REVIEW BY OVERSIGHT AGENCIES SUCH AS THE OFFICE OF INSPECTOR GENERAL AND THE U.S. GENERAL ACCOUNTING OFFICE. THE OMM ALSO IS PERIODICALLY REVIEWED BY THE IG BECAUSE OF ITS IMPORTANCE IN MONITORING SAFETY AND ENVIRONMENTAL IMPACTS ON THE OCS.

In FY 1999, the IG conducted two performance audits each in RMP and OMM, as well as overall financial management reviews. The IG has not yet issued reports for these audits; therefore, we do not yet know if they will affect our goals. The IG has scheduled six audits in FY 2000 as well.

In addition, MMS routinely conducts scheduled in-depth appraisals and ongoing self-analyses with 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. We conduct the reviews on a rotating basis among the various programs and functional areas. These reviews examine whether adequate controls are in place to ensure that intended results are achieved, resources are protected from waste, fraud and mismanagement, and management information is reliable. In FY 1999, we conducted three reviews in the Office of Administration and Budget, four in RMP, and one in OMM. For FY 2000, we have scheduled three in A&B, three in RMP, and one in OMM.

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

OFFICE OF THE INSPECTOR GENERAL

The IG conducted an audit of RMP prior to FY 1999 and concluded that a relational database and program-wide workflow with case management tools are necessary but not currently available in RMP. The RMP's internal reengineering analysis also noted that current operations are time-consuming and often repetitive, and cannot efficiently support reengineered business processes.

The IG has scheduled a follow-up audit in FY 2000 to determine whether MMS has satisfactorily implemented the recommendations.

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

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

MANAGEMENT CONTROL REVIEWS

The OMM has scheduled one internal review in FY 2000, titled "Oil and Hazardous Materials Simulated Environmental Task Tank." This review will use the automated assessment approach PMAT, which focuses on organizational control and environment, program effectiveness, resource stewardship, regulatory compliance, risk management, and management information.

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

We also have scheduled three A&B reviews. Table 3 summarizes MMS's program evaluations scheduled for FY 2000.

TABLE 3 — FY 2000 PROGRAM EVALUATION SCHEDULE

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

Consultations

In revising this Plan, we consulted with many of our stakeholders, Congress, the Office of Management and Budget, other departmental bureaus and federal agencies, and our employees. Numerous states, tribes, and industry groups and representatives provided their comments.

We used a multi-faceted approach to consultation that included electronic consultation through the MMS public Web site, discussions and requests for comment at existing stakeholder meetings, and meetings set up specifically to discuss our plans with other bureaus and agencies with which we have crosscutting relationships. Through numerous meetings, our employees were extensively involved in developing the goals and strategies presented here. They also reviewed and commented on our draft plans.

We participated in consultation meetings with the following organizations:

Office of Management and Budget
Congress: House of Representatives and Senate staffs
Department of Transportation's Office of Pipeline Safety
U.S. Coast Guard
Bureau of Land Management
Bureau of Indian Affairs
Fish and Wildlife Service

We reviewed all comments received, whether written, verbal, or electronic, and incorporated them as appropriate into this final Plan.

Appendix

LEGISLATION

The basic responsibilities of MMS are derived from Departmental regulations and delegations of authority issued to implement various statutes, including:

A) Mineral Leasing Act of 1920, as amended and supplemented
B) Mineral Leasing Act for Acquired Lands, as amended, 1947
C) Outer Continental Shelf Lands Act of 1953, as amended
D) OCS Deep Water Royalty Relief Act of 1995
E) Clean Air Act
F) Oil Pollution Act of 1990
G) Geothermal Steam Act of 1970
H) Federal Oil and Gas Royalty Management Act of 1982
I) Royalty Simplification and Fairness Act of 1996
J) National Environmental Policy Act of 1969
K) Indian Self-Determination and Education Assistance Act
L) Tribal Leasing Act
M) Allotted Lands Indian Leasing Act
N) Federal Coal Leasing Amendments Act of 1975
O) Debt Collection Improvement Act of 1996
P) Cash Management Improvement Act of 1990, as amended in 1992
Q) Clean Water Act
R) Coastal Zone Management
S) Endangered Species Act
T) Marine Mammal Protection Act

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