BUDGET JUSTIFICATIONS

The United States Department of the Interior

and Performance Information
Fiscal Year 2010

MINERALS MANAGEMENT SERVICE

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MINERALS MANAGEMENT SERVICE
2010 PERFORMANCE BUDGET JUSTIFICATIONS

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FY 2010 MMS PERFORMANCE BUDGET JUSTIFICATIONS
Preface

The Minerals Management Service (MMS) manages the Nation's oil, natural gas, and other energy and mineral resources on the Federal Outer Continental Shelf (OCS) as well as the mineral revenues from the OCS and from onshore Federal and American Indian lands. Under the management of MMS, the OCS currently provides 27 percent of the Nation's domestic oil production and almost 14 percent of its domestic natural gas production. In 2008, MMS disbursed more than $23.4 billion in revenues to states, American Indians, and the U.S. Treasury. The MMS plays a vital role in our Nation's effort to be energy secure and economically strong.

This budget request enables MMS to meet the challenge of developing renewable and conventional forms of energy in an environmentally sound manner. This request will also fund an expansion and modernization of auditing and accounting operations so that MMS can more effectively collect and distribute in a timely manner the rents, bonuses, and royalties owed to the people of the United States.

The FY 2010 MMS budget request is $347.4 million in direct appropriations and offsetting receipts, an increase of $36.9 million above the FY 2009 enacted budget. This request funds critical investments necessary to conduct renewable energy lease sales on the OCS, responsibly provide access to conventional energy resources, and modernize and expand accounting and auditing operations to assure fair value. The request for direct appropriations is $180.6 million. Offsetting rental receipts and cost recoveries are estimated to be $156.7 million in FY 2010. This budget request proposes an inspection fee on all OCS leases that are producing or otherwise conducting activities that are subject to inspection by MMS. This fee will raise an additional $10 million in FY 2010.

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FY 2010 PERFORMANCE BUDGET

Minerals Management Service

General Statement

Table 1: Summary of MMS Budget Request

Budget Authority ($000)	2008 Enacted	2009 Enacted	2010 President's Budget	2010 Change from 2009
ROMM Appropriation	154,750	157,373	174,317	+16,944
Oil Spill Research Appropriation	6,303	6,303	6,303	+0
Net Appropriations	**161,053**	**163,676**	**180,620**	**+16,944**
Offsetting Receipts	135,730	146,730	156,730	+10,000
Inspection Fees 1/			10,000	+10,000
Total Discretionary Budget Authority	**296,783**	**310,406**	**347,350**	**+36,944**
Payments to States 2/	2,481,062	2,096,861	2,219,089	+122,228
Geothermal, Payments to Counties	9,154	10,075	0	-10,075
Coastal Impact Assistance Program	250,000	250,000	250,000	0
Total Mandatory Budget Authority	**2,740,216**	**2,356,936**	**2,469,089**	**+112,153**
Total Budget Authority	**3,036,999**	**2,667,342**	**2,816,439**	**+149,097**
Total Direct FTE 3/	1,470	1,484	1,547	+63
Total Reimbursable FTE	130	130	130	0
Total FTEs 4/	**1,600**	**1,614**	**1,677**	**+63**

1/The Department proposes to implement an inspection fee based on a tiered assessment across all OCS leases that are producing or otherwise conducting activities that are subject to inspection by MMS. Appendix B provides additional detail.
2/ Includes Mineral Leasing and Associated Payments; National Forest Fund Payments to States; Leases of Lands Acquired for Flood Control, Navigation and Allied Purposes; Qualified OCS revenues to Gulf producing states (GOMESA); and National Petroleum Reserve – Alaska state payments. See Mineral Receipts tab for detail.
3/ Full Time Equivalent (FTE) is a standardized unit representing the average time worked of one full-time employee over a year.
4/ FTE totals shown for FY 2008, FY 2009, and FY 2010 include 22 FTE in the Coastal Impact Assistance Program. Note FTE are different from actual employee count shown in Appendix E.

The Minerals Management Service (MMS), a Federal agency within the U.S. Department of the Interior (DOI), manages the Nation's oil, natural gas, and other energy and mineral resources on the Federal Outer Continental Shelf (OCS) as well as the mineral revenues from the OCS and from onshore Federal and American Indian lands. The MMS is one of America's leading mineral asset managers. Every American benefits from the work of MMS. From the gasoline that powers our cars, the natural gas that heats our homes, and the planning and expansion of the offshore renewable energy industry, to the benefits obtained through the disbursement of collected energy and mineral revenues to States, American Indians, the General Fund of the U.S.

Treasury, the Historic Preservation Fund, and the Land and Water Conservation Fund, the Nation and its citizens benefit from the efforts of MMS.

Within MMS, the Offshore Energy and Minerals Management program (OEMM) regulates OCS activities, including administering OCS leases, monitoring the safety of offshore facilities, and protecting our coastal and marine environments. Through the work of OEMM, MMS manages the oil and gas resources on the 1.7 billion acres of the Nation's OCS, which has potential remaining resources estimated at 101.2 billion barrels of oil and 480.1 trillion cubic feet of natural gas (MMS National Assessment, 2006). Under a mandate of the Energy Policy Act of 2005 (EPAct), MMS is also implementing a renewable energy program that will allow leasing on the OCS for the development of renewable energy resources such as wind, wave, and ocean current energy.

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

FY 2010 PERFORMANCE BUDGET REQUEST

MMS Mission Statement

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

The MMS receives discretionary funding for operations from three primary sources: the Royalty and Offshore Minerals Management (ROMM) appropriation, the Oil Spill Research (OSR) appropriation, and offsetting collections derived from cost recovery fees and certain OCS rental receipts that MMS is authorized to retain. The FY 2010 request contains a proposal to institute new inspection fees for OCS facilities, which would also be retained by MMS. Details on this proposal are included in the appropriations section of this document. To cover its associated administrative costs, MMS is also authorized to retain a portion of revenues generated through Royalty-in-Kind (RIK) operations and a portion of the mandatory funds appropriated for the Coastal Impact Assistance Program (CIAP).

For FY 2010, MMS is requesting a discretionary operating account level of $347.4 million, which includes $156.7 million in offsetting collections obtained from rental charges and cost

recovery fees; $10 million in inspection fees; $174.3 million from direct ROMM appropriations; and $6.3 million from OSR appropriations.

MMS AND ENERGY FOR AMERICA

The MMS oversees resource production on the OCS to ensure minimal environmental impacts and safe operation in mineral extractions and energy development. In part through the actions of MMS, the U.S. offshore oil and gas industry has achieved a solid environmental and safety record. Under the management of MMS, energy resources on the OCS currently supply about 27 percent of the Nation's oil production and about 14 percent of its natural gas production.

The MMS also collects and distributes offshore Federal and onshore Federal and American Indian mineral revenues. In FY 2008, MMS disbursed more than $23.4 billion in revenues to states, American Indians, and the U.S. Treasury. Additionally, MMS delivered oil valued at an estimated $1.6 billion to the Department of Energy for the Strategic Petroleum Reserve.

The Energy Information Administration's (EIA) reference forecasts through 2030, which does not incorporate the impact of the policies and programs proposed in the FY 2010 Budget, indicates that America's energy consumption is expected to continue exceeding domestic production (Annual Energy Outlook 2009). Without further action to increase production of domestic energy resources, including renewable energy resources, and to increase energy efficiency, net energy imports will continue to meet a major share of total U.S. energy demand. The EIA, under its baseline assumptions, projects that oil and natural gas will remain significant sources of energy throughout the forecast period.

To meet future demand for energy, OCS lands will become an increasingly important source of domestic energy supplies for oil and natural gas, and for renewable energy. Because these energy sources help fuel the Nation's economy, there is considerable interest in the location and magnitude of the U.S. resource base from which future domestic discoveries and production can occur.

On February 10, 2009, Secretary of the Interior Ken Salazar announced a four-part strategy for developing a new, comprehensive approach to energy resources of the OCS:

1. Extending the public comment period 180 days (until September 21, 2009) on the Draft Proposed 5-Year Oil and Gas Leasing Program announced by the previous Administration.

2. Development of a report by the Department's Minerals Management Service (MMS) and United States Geological Survey (USGS) on conventional and renewable offshore energy resources.

3. Hosting four coastal regional meetings in April (Atlantic Coast, Gulf of Mexico, Pacific Coast, and Alaska) to review the findings of the USGS/MMS report and to gather input from all interested parties on whether, where, and how the Nation develops its conventional and renewable energy resources of the OCS.

4. Expediting the completion of the Department of the Interior's (DOI's) renewable energy rulemaking for the OCS. This rule, required under the Energy Policy Act of 2005 (EPAct), was proposed but never finalized by the previous Administration.

Our nation's security, economy, and quality of life depend upon adequate and affordable supplies of energy. Since the 1950s, energy demand in the United States has grown faster than our ability to produce supplies domestically, resulting in an ever increasing need for energy imports. Volatile prices and increasing dependence on foreign energy supplies raise important national energy policy issues about energy supply options and their effects on the economy and the environment. There is no single solution. Achieving the goal of ample secure, clean, and affordable energy will require diligent, concerted efforts on many fronts on both the supply and demand sides of the energy equation.

The MMS's current efforts to increase energy exploration and production from the OCS focus on:

- Expediting development of an offshore renewable energy program;
- Facilitating industry exploration and development in deep waters of the Gulf of Mexico, including movement into ultra-deep waters; and,
- Managing Alaska OCS exploration and development.

Our challenge moving forward is to help bridge the existing energy gap by facilitating industry exploration and development of the resources, both conventional and renewable, necessary to meet future energy demand in an environmentally responsible manner.

OCS Renewable Energy

Section 388 of the Energy Policy Act of 2005 (EPAct) amended the Outer Continental Shelf Lands Act (OCSLA), giving DOI the discretionary authority to issue leases, easements, or rights-of-way for activities on the OCS that produce or support production, transportation, or transmission of energy from sources other than oil and gas, except where activities are already otherwise authorized in other applicable law. This authority was delegated to the MMS, which was charged with developing regulations intended to encourage orderly, safe, and environmentally responsible development of renewable energy resources and alternate use of facilities on the OCS.

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

In addition to establishing a process for granting leases, easements, and rights-of-way for offshore renewable energy development, the new program also establishes a formula for sharing certain revenues generated from OCS renewable energy projects with adjacent coastal States, as

required by law. (Section 8(g) of the OCSLA, as amended, requires that 27% of revenues generated from development in the first three miles of Federal waters be shared with adjacent coastal states.) Additionally, the regulatory framework will enhance partnerships with Federal, state, and local agencies and tribal governments to assist in maximizing the economic and ecological benefits of OCS renewable energy development.

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

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

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

The MMS is requesting the establishment of a new Renewable Energy budget subactivity in its budget structure beginning in FY 2010. The new subactivity will facilitate budget and management processes for this important program by increasing transparency, consolidating key funding for this purpose and improving our ability to analyze program performance. Most of the funding that supports renewable energy activities is currently housed in the Leasing and Environmental Subactivity (LE), with a small amount in the Regulatory subactivity. A cross-walk identifying these funds is provided below. In addition to the resources shown in the table below, an additional annual amount of $1.9 million has been identified in the Environmental Studies Program (ESP) element, part of the LE subactivity, to support the Renewable Energy Program. Those dollars will remain in ESP as renewable energy studies

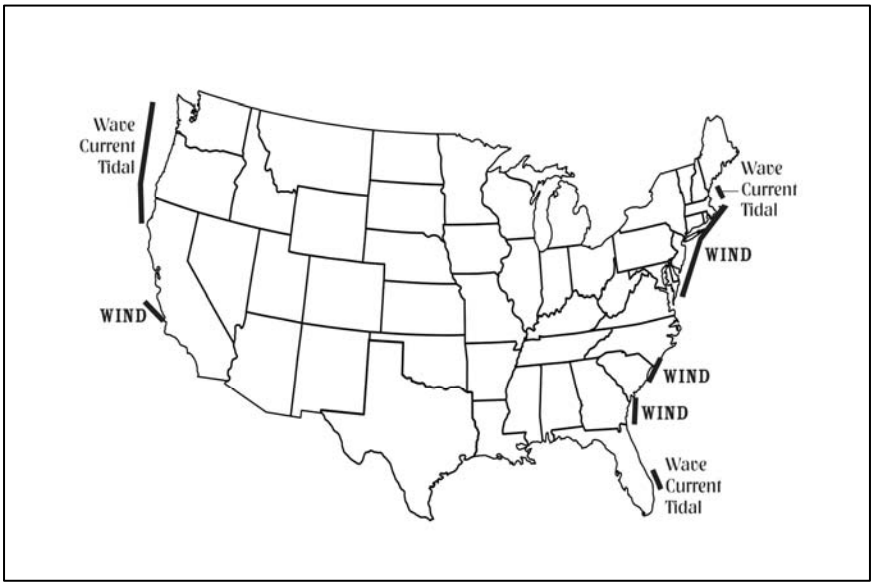
An overseas operation. To date, U.S. offshore renewable energy development has lagged advances in Europe. This budget request seeks to achieve the President's vision for a clean energy future – advancing our national security, environmental security and economic opportunity.

can also benefit the oil and gas program and their funding through the ESP provides MMS with the best opportunity to leverage its funds.

Table 2: Renewable Energy Crosswalk ($000)

	Leasing and Environmental	Resource Evaluation	Regulatory	Renewable Energy Subactivity
FY 2008 Enacted	3,486	0	246	3,732
FY 2009 Enacted	5,344	142	246	5,732
FY 2010 Request				15,640

Figure 1: Potential Renewable Energy Projects



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

Leasing activities, both competitive and noncompetitive, are likely to occur off the coast of Mid-Atlantic and North Atlantic states in FY 2010. Initial efforts will be focused off the coast of those states that have selected developers through a competitive process, entered into a Power

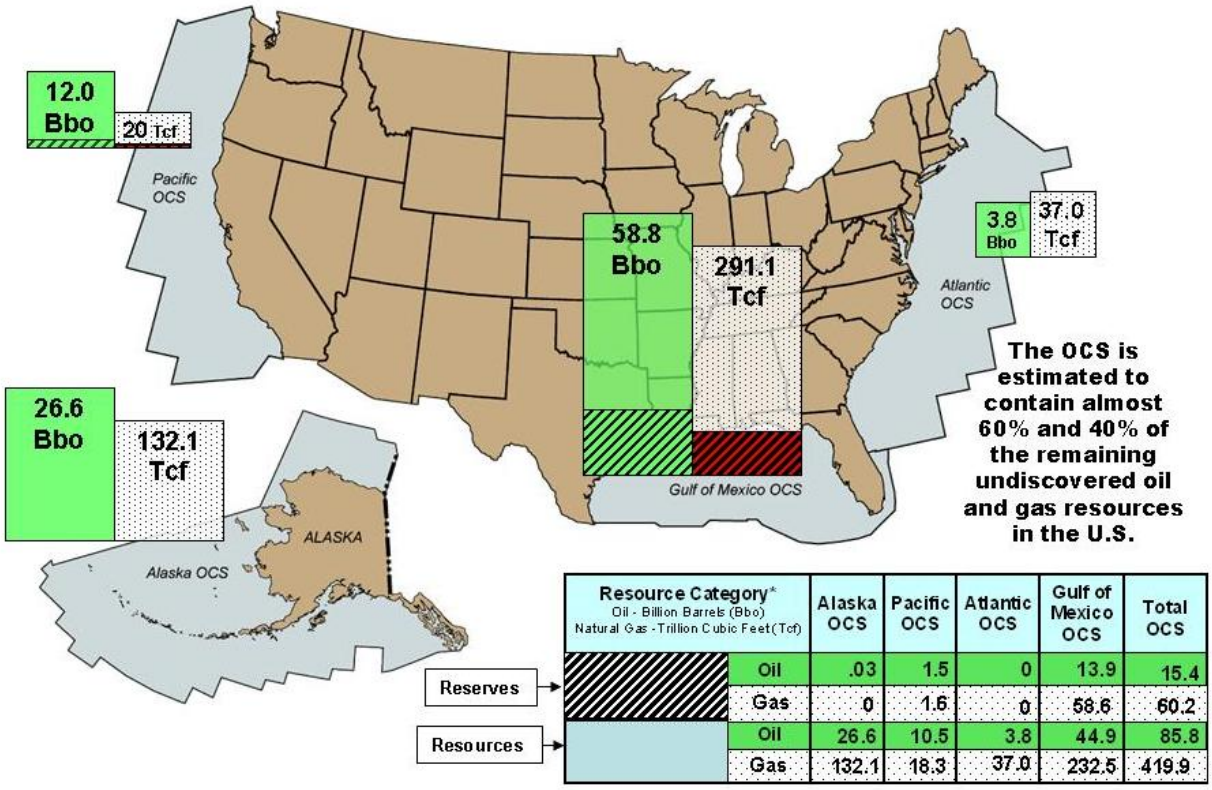
Purchase Agreement, or established aggressive state alternative energy development or incentive initiatives.

Offshore Oil and Gas

The oil and gas reserves and production on the OCS will continue to be critical to the nation's energy security and economic prosperity in the years ahead. After more than 50 years of OCS exploration and development, 70 percent of the mean barrels of oil equivalent (BOE) total endowment are represented by undiscovered resources. The OCS is estimated to contain almost 60 percent and 40 percent of the remaining undiscovered oil and gas resources, respectively, in the U.S. based upon a National Assessment conducted by MMS in 2006.

Figure 2 shows remaining OCS oil and gas reserves, as well as estimated undiscovered, technically recoverable (UTRR) oil and natural gas for the OCS. Estimates of UTRR oil and natural gas for the entire OCS range from 66.6 billion barrels of oil (Bbo) to 115.1 Bbo with a mean of 85.9 Bbo. Similarly, gas estimates range from 326.4 to 565.9 trillion cubic feet of gas (Tcf) with a mean of 419.9 Tcf.

Figure 2: OCS Hydrocarbon Potential



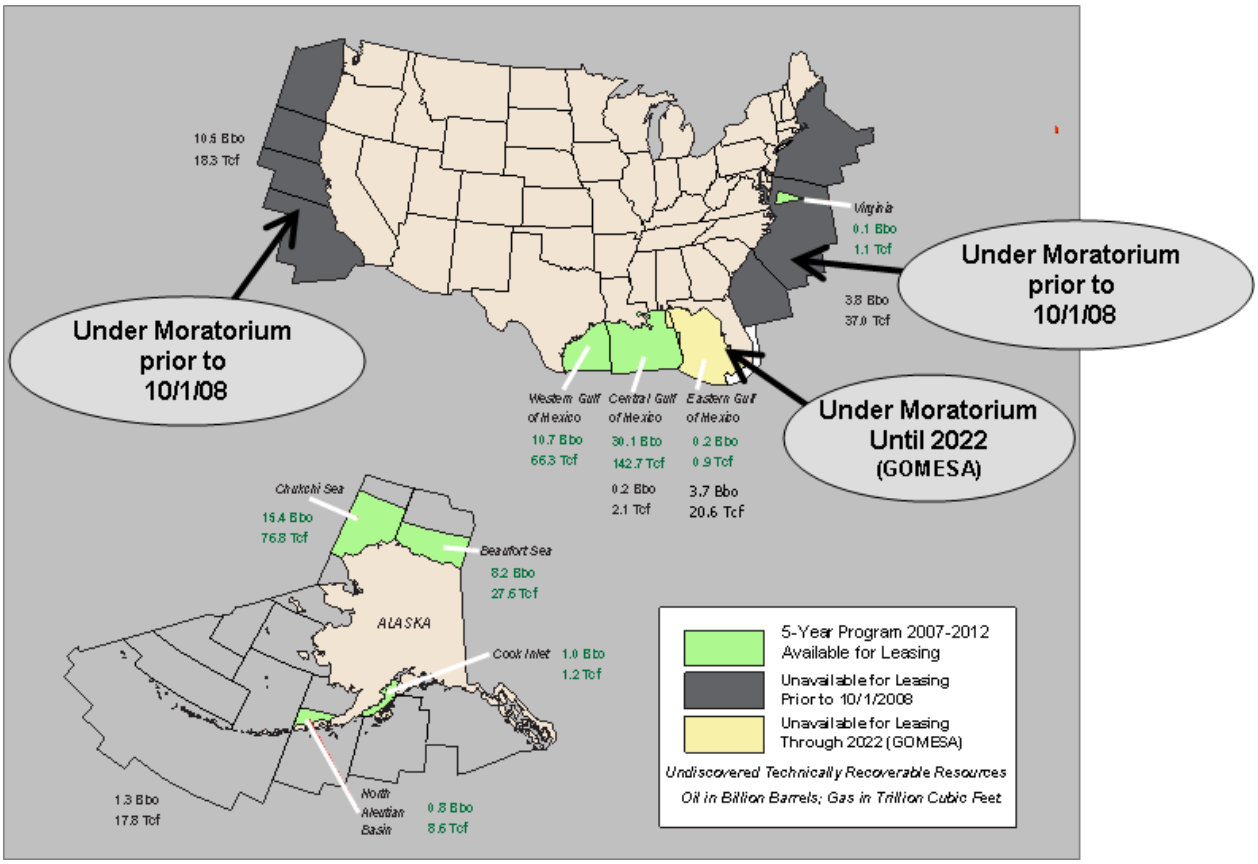
Resource Category* Oil - Billion Barrels (Bbo) Natural Gas - Trillion Cubic Feet (Tcf)		Alaska OCS	Pacific OCS	Atlantic OCS	Gulf of Mexico OCS	Total OCS
Reserves	Oil	.03	1.5	0	13.9	15.4
	Gas	0	1.6	0	58.6	60.2
Resources	Oil	26.6	10.5	3.8	44.9	85.8
	Gas	132.1	18.3	37.0	232.5	419.9

The MMS provides an orderly and predictable schedule of competitive oil and gas lease sales which make Federal resources available to industry for leasing and potential development. Production from leases issued as a result of these sales will contribute substantially to future domestic oil and gas production and will provide bonuses, rentals and royalties to the United States Treasury and adjacent coastal states.

Access to Federal offshore lands for oil and gas exploration and development begins with the 5-Year OCS Oil and Gas Leasing Program (5-Year Program) which establishes the schedule of lease sales to make promising offshore areas available to industry for leasing, exploration, and development. There are long lead times needed for exploration and development of OCS oil and gas resources, especially in frontier areas where risks and costs are especially high. Preparing to offer oil and gas leases entails years of planning and consultation under sections 18 and 19 of the OCS Lands Act of 1953. Once a lease sale is held, it can take five years or more for drilling to commence and production may take another five years or more after a discovery.

Over the years, Congress has imposed various restrictions on what areas MMS could offer for OCS oil and gas leasing. These restrictions (also called a moratoria) limited MMS's latitude in spending appropriated funds for pre-lease and leasing activities. Congressional moratoria prohibited future oil and gas leasing but did not apply to activities on existing leases. Moratoria on leasing in certain areas (including the entire Atlantic and Pacific OCS) were enacted annually as part of the Department of the Interior's appropriations legislation. The annual Congressional moratoria expired on October 1, 2008 and currently no OCS areas are affected by annual moratoria. However, portions of the Central and Eastern Gulf of Mexico are under a separate moratorium on leasing until 2022, pursuant to the Gulf of Mexico Energy Security Act of 2006 (GOMESA). See figure 3 for areas previously under annual moratorium.

Figure 3: Annual Congressional Moratorium



5-Year Outer Continental Shelf Oil and Gas Leasing Program

The current 2007 to 2012 5-Year Program provides access to about 181 million acres of the OCS, and leasing as a result of these sales could result in production of 10 billion barrels of oil and 45 trillion cubic feet of natural gas over 40 years. The current program is providing thousands of jobs and billions of dollars in revenue for the Federal and state governments.

The current program includes 21 oil and gas lease sales in eight of the 26 OCS planning areas – 12 sales in the three Gulf of Mexico planning areas, 8 sales in four planning areas offshore Alaska and one in the Mid-Atlantic planning area, about 50 miles off the coast of Virginia. These areas are subject to environmental reviews, including public comment, and extensive consultation with state and local governments and tribal organizations before any lease sale proceeds.

Table 3: Recent OCS Lease Sales

Sale Number	Calendar	Area	Leases Accepted	Bonus Bids ($ Millions)
204	August 2007	Western Gulf of Mexico	274	$287.0
205	October 2007	Central Gulf of Mexico	682	$2,812.9
193	February 2008	Chukchi Sea	487	$2,662.0
206	March 2008	Central Gulf of Mexico	603	$3,671.0
224	March 2008	Eastern Gulf of Mexico	36	$64.7
207	August 2008	Western Gulf of Mexico	313	$484.0
208*	March 2009	Central Gulf of Mexico	348	$703.0

* Bid evaluation process still underway and is anticipated to be completed by June 18, 2009. Sale date statistics provided.

In addition to legislative leasing moratoria imposed by Congress, portions of the OCS have also been subject to executive prohibitions ("withdrawals") on new leasing. In the summer of 2008, with oil reaching $147 a barrel in mid-July, President Bush lifted the executive withdrawal on oil and gas leasing operations on the OCS. As previously noted, the Congressional annual moratoria subsequently expired on October 1, 2008.

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

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

For the DPP, MMS proposed 31 OCS lease sales in all or some portion of 12 of the 26 planning areas— four areas off Alaska, two areas off the Pacific coast, three areas in the Gulf of Mexico,

and three areas off the Atlantic coast. The DPP is designed to encourage discussions about the OCS areas of greatest interest and potential. Any new areas that would be included in the final program will not be available for leasing until the new 5-Year Program has been completed and approved because no area can be leased without being included in the then current approved 5-Year Program.

On February 10, 2009, Secretary Salazar announced his strategy for developing an offshore energy plan that includes both conventional and renewable energy resources. As part of his 4-step plan, the comment period for the DPP was extended for an additional 180 days in order to provide additional time for input from states, stakeholders and affected communities. Also at the direction of Secretary Salazar, the MMS worked with the U.S. Geological Survey to assemble a report on offshore resources along with information regarding sensitive areas and resources on the OCS. This report synthesized the vast knowledge-base on OCS energy resources and environmental factors in one concise document. The report was delivered to the Secretary at the end of March 2009. Following publication of the report, the Secretary conducted four regional meetings, covering the Atlantic Coast on April 6 in Atlantic City, NJ; Gulf Coast, on April 8 in New Orleans, LA; Alaska on April 14 in Anchorage, AK; and, Pacific Coast on April 16 in San Francisco, CA in an effort to gain insight and comment from all stakeholders of OCS energy.

The MMS recognizes that new and future uses of the OCS, including renewable energy development, should be managed in a deliberate and responsible manner, keeping both the nation's energy needs and concerns for the marine environment in mind. The MMS also recognizes that as nearshore waters become ever-more crowded with competing users, competition for ocean space in the offshore arena will increase. Indeed, as stated by the U.S. Commission on Ocean Policy:

> "*…interest in the use of federal waters is growing and activities farther offshore are expected to multiply. In many instances, these activities are mutually compatible and can take place in the same approximate area without problems. In other instances, uses conflict with and can disrupt one another.*" [U.S. Commission on Ocean Policy, 2004, p 99]

Subsequent analysis in the 5-year program and associated EIS will evaluate the interaction between oil and gas and renewable energy development. Development of a new 5-Year Program will move forward in full compliance with MMS's environmental review mandates and in consultation with coastal States and other stakeholders.

MMS stands committed to helping meet America's energy needs while protecting our marine and coastal environments.

Minerals Revenue Management

The Minerals Revenue Management program (MRM) collects, accounts for, and disburses revenues from mineral leases on the OCS and onshore Federal and American Indian lands. The MRM has collected an average of more than $13 billion annually over the past 5 years. Each month, approximately 2,100 companies report and pay royalties associated with over 29,000 producing onshore and offshore Federal leases as well as annual rental revenues on 37,000 non-producing leases. MMS's role is to ensure that revenues are reported and paid

correctly and in a timely manner. The MMS's goal is to ensure that the Federal Government is realizing fair-market value for the minerals produced on federal lands and companies are in compliance with applicable laws, regulations, and lease terms.

Investments in MMS IT systems and the people responsible for revenue collection can pay large dividends by improving the efficiency of collections and maximizing the dollars received for the U.S. Government. From FY 2006 to FY 2008, compliance collections by MMS averaged $6.72 collected for each $1 spent on compliance reviews and audits.

Revenues collected by MMS are one of the largest sources of non-tax revenue to the Federal Government. Since its inception in 1982, MMS has disbursed approximately $200 billion through FY 2008, including: $125.1 billion to the General Fund of the U.S. Treasury; $43.7 billion to the Land and Water Conservation Fund, the National Historic Preservation Fund, and the Reclamation Fund; $25.0 billion to 38 states; and, $6.2 billion to the Department's Office of the Special Trustee on behalf of 41 Indian tribes and almost 30,000 individual Indian allottees. In addition, MMS has also delivered oil valued at an estimated $6.3 billion to the Department of Energy for the Strategic Petroleum Reserve.

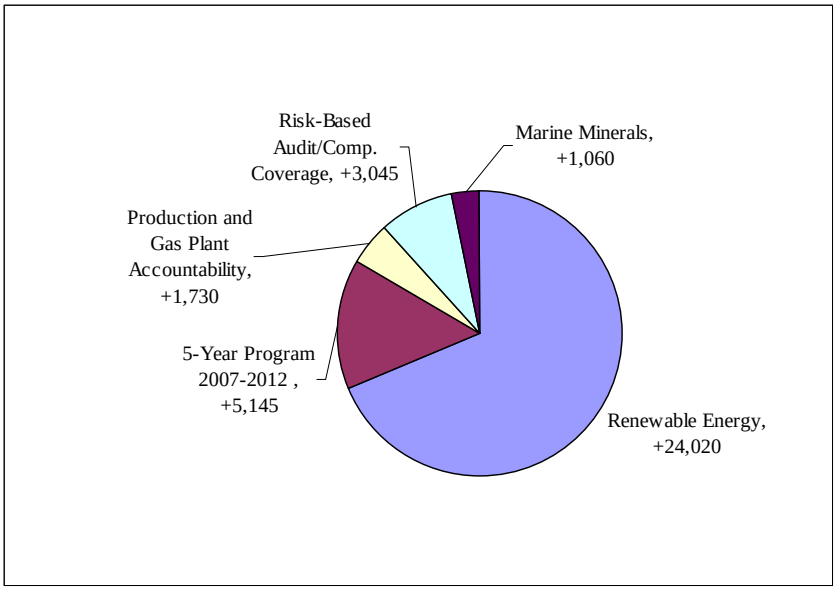
In 2007, in response to concerns about the Department's mineral revenue management program, an independent 7-member Royalty Policy Subcommittee on Royalty Management reviewed mineral revenue collection practices. The panel was co-chaired by former U.S. Senator and Nebraska Governor Bob Kerrey (D), and former U.S. Senator from Utah, Jake Garn (R). On December 17, 2007, the Royalty Policy Subcommittee on Royalty Management issued its draft report entitled, *Mineral Revenue Collection from Federal and American Indian Lands and the Outer Continental Shelf*, which contained 110 recommendations. Of the 110 recommendations, the MMS is solely responsible for 70 recommendations, the BLM is solely responsible for 16, and the remaining 24 recommendations require coordination between the bureaus. As of April 1, 2009, 45 of the 110 recommendations have been completed. Of the remaining 65 recommendations, 61 are underway and four are in the planning stage.

MMS also proposed a strategic realignment of MRM's organization to enhance managerial oversight, ensure transparency and effective communication across program operations, provide increased visibility and accountability for the State and Indian support programs, and fully integrate the Royalty-in-Kind (RIK) tool into the MRM program. The Department approved this proposal in January 2009.

FY 2010 BUDGET HIGHLIGHTS

As MMS moves forward, its mission of managing the Nation's OCS lands and resources and its mineral revenue collection efforts will remain the top priorities. The MMS programs are vitally important and contribute significantly to the Nation's economic well being and energy security. Through all of its programs, the MMS strives to ensure that the public receives the maximum benefit from America's mineral revenues and OCS resources. MMS is faced with new responsibilities for renewable energy, an expanding workload from OCS deep water activities and forthcoming OCS lease sales, and responding constructively to recent recommendations from internal and external reviews on improving our revenue management program.

Figure 4: MMS FY 2010 Funding Increases ($000)



The FY 2010 request includes $33.9 million to support a Department-wide initiative to create a New Energy Frontier and begin the transition to a low-carbon economy. The MMS portion of the New Energy Frontier initiative is comprised of a request for an additional $24.0 million to develop a robust renewable energy program for the OCS, $5.1 million to support the ongoing development of OCS oil and gas resources, and a total of $4.8 million for audit and compliance activities including $1.7 million for production and gas plant accountability and $3.0 million to increase risk-based audit and compliance coverage.

Table 4 provides additional detail on the proposed budgetary changes from the FY 2009 enacted budget to the FY 2010 President's Request. Each of these initiatives is described in full under the respective activity and subactivity.

Table 4: FY 2010 Analysis of Budgetary Changes ($000)

	Project/Program	Reductions	Increases	FTE	Balance
	FY 2009 ENACTED - Direct Appropriations				***163,676***
OEMM	Renewable Energy		+22,140	+26	
OEMM	5-Year Program		+5,000	+3	
OEMM	Marine Minerals Program		+1,060	+2	
OEMM	Fixed Cost Increase		+2,475		
OEMM	Remove Earmark - CMRET	-900			
	Net OEMM Adjustments	***-900***	***+30,675***	***+31***	***+29,775***
MRM	Production and Gas Plant Accountability		+1,730	+4	
MRM	Risk-Based Audit/Compliance Coverage		+3,045	+21	
MRM	Fixed Cost Increase		+1,591		
MRM	Interactive Payment Reconciliation and Billing	-1,160			
MRM	Improved Automated Interest Billing to Companies	-1,360			
MRM	Implement OIG Compliance & Audit Recommendations	-1,156			
	Net MRM Adjustments	***-3,676***	***+6,366***	***+25***	***+2,690***
GA	Renewable Energy		+1,880	+6	
GA	5-Year Program		+145	+1	
GA	Fixed Cost Increase		+2,454		
	Net General Administration Adjustments		***+4,479***	***+7***	***+4,479***
OSR	No Budget Adjustments		0		
	Net Oil Spill Research Adjustments		**0**		**0**
MMS	Increase ROMM Offsetting Collections	-10,000			
MMS	Inspection Fee	-10,000			
		-20,000			***-20,000***
	FY 2010 REQUEST - Direct Appropriations	***-23,676***	***+41,520***	***+63***	***180,620***

The following discretionary funding increases and decreases are proposed:

Renewable Energy ($24,020,000/ +32 FTE): This multi-faceted initiative sets the stage for MMS to work with applicants for offshore renewable energy/alternative use projects (wind, wave, solar, ocean current, generation of hydrogen). These resources will enable MMS to move forward with renewable energy leasing activities (e.g., planning, coordinating with Federal and State stakeholders, conducting inspections, environmental assessments, research studies and analysis).

Current 5-Year Program, 2007-2012 ($5,145,000; +4 FTE): This funding increase supports the ongoing development of OCS oil and gas resources, fulfillment of MMS's stewardship responsibilities, and human capital development. Benefits of this increase include the ability to safely and efficiently achieve the inspection frequency mandated by the OCS Lands Act; conduct more royalty meter site-security inspections; improve the effectiveness of our operator

performance audits; improve our ability to affect improvements in OCS operational safety; better manage the geophysical data needed to determine fair market value; and properly train new college graduates hired as geologists, geophysicists, and petroleum engineers in the application of geological interpretive tools used to determine fair market value.

Marine Minerals Program ($1,060,000 / +2 FTE): The Marine Minerals program provides OCS sand to renourish and restore beaches and barrier islands, benefiting local communities where billions of dollars of infrastructure are at stake. Natural barrier islands and wetlands are rapidly deteriorating under multiple stresses. This funding will be used to provide the base resources necessary to manage anticipated requests for OCS sand and gravel projects, including those for coastal restoration projects.

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

Streamline and Enhance Production and Gas Plant Accountability (+$1,730,000 / +4 FTE): This three-year project incorporates proposals and recommendations from the Government Accountability Office (GAO), the Royalty Policy Committee Report on Royalty Management, and MRM's Strategic Business Planning initiative. This project will (1) improve and streamline production reporting for Federal and Indian properties; (2) enhance the oil and gas production accountability and verification processes used to ensure that royalties are paid once production commences; and (3) provide data necessary for identifying and targeting gas plants and companies for audits and compliance reviews, such as changes to gas plant efficiency factors, which will be utilized in the compliance risk tool.

Increase Risk-Based Audit/Compliance Coverage (+$3,045,000 / +21 FTE): This increase in compliance resources will add 19 FTE to provide audit expertise to implement recommendations by the OIG, the Royalty Policy Committee Subcommittee, and the MMS Compliance Business Plan regarding use of a risk-based compliance strategy to increase property and company compliance coverage, while focusing on the highest risk. Additionally, 2 FTE will provide increased inquiry and outreach services to new Indian mineral owners.

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

Interactive Payment Reconciliation and Billing (-$1,160,000; -0 FTE): MRM requested funds in 2008 for a two-year initiative to enhance MMS's online reporting and verification system capabilities. Planned system enhancements and upgrades were fully funded in 2008 and 2009 and further expenditures beyond those for ongoing operations costs are not required in 2010.

Improved Automated Interest Billing to Companies (-$1,360,000; -0 FTE): MRM requested funds in 2009 for systems enhancement as part of an effort to improve the timeliness and efficiency of the interest assessment to companies. Planned system enhancements and upgrades are fully funded in 2009 and further expenditures other than ongoing operations costs are not required in 2010.

Implement OIG Compliance and Audit Recommendations (-$1,156,000; - 0 FTE): MRM requested funds in 2009 to develop and implement an automated risk-based compliance tool. Planned activities are fully funded in 2009 and further expenditures beyond those for ongoing operations costs are not required in 2010.

Additionally, the following initiatives apply Bureau wide:

Fixed Costs and Related Changes (+$6,520,000; +0 FTE): This increase represents the anticipated funding needed to keep pace with personnel-related costs and other fixed costs such as rent.

Offsetting Collections from Rents and Cost Recoveries (+$10,000,000; + 0 FTE): For FY 2010, MMS requests to retain $156,730,000 of eligible offsetting receipts to defray the costs of the Bureau's operations. This is a $10,000,000 increase over the FY 2009 enacted level.

Inspection Fees (+10,000,000; +0 FTE): The MMS Royalty and Offshore Minerals Management account has traditionally been credited with offsetting collections to help defray the cost of MMS operations. These include certain rental receipts and cost recovery fees. The 2010 budget includes a new inspection fee on each OCS above-water oil and gas facility that is subject to inspection. The MMS developed the fee structure to defray increasing inspection costs. The fee amount is based on the complexity of the facility, as determined by the number of wells. The new fees will require OCS energy developers to fund roughly 25 percent of MMS compliance inspection costs. MMS believes this represents a reasonable contribution on the part of the energy developers, who are the primary beneficiaries of the OCS development program.

Mandatory Proposals and Other Reforms in the FY 2010 Budget:

Excise Tax on Certain Production. The Budget also proposes a new excise tax on certain offshore oil and gas production._ According to the Government Accountability Office, the return to the taxpayer from OCS production is among the lowest in the world, despite other factors that make the U.S. a comparatively good place to invest in oil and gas development. In the interest of advancing important policy objectives, such as providing a more level playing field among producers, raising the return to the taxpayer, and encouraging sustainable domestic oil and gas production, the Administration is developing a proposal to impose an excise tax on certain oil and gas produced offshore in the future.

Fee on Nonproducing Leases. Interior is committed to ensuring that industry diligently pursues production of leased oil and gas resources. As part of a broader campaign initiative to encourage energy development, a new fee on nonproducing Gulf of Mexico offshore leases would provide a financial incentive for oil and gas companies to either get leases into production or relinquish them so that tracts can be re-leased and developed by new parties. It would require holders of Gulf of Mexico OCS oil and gas leases to pay a $4/acre fee (in 2009 dollars) when leases are in non-producing status.

Deep Gas and Deep Water Incentives: Consistent with the 2009 budget, the 2010 budget proposes to repeal Section 344 of the Energy Policy Act of 2005, which extended and expanded existing deep gas royalty incentives. The 2010 budget also proposes to repeal Section 345 of the

Energy Policy Act, which provided additional mandatory royalty relief for certain deep water oil and gas production.

Administrative Royalty Reforms. The Administration believes that American taxpayers should get a fair return on the development of the resources on their public lands. A recent GAO report suggests that taxpayers could be getting a better return from Federal oil and gas resources, at least in some areas. Secretary Salazar has ordered a comprehensive review of the royalty rates from energy development on Federal land (onshore and offshore), as recommended by GAO. Following the review, the Secretary will implement appropriate royalty reforms and rate adjustments. The Budget assumes these reforms will increase Federal oil and gas revenues by $1.5 billion over the next 10 years.

PERFORMANCE SUMMARY

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

The 2010 request of $347.4 million provides the resources needed to conduct MMS's leasing, resource evaluation, regulatory, and asset management activities. The proposal also supports MMS Renewable Energy/Alternate Use program and its efforts to develop the Nation's offshore renewable energy resources in an environmentally responsible manner. Revenue management activities ensure proper collection, accounting, reporting, and timely disbursement of royalties.

Performance Management

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

The following highlights MMS key strategies used during the implementation of business practices, associated accomplishments and planned performance. Additional performance information can be found within the Goal Performance Table.

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

- **Ensure appropriate value for America's resources:** In FY 2008, MMS disbursed $23.4 billion in mineral revenues to states, the Office of the Special Trustee for American Indians (OST) for distribution to American Indian Tribes and individual owners, other

Federal agencies, and U.S. Treasury accounts. The distribution and disbursement function ensures that revenues are properly disbursed to the appropriate recipients. In FY 2008, MMS achieved 99.2 percent timely disbursements. The FY 2009 target is 98 percent, and the FY 2010 target is 98 percent.

- **Effectively manage and provide for efficient access and development:** The MMS conducted five oil and gas lease sales in FY 2008. MMS plans to conduct two lease sales in FY 2009 and four lease sales in FY 2010. Expansion of the OCS acreage available for leasing consideration, a significant amount of which has not been offered/evaluated for decades, requires an investment in environmental studies, environmental analysis, resource assessment, and leasing consultation. Funding provided in FY 2010 will support environmental studies and environmental assessments necessary to provide access to these frontier areas.

- **Enhance responsible use management practices**: The MMS will continue to carry out a comprehensive program to ensure that mineral and renewable energy operations on the OCS are conducted in a safe and environmentally sound manner. To ensure safe and clean operations on the OCS, MMS routinely conducts compliance inspections. In FY 2008, MMS conducted approximately 20,000 inspections in our Alaska, Pacific, and Gulf of Mexico Regions. This work has been instrumental in maintaining a high level of compliance among operators. These inspections are a significant part of the agency's efforts to ensure that the offshore oil and gas activities can help meet our nation's energy needs while protecting industry workers and our nation's environment. In FY 2008, the MMS noted an estimated annual accident severity ratio of 0.21. The FY 2009 and FY 2010 targets are 0.13 or less. This key indicator of responsible resource extraction activities monitors operator safety and environmental performance. Safety and environmental protection are top MMS priorities. During FY 2008, the MMS achieved an estimated oil spill rate of 13.76 barrels spilled per million produced in spite of Hurricanes Gustav and Ike. The 2009 and 2010 performance targets are to achieve an oil spill rate of no more than 5 barrels spilled per million produced.

- **Appropriate value through effective lease and permit management:** The MMS ensures appropriate value through its management of Federal and Indian mineral revenues. In FY 2008, MMS late disbursements were 0.11 percent of revenues. Targets for the FY 2009 and FY 2010 are 0.9 percent and 0.8 percent, respectively. During 2009, MMS established new compliance performance measures and targets, replacing the previous revenue-focused compliance measure, in response to the OIG 2006 recommendations. The new measures will be focused on increased property and company compliance coverage. The properties and companies will primarily be selected utilizing the new risk-based compliance strategy.

Performance for Key Increases

The MMS proposal supports the President’s objectives for strengthening our energy security and ensuring fair return on energy and mineral assets. Proposed initiatives also contribute to the Administration’s emphasis on renewable energy and climate change. The 2010 funding increases will be used to:

- Develop OCS renewable energy/alternate use opportunities;
- Lease oil and gas in new and frontier offshore areas;
- Meet the demand for offshore sand and gravel;
- Streamline and enhance production and gas plant accountability; and,
- Increase risk-based audit/compliance coverage.

The MMS plays an important role in President Obama's national energy strategy by securing ocean energy for the Nation. The requested funding increases enable MMS to continue its role in providing access to important national energy supplies. Some of these increases include: implementing the Renewable Energy Program and associated renewable energy leasing activities, funding 5-Year Program needs, and implementing the offshore sand and gravel leasing program. Benefits will include moving forward with renewable energy projects and working with communities to maintain and restore coastal wetlands through the sand and gravel program. More information about these increases can be found within the OEMM subactivity write-ups.

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

Process Improvements

The MMS strives to maintain current levels of performance by: improving operational efficiencies; focusing resources on accomplishment of core mission work; leveraging resources to fund new workload demands; and reallocating funds to accomplish planned performance goals. The MMS will continue to pursue productivity and quality improvements for carrying out the mission while reducing its cost.

The MMS effort to optimize resources to complete mission work is evident by MMS's commitment to budget and performance integration. The MMS continues to refine cost and performance reporting capability to provide information to managers for improved decision making. Additionally, MMS managers continue to use Performance Assessment Rating Tool (PART) information to determine resource allocations and to identify possible cost savings. The MMS has utilized the PART process to gain additional programmatic efficiency through the development of performance measures, which include efficiency measures, and completion of programmatic action items. At this time, all of MMS's programmatic PARTs are rated *Moderately Effective* or better, and MMS successfully completed 12 PART action items out of a total of 16, further demonstrating MMS's desire to continually improve.

In addition to MMS's commitment of increasing efficiency through the use of integrated budget and performance information, MMS also improves its management by working with the American public. The MMS continues to improve services to the public by listening closely to and working cooperatively with local citizens, tribal leaders, states, other Federal agencies and

industry. Management reform and the fostering of Federal/private partnerships continue to be an integral part of MMS business operations.

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

Figure 5: MMS Organizational Chart

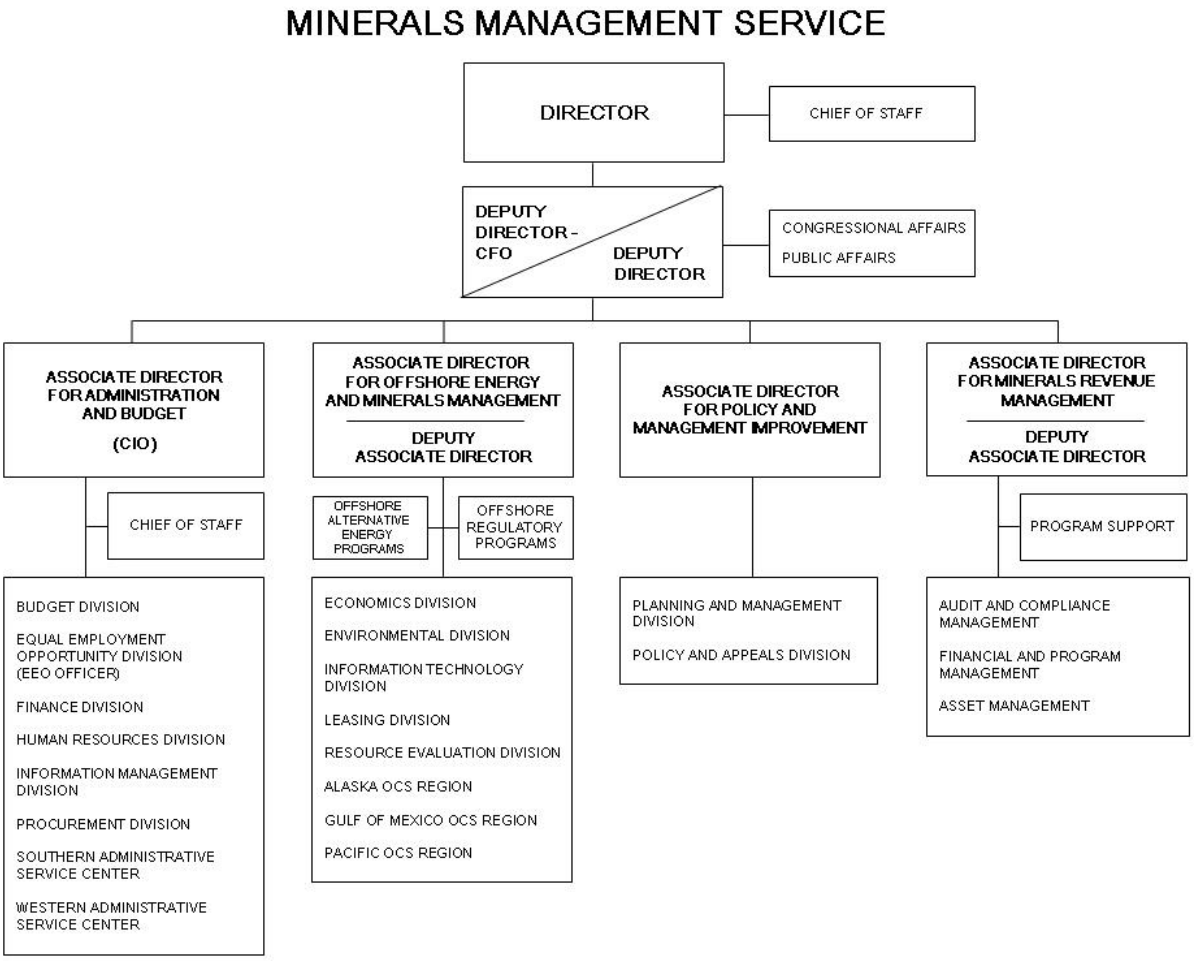


Table 5: Goal Performance Table

Goal Performance Table

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

Target Codes:
SP - Key Strategic Plan measures
NK - Non-Key measures
TBD - Targets have not yet been developed
PART - PART measures
UNK - Prior year data unavailable
BUR - Bureau specific measure
ABC - Bureau ABC Output
300 - Exhibit 300 measure
NA - Long-term targets are inappropriate to determine at this time

Type Codes: **C** - Cumulative Measures **A** - Annual Measures **F** - Future Measures

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

End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	Type	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2008 Actual	2009 Plan	2010 President's Budget	Change from 2009 Plan to 2010	Long-term Target 2012
GPRA End Outcome Measures										
Number of offshore lease sales held consistent with the Secretary's 2007-2012 5-Year Program (SP)	C/F	4	2	2	5	5	2	4	+2	2
Total Actual/Projected Cost ($M)		32.7	33.1	33.2	35.2	39.4	40.4	43.9	+3.5	--
Contributing Programs	OEMM-Leasing and Environment, Resource Evaluation									
Comments	*This measure counts lease sales conducted under the OCS Oil and Gas Leasing Program as defined in the Secretary's Five-Year Program. The two lease sales scheduled for 2009 are in the Gulf of Mexico. A third 2009 lease sale, Alaska Beaufort Sea,was delayed because additional time was needed to complete the Arctic Multisale Draft Environmental Impact Statement. The 4 lease sales planned in FY 2010 assume that the delayed sale will be held along with sales in the Chuckchi Sea, and Central and Western Gulf of Mexico. The costs associated with holding lease sales cover pre-sale preparation, conduct of the sale, post-sale bid evaluation, and post-sale lease administration relating to more sales than the ones conducted in that year. Although a lease sale occurs in one year, costs for holding that sale are incurred over several years and can vary depending on the location of the sale, the level of environmental documentation required, whether litigation is involved, and the number of leases issued. Because of such differences and overlapping efforts, there is generally not a direct correlation between annual costs and the number of lease sales held.*									
Percent of Federal and Indian revenues disbursed on a timely basis per statute (SP/PART/300)	A	98.4% ($1.978B / $2.011B)	94.5% ($2.505B / $2.650B)	96.3% ($2.251B / $2.336B)	98%	99.2% ($2.962B / $2.987B)	98%	98%	0%	99%
Total Actual/Projected Cost ($M)		42.3	43.7	45.8	45.2	45.2	47.9	48.5	0.5	--
Contributing Programs	MRM-Revenue and Operations									
Comments	*This measure reports the timely disbursement of revenues that are subject to late disbursement interest (LDI). The MMS is required by statute to disburse Federal funds to recipients by the end of the month following the month of receipt, per statute. The MMS is also required to deliver Indian lease data to BIA by the end of the month following the month of receipt so that OST can disburse revenues to Indian recipients. When not provided timely, these revenues are subject to late disbursement interest. MMS has recognized significant increases in disbursement timeliness between FY 2006 and 2008 by moving more "edits" up front, effectively placing more burden on companies to properly report, and by focusing on ensuring more timely payment reconciliation by companies, thus allowing more timely disbursement. Because the payment reconciliation process is very manually intensive, the targets for this measure remain at 98 percent for FY 2009 and 2010. However for FY 2011 forward, after full implementation in FY 2010 of the interactive payment and billing initiative, MMS anticipates that disbursement timeliness will maintain at 99 percent or above.*									

Goal Performance Table (continued)										
Intermediate Outcome Strategy 1: Effectively manage and provide for efficient access and development										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures										
Percent of available offshore oil and gas resources offered for leasing compared to what was planned in the Secretary's Five-Year Plan (SP)	C/F	84.2%		84.2% (228.5/ 271.3)	2007-2012 Leasing Program Target: 98%					
Contributing Programs	*OEMM-Leasing and Environment, Resource Evaluation*									
Percent of available OCS acres offered for leasing in a 5 Year Program compared to what was planned for leasing (PART)	C/F	67.3%		67.3% (386.1/ 573.8)	2007-2012 Leasing Program Target: 82%					
Contributing Programs	*OEMM-Leasing and Environment, Resource Evaluation*									
Comments	*For each 5-Year Program, MMS identifies OCS program areas that will be considered for future leasing through individual sales. Acreage with few estimated technically recoverable reserves are excluded from the acreage that is planned be offered under the 5-Year Plan and the targets assume that only the most prospective acreage will be offered. For the 2007-2012 OCS Oil and Gas Leasing Program, the acreage planned to be offered is projected to contain 98% of Undiscovered Technically Recoverable Resources available and encompass 82% of the total acreage available for leasing. This means that approximately 18% of the acreage available for leasing was determined to contain insufficient technically recoverable reserves. If all the sales scheduled in the 5-year program for a specific year were held, meaning no major deferrals of acreage planned to be offered, the available resources offered would be 100%.* *However, the current 5-year plan includes "special sales", a process designed for the remote areas of Alaska that contain prospects for oil and gas, but are currently considered to have high risk, high costs, and lower industry interest. If industry does not express an interest in the Call for Information for Special Sales, presale work does not continue and the sale is not held.*									
Percent of available OCS acres offered in each year's lease sales (PART)	C/F	>99%	94%	35% (44.6/ 127.3)	85%	88% (175.2/ 198.5)	99%	72%	-27%	76%
Contributing Programs	OEMM-Leasing and Environmental and Resource Evaluation									
Percent of available OCS oil and gas resources offered in each year's lease sales (PART)	C/F	>99%	> 98%	35.6%* (19.5/ 54.7)	97%	98.9% (161.2/ 162.9)	99%	98%	-1%	97%
Total Actual/Projected Cost ($M)		32.7	33.1	33.2	35.2	39.4	40.4	43.9	+3.5	--
Contributing Program	OEMM-Leasing and Environment, Resource Evaluation									
Comments	*These measures count the acreage and resources offered (in BBOE-billion barrels of oil equivalent) through lease sales scheduled under the Secretary's 5-Year OCS Oil and Gas Leasing Program. Targets for the 2007-2012 OCS Oil and Gas Leasing Program assume that the most prospective acreage will be offered. The anticipated 2010 decrease in the percentage of* acres offered *without a corresponding reduction in the planned percentage of* resources offered *indicate that the excluded acreage contains few estimated technically recoverable resources.* **As a result of a settlement of litigation brought by the State of Louisiana, MMS postponed Central Gulf of Mexico Sale 201 scheduled for March 2007 which decreased the quantity of resources offered in that year.*									
Percentage of Environmental Studies Program (ESP) projects rated "Moderately Effective" or better by MMS internal customers (PART)	A	N/A	92% (baseline)	100% (12/12)	85%	85% (29/34)	85%	85%	No Change	TBD
Contributing Programs	OEMM-Leasing and Environment									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Percent of ESP Projects delivered on time (PART)	A	N/A	68% (26/38)	54% (7/13)	Baseline Year	74% (25/34)	60%	60%	No Change	TBD
Contributing Programs	OEMM-Leasing and Environment									
Comments	*These measures evaluate the effectiveness and timeliness of the ESP's projects. MMS will need a full range of updated environmental information for the North Aleutian Basin (NAB) NEPA pre-lease/post-lease analyses, as well as post-lease monitoring information for the Chukchi and Beaufort Seas. No concerted environmental data gathering related to oil and gas has occurred in these areas for over 15 years. Performance results are very sensitive to the number and types of projects evaluated. Although a large number of projects were completed in 2008, recent trends have been toward fewer but more complex projects. The 2009-2010 targets take into account the sensitivity of these metrics to even a single delayed project and strive to maintain current performance levels. The proposed targets consider historical rates as well as the nature of current studies. Many projects scheduled for completion in 2009- 2010 are multidisciplinary or include components of weather-dependent field work. Field work in general, and especially in the Alaskan environment, is subject to unpredictable changes which affect planned timing, e.g. weather conditions or equipment availability.*									
Percent of leases drilled for 1st time - 5 Year Leases (PART) (calendar year)	C/F	7.1% (132/1,858)	5.9% (119/2,023)	4.8% (86/1,778)	6.1%	4.7% (71/1526)	6.1%	6.1%	No Change	TBD
Contributing Program		OEMM-Resource Evaluation								
Percent of leases drilled for 1st time - 8/10 Year Leases (PART)(calendar year)	C/F	1.1% (42/3,918)	1.1% (43/3,774)	1.2% (42/3,536)	1.4%	1.2% (38/3,277)	1.2%	1.2%	No Change	TBD
Contributing Program	OEMM-Resource Evaluation									
Comments	*Operational delays caused by Hurricanes Gustav and Ike, lease decommissioning/repair work from past storms, and equipment shortages for drilling rigs continue to impact OCS operators' ability to begin drilling on held leases. This is particularly true in the deeper water depths associated with 8 and 10 year leases. Deepwater lease wells take longer to drill due to the increased depth, the potential need for multiple rigs to perform the work, and the harsh conditions involved (in Alaska the drilling season is restricted due to ice conditions and weather).*									
Number of Renewable Energy leasing processes initiated (i.e., Calls)	BUR	N/A	N/A	N/A	N/A	N/A	1	2	+1	2
Total Actual/Projected Cost ($M)		--	--	--	--	5.6	7.7	28.2	+20.5	--
Contributing Programs	OEMM-Renewable Energy									
Comments	*To enable renewable energy development on the OCS, MMS must conduct a lengthy, multi-step process entailing information gathering, consultation with interested and affected parties, NEPA review and compliance, and analysis in light of other applicable federal requirements for each affected state. The first step in each decision process will be to identify a proposed lease area and determine whether or not there is competition for that area. If MMS determines that there is competition, it will undertake an approximately 2-year public consultation and decision process consisting of several formal steps. This metric counts the number of formal actions MMS publishes in the Federal Register to initiate the leasing process for renewable energy (i.e., the Call for Information or the Call for Nominations).* **NOTE: The Renewable Energy metrics presented are interim in nature and will likely be revised as the Program matures.**									
Number of MMS-supported Stakeholder Collaboratives for Renewable Energy	BUR	N/A	N/A	3	N/A	5	8	8	0	11
Contributing Programs	OEMM-Renewable Energy									
Comments	*MMS recognizes the importance of coordinating and consulting with local and federal stakeholders to develop a comprehensive renewable energy program for the OCS. This metric quantifies the number of cooperative planning and leasing efforts undertaken with relevant federal agencies and affected state, local, and tribal governments. MMS has actively sought and will continue to solicit stakeholder input through collaborative partnerships with federal agencies, state governments and other affected stakeholders. Following publication of the final Renewable Energy regulations, MMS plans to hold a number of stakeholder meetings across the country and has recently approved the formation of Federal/State Taskforces with Delaware and New Jersey.* **NOTE: The Renewable Energy metrics presented are interim in nature and will likely be revised as the Program matures.**									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Number of Renewable Energy leases issued (competitive or noncompetitive; limited or commercial)	BUR	N/A	N/A	N/A	N/A	N/A	7	2	-5	2
Contributing Programs	OEMM-Renewable Energy									
Comments	*In November 2007, MMS announced the establishment of an interim policy for Offshore Alternative Energy Resource Assessment and Technology Testing Activities which invited the public to nominate areas of the OCS for MMS to consider in awarding limited leases for data collection and technology testing. From the nominations submitted, MMS identified 16 proposed lease areas for priority consideration; 10 of which drew no competing nominations. MMS expects to issue noncompetitive limited leases for seven of these lease areas in the Spring of 2009. After the Final Renewable Energy Rule is published and the required environmental analyses are conducted in 2010 and 2011, MMS anticipates being able to issue its first commercial competitive or noncompetitive leases in 2012 or 2013. In 2010, a lease may also be issued for the existing Cape Wind Project as well as one additional limited lease for data collection and technology testing.* **NOTE: The Renewable Energy metrics presented are interim in nature and will likely be revised as the Program matures.**									
Number of Ongoing EA/EISs for Renewable Energy Development	BUR	N/A	N/A	N/A	N/A	N/A	3	3	0	6
Contributing Programs	OEMM-Renewable Energy									
Comments	*Comprehensive environmental analyses are an essential but lengthy part of the overall OCS lease planning process. The Energy Policy Act of 2005 gave MMS responsibility for two existing offshore alternative energy projects - the Cape Wind project in the Nantucket Sound offshore Massachusetts, and the Long Island Offshore Wind Park offshore New York. While the Long Island Project was withdrawn, the MMS published the final EIS for the Cape Wind Project in January 2009. The MMS also anticipates publishing a Multi-state environmental assessment for the Delaware and New Jersey Interim Policy projects later in 2009.* **NOTE: The Renewable Energy metrics presented are interim in nature and will likely be revised as the Program matures.**									
Intermediate Outcome Strategy 2: Enhance responsible use management practices										
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures										
Composite accident severity ratio (SP/PART)	C/F	0.03	0.10	0.075 (5,208/ 69,241)	<0.10	0.21 (12,440/ 58,249)	<0.13	<0.13	No Change	TBD
Contributing Programs	OEMM-Regulatory									
Comments	*MMS is committed to safety and environmental protection as top priorities. For the composite accident severity ratio, MMS assigns a point value to each operator safety incident reported based on its severity, then divides total annual points by the number of components in service for all operators. In 2006, new MMS incident reporting regulations became effective. These new regulations require operators to submit a written report in 15 days and more specifically define the types of incidents to be reported. In 2007, the point matrix used to assign accident severity values was also updated to provide a better indication of the relative severity of the incidents (i.e., there is now a larger differential between the points assigned for major versus minor incidents). During 2007 and 2008, there was noticeable increase in the number of injury incidents reported and the receipt of additional information has improved the MMS' ability to categorize the severity of the injury based on the number of days of lost time/restricted work/job transfer. The FY09/10 targets are based on improvement over the average of the FY07 and FY08 results during which both changes were in place.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Maintain an annual composite operator performance index of X or less (PART/BUR)	C/F	0.11	0.15	0.15	<0.20	0.27	<0.20	<0.20	No Change	0.20
Total Actual/Projected Cost ($M)		40.5	42.1	42.4	44.9	45.9	47.1	51.2	+4.1	--
Contributing Programs	OEMM-Regulatory									
Comments	*The operator performance index sums two ratios that are normalized for OCS operator activity. The first ratio measures operator compliance using a weighted INC (incident of non-compliance) value. The second ratio measures operator safety by assigning values for accidents (i.e., the composite accident severity ratio). Although the desired results for any type of accident or injury index is always zero; the 2008 results as well as the FY 2009 and FY 2010 targets take into account impacts of recent changes MMS made to its accident severity point matrix and reporting requirements.*									
Reduce number of fatalities among workers in DOI permitted or contracted activities (PART)	C/F	6	9	3	6	2	5	Reduce	No Change	Reduce
Contributing Programs	OEMM-Regulatory									
Reduce number of serious injuries among workers in DOI permitted or contracted activities (PART)	C/F	23	29	32	27	31	30	Reduce	No Change	Reduce
Contributing Program	OEMM-Regulatory									
Comments	*In July 2006, new MMS incident/accident reporting regulations became effective. These new regulations require operators to submit a written report in 15 days and more specifically define the types of incidents to be reported. In 2007 and 2008, there was a significant increase in the number of injury incidents reported and the receipt of additional information has improved the MMS's ability to categorize the severity of the injury based on the number of days of lost time/restricted work/job transfer. Targets for the fatalities and serious injury metrics are developed based on reducing a rolling multi-year average that is calculated once current year actuals become available. For this reason, outyear targets for 2010 and beyon are expressed in terms of a "reduction" versus a specific numeric target.*									
Amount (in barrels) of offshore oil spilled per million barrels produced (SP/PART)	C/F	24.7 (13,301/537.9 million)	3.0 (1,382/464.6 million)	2.7 (1,362/ 504.7 million)	<5	13.76 (est.) (6410/466)	<5	<5	No Change	<5
Amount (in barrels) of offshore oil spilled per million barrels produced ***Excluding Hurricane-related spills (BUR)***	C/F	0.2 (86.1/ 537.9 million)	0.2 (105/ 464.6 million)	2.3 (1,185/ 504.7 million)	--	0.2 (est.) (72.5/ 466)	--	--	--	--
Total Actual/Projected Cost ($M)		62.9	63.8	64	67.8	69.8	71.7	77.8	+6.1	--
Contributing Programs	OEMM-Regulatory									
Comments	*The structural damage and operational delays caused by Hurricanes Ike and Gustav resulted in a higher than normal oil spill ratio for 2008. Historical data indicates that MMS is typically able to meet the current 5 barrel (bbl) target level when no major hurricanes occur and when medium spills total to less than 2,500 bbl. In 2008, there were 51 petroleum spills of 1 bbl or greater reported totaling 6,150 bbl and annual oil production was down because of the extended operational shut-ins related to the storms. The estimated oil spill ratio excluding hurricane related spills was just 0.2 for 2008 and there were no accounts reported of environmental consequences (e.g., no spill contacts to the shoreline, no oiling of marine mammals, birds, or other wildlife, and no large volumes of oil on the ocean surface to be collected or cleaned up) resulting from OCS spills attributable to Hurricanes Gustav and Ike. Oil spill data is constantly updated as additional information becomes available through the completion of investigations and/or recovery operations. Occasionally, a spill may be deleted or added a year or more later and result in historical data revisions.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Less than X% of total gas produced is approved to be flared offshore (BUR) (Calendar Yr)	C/F	0.29% (9,420,523/ 3,201,957,549 MCF)	0.28% (8,340,722/ 2,948,461,292 MCF)	0.27% (7,790,921/ 2,860,083,010 MCF)	0.8	0.38% (5,941,922/ 1,553,573,914 MCF)	0.7	0.7	0	0.7
Contributing Program	OEMM-Regulatory									
Comments	*The U.S. Offshore program has by far one of the best records in the world when it comes to minimizing flaring and venting. Recent industry statistics show worldwide rates ranging from 0.2% to 100%. MMS is presently in the process of finalizing revised flaring and venting regulations. If finalized in their proposed form, the new regulations will require operators to install flare/vent meters on all OCS facilities that process more than 2,000 bbl of oil per day. Currently operators are allowed to estimate these flare/vent volumes and there is a chance that their estimations are lower than actuals. When implemented these proposed changes may increase reported volumes which is why future targets are higher than recent results.*									
Process X% of exploration plans in less than 30 days (BUR)	C/F	99% (367/371)	75% * (259/345)	99.6% (276/277)	100%	100% (253/253)	100%	100%	No Change	100%
Total Actual/Projected Cost ($M)		6.7	6.5	6.5	6.8	7.2	7.4	8	+0.6	
Contributing Programs	OEMM-Regulatory									
Comments	** The 2006 actual reflects the closure of the MMS Gulf of Mexico Region and some associated District offices for as much as 62 days immediately prior to and following Hurricanes Katrina, Rita, and Wilma.*									
Process X% of offshore environmental assessments for development plans within 8 months (BUR)	C/F	100% (8/8)	100% (9/9)	100% (4/4)	100%	100% (2/2)	100%	100%	No Change	100%
Contributing Programs	OEMM-Leasing and Environment									
Process X% of development plans in less than 120 days (BUR)	C/F	100% (258/258)	94% * (293/313)	99.6% (478/480)	100%	100% (224/224)	100%	100%	No Change	100%
Total Actual/Projected Cost ($M)		8.9	8.7	8.6	9.1	9.6	9.8	10.7	+0.8	--
Contributing Programs	OEMM-Regulatory									
Comments	** The 2006 actual reflects the closure of the MMS Gulf of Mexico Region and some associated District offices for as much as 62 days immediately prior to and following Hurricanes Katrina, Rita, and Wilma.*									
Process X% of right-of-way pipeline applications within 140 days (BUR)	C/F	93% (144/155)	97% (133/137)	99% (120/122)	90%	98.2% (167/170)	90%	90%	No Change	100%
Total Actual/Projected Cost ($M)		4.5	4.3	4.3	4.6	4.8	4.9	5.3	+0.4	--
Contributing Programs	OEMM-Regulatory									
Comments	*The planned targets are lower than actual performance in previous years due to continued predictions of active hurricane seasons in the Gulf of Mexico which can result in a significant increase in the number of pipeline modification permit applications that need to be processed by existing staff.*									
Conduct Technology Assessment and Research studies on X% of high-priority topics (BUR)	C/F	75% (16/20)	70% (17/22)	74% (25/ 34)	90%	93% (14/15)	85%	85%	No Change	85%
Total Actual/Projected Cost ($M)		0.9	0.9	0.9	1.5	1.5	1.5	1.5	0	--
Contributing Programs	OEMM-Regulatory									
Comments	*MMS has recently seen a decrease in the number of bid responses received to conduct proposed studies. Many engineering firms that address the desired high priority topics are having difficulty hiring experienced engineers and therefore are not bidding on as many projects.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Achieve a utilization rate of X% at OHMSETT, the national oil spill response test facility (BUR)	C/F	75%	80%	62% (162/ 260)	60%	90% (217/240)	80%	80%	No Change	80%
Contributing Programs	OEMM-Oil Spill Research									
Comments	*Between 2004 and 2006 Ohmsett utilization rates reached near the full utilization rates of 83% because of maintenance cycles. Those cycles were completed in 2006 and although no major upgrades are planned in the near future, expanded uses for the facility (e.g., dispersant training, and renewable energy wave tests) have been identified to increase and sustain overall utilization rates.*									
Total Number of Compliance Inspections Completed (PART/ABC-DOI)	A	23,115	19,961	20,567	20,000	25,650	20,000	20,000	No Change	TBD
Total Actual/Projected Cost ($M)		38.2	39.8	40.3	43.1	44.1	45.2	49.1	+3.9	--
Contributing Programs	OEMM-Regulatory									
Comments	*MMS has changed its inspection strategy to a more risk-based approach.. This strategy change means MMS is conducting more component sampling and performance based inspections which focus on higher risk facilities. Inspections at high risk facilities are more comprehensive and consume more resources than sampling inspections. Although a concentrated effort was made in 2008 to perform more production inspections (e.g., meter inspections), in future years MMS anticipates focusing more resources on fewer but higher risk facilities particularly for the non-production type inspections.*									
Conduct full Coast Guard inspections on X% of manned offshore facilities annually (BUR)	A	15% (164/1,109)	13% (154/1,124)	20% (224/ 1,121)	10%	14.7% (164/1112)	10%	10%	No Change	10%
Contributing Programs	OEMM- Regulatory									
Comments	*Inspection of U.S. Coast Guard regulated items is a function that was provided for by regulation but one for which MMS is not reimbursed. Assumption of limited responsibilities by MMS was pursued following a report by the Inspector General that the U.S. Coast Guard was not conducting inspections of safety items on fixed facilities, as required by law. At this time, MMS inspectors conduct a limited FPSIP (fixed platform self inspection program) inspection on every platform that they visit and have a target of conducting full FPSIP inspections on 10 percent of manned facilities. Although more is done when the resources are available, increasing the number of full FPSIP inspections <u>required</u> by MMS inspectors would detract from performing inspections of equipment and operations under MMS jurisdiction.*									
Intermediate Outcome Strategy 3: Appropriate value through effective lease and permit management										
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures										
Percent of high bids accepted or rejected within 60 days (PART)	C/F	78% (612/786)	68% (530/785)	69% (259/374)	40%	41.2% (898/2181)	50%	50%	No Change	50%
Total Actual/Projected Cost ($M)		15.5	15.6	13.3	14.1	14.0	14.4	15.7.	+1.3	--
Contributing Programs	OEMM-Resource Evaluation									
Comments	*The 60-day target was originally set for lease sales with fewer than 600 tracts receiving bids in the Gulf of Mexico Region or 90 tracts in the Alaska Region. The 2007-2012 Five-year Program, with its expanded program areas, will result in far more and labor-intensive, block/tract evaluation units. A 500 percent expansion of acreage for Alaska and a 10 percent increase in the Gulf of Mexico will increase the number of tracts receiving bids. Additionally, in the Gulf of Mexico deep water, currently leased tracts with 10 year lease terms will be relinquished, then made available. This additional acreage will result in many sales being above the baselines of 600 and 90 tracts receiving bids. For example in FY 2008, GOMR Sales 205 and 206 had 723 and 615 tracts receiving bids respectively and Alaska Sale 193 resulted in 488 tracts receiving bids. The higher number of tracts being bid upon lowers the percentage of bids MMS expects to be able to evaluate within 60 days with existing resources.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Percent of tracts with high bids rejected in a previous lease sale receiving acceptable bids the next time the tracts are made available (PART) (FY)	C/F	83% (15/18)	39% (9/23)	33% (1/3)	50%	51.9% (14/27)	50%	50%	No Change	50%
Contributing Programs	OEMM-Resource Evaluation									
Comments	*This metric compares the success of rejected tracts from a previous sale the first time these tracts are made available again. High bids for tracts are rejected as inadequate if they do not meet the Government's threshold of an acceptable bid based on our economic evaluation. Between 2005 and 2008, a little over half of the rejected tracts have received acceptable bids in subsequent sales.*									
Maintain the ratio of 1.8 to 1 (+/-0.4) of accepted high bids to MMS' estimated value (BUR)	C/F	1.9 to 1	2.1 to 1	2.1 to 1	1.8 to 1 (+/- 0.4)	2.49 to 1	1.8 to 1 (+/- 0.4)	1.8 to 1 (+/- 0.4)	No Change	1.8 to 1 (+/- 0.4)
Contributing Programs	OEMM-Resource Evaluation									
Comments	*MMS's current tract evaluation procedure is designed to assure that the Government receives fair value for leased tracts. This measure compares the accepted High Bid on each tract to the Government's Estimated Value for that tract. Industry corporate strategy with respect to acquiring specific acreage could lead to a company raising its bid above this analytical value to improve their chances of winning the lease. MMS estimates are based on a discounted cash flow analysis of a tract and are not designed to predict the high bid. Therefore the value of this indicator should always be greater than one to achieve fair value for OCS leases. The annual target ratio of 1.8 to 1 means that on average, the industry bids received are expected be for $1.80 (+/- 0.4) for every dollar of the Government Estimate Value for each tract. This target was set using several years of historical bid data and is reviewed annually to confirm its validity.*									
Reserves recovered per dollar of funding for the conservation management component of the program (PART)	A	3.5 BOE (barrels of oil equivalent)	20.4 BOE	62.7 BOE	5.2 BOE	28.9 BOE (85,811,266/ 2,972,207)	5.2 BOE	5.2 BOE	No Change	5.2 BOE
Contributing Programs	OEMM-Regulatory									
Comments	*This metric saw a significant increase in FY 2007 because MMS required development of smaller, less prolific, economic reservoirs in several major deepwater development projects associated with the Conservation Information Document (CID). The CID details the operator's initial development plan and proposed depletion scenario for a deepwater project. Operators have the tendency to propose a field depletion scenario in which marginally economic reservoirs will be bypassed in favor of more prolific reservoirs. MMS conducts an independent evaluation of the data to determine if any additional economically producible reservoirs not proposed for development by the operator should be developed. A final CID may require operators to produce reservoirs that they might otherwise bypass, which results in barrels saved. Annual targets reflect the fact that as the price of oil and gas fluctuates, it is difficult to predict the number of reservoirs operators will propose to bypass in their CIDs or how much those reservoirs will produce.*									
Blocks/Tracts Evaluated (ABC)	A	8,177	10,996*	18,645**	9,300	8,341	9,300	9,300	No Change	TBD
Total Actual/Projected Cost ($M)		46.6	47.4	44.8	47.4	43.1	44.2	48.1	+3.8	--
Contributing Programs	OEMM-Resource Evaluation									
Comments	*It is anticipated that if a new Five-Year Program is adopted with expanded program areas included for leasing, far more, labor-intensive, block/tract evaluation will be required. Additionally expansion into frontier areas as the North Aleutian Basin and expanded 181 Area will require decades old data in analog format be digitized so it can be analyzed in Geological Interpretative Tools based work flows. Data, system and workflow upgrades are urgently needed for fair market value and resource assessment reviews.* **Of the 10,996 blocks/tracts evaluated in FY 2006, 3,003 were Atlantic tracts. New geologic information was evaluated for the Proposed 2007-2012 5-Year Oil and Gas Leasing Program. This evaluation in the Atlantic was a special occurrence.* ***Results for FY 2007 are increased due to a special evaluation in the Atlantic Region for hydrates.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Estimated net return (in dollars) to the government through Royalty in Kind (RIK) (SP/PART/300)	C	$36M (cum)	$67.1M (cum)	$130.3M (cum)	$105M* (cum)	$194.7M* (est.) (cum)	$210M* (cum)	$230M* (cum)	$20.0M	$270M * (cum)
Total Actual/Projected Cost ($M)		n/a	17.3	20.0	20.1	20.1	22.0	--	--	--
Contributing Programs	MRM-Compliance and Asset Management									
Comments	*This measure monitors the cumulative outcome of MMS's decision to take royalties in kind (RIK). The MMS collects royalties in kind if there is economic advantage to the Government. The outcome includes three components: (1) the amount by which RIK royalties exceed estimated fair market value benchmark (estimated in value royalties); (2) the positive "time value of money" benefit resulting from collecting RIK royalties more quickly than in value royalties; and, (3) the estimated administrative costs savings resulting from RIK operations versus RIV operations. The sum of the dollar value of these three components comprises the RIK Net Return.* ** Estimated result; final FY 2008 result anticipated late April 2009. Based on the FY 2008 estimated results, the targets for FY 2009 and beyond have been re-evaluated.*									
Percent of late disbursements (SP)	C	0.34% ($0.033B / $9.939B)	1.13% ($0.145B / $12.831B)	0.74% ($0.086B / $11.671B)	1.0%	0.11% ($0.025B / $23.373B)	0.9%	0.8%	-0.1%	0.7%
Contributing Programs	MRM-Revenue and Operations									
Comments	*This measure reports the percent of Federal and Indian revenues not paid to States or allocated to BIA timely compared to total disbursements.*									
Cumulative percent of unique mineral royalty companies covered by compliance activities (2008-2012) (PART)*		N/A	N/A	N/A	28.7% (525/ 1,832)	28.7%* (525/ 1,832)	37.8% (675/ 1,787)	46.0% (810/ 1,761 est.)	7.6%	58.6% (975/ 1,665 est.)
Cumulative percent of unique mineral royalty properties covered by compliance activities (2008-2012) (PART) *		N/A	N/A	N/A	12.8% (3,100/ 24,164)	12.8%* (3,100/ 24,164)	16.7% (4,004/ 23,984)	20.1% (4,948/ 24,565 est.)	3.3%	27.3% (6,714/ 24,554 est.)
Total Actual/Projected Cost ($M)		44.2	53.2	53.7	55.5	55.5	59.2	63.2	4.0	--
Contributing Programs	MRM-Compliance and Asset Management									
Comments	*These are new MMS compliance measures implemented in FY 2008, in response to OIG recommendations and in coordination with OMB. They measure the cumulative percent of unique royalty companies and properties covered by MRM audits, compliance reviews, or RIK compliance strategy. The MRM compliance risk strategy provides the data to determine properties and companies to be covered, the mix of audits vs. compliance reviews, and the number of repeat vs. unique royalty companies and properties. Only the unique companies and properties will be added to calculate the cumulative results from FY 2008 forward.* ** In FY 2008, covered 65.8% of all royalty revenues and ensuring compliance for about $6.82 billion in royalty revenues. MMS covered 91.7% of high-significant risk companies and 23.2% of high-significant risk properties in FY 2008. MMS will cover about 94% of high-significant risk companies each year in FY 2009 and 2010 and approximately 20.5% and 23% of high-significant properties in FY's 2009 and 2010 respectively. Royalty dollars are one key component of the risk determination; therefore, there is strong probability of high revenue companies and properties being selected.*									
Percent of companies' royalty information reported accurately the first time (PART)	A	96.9% (3.025M lines / 3.121M lines)	97.4% (3.084M lines / 3.167M lines)	97.3% (3.094M lines / 3.180M lines)	98%	98.3% (3.464M lines / 3.523M lines)	98%	98%	0%	98%
Contributing Programs	MRM-Revenue and Operations									
Comments	*This measure of royalty reporting accuracy is based on the number of accurate company-reported royalty lines compared to the total number of royalty lines. This measure is particularly important in meeting our goals of transferring State and Indian revenue dollars and lease royalty distribution data timely. The MRM influences this metric by providing reporter training free of charge to companies in various geographic locations; and the targeting of specific companies for additional assistance to ensure that royalty reporting accuracy remains high.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Late disbursement interest costs (PART)	C	N/A	Baseline $1.851M	- 9.5% - $0.176M	-40% (Cum) -$0.740M	-80% (Cum) -$1.481M	-60% (Cum) -$1.111M	-80% (Cum) -$1.482M	-20% $0.371M	-90% (Cum) -$1.666M
Contributing Programs	MRM-Revenue and Operations									
Comments	*MMS's goal is to decrease taxpayer dollars spent on late disbursement interest (LDI) by 90% from the baseline year of FY 2006. Per statute, revenue is due the states not later than the last business day of the month following the month of receipt, and interest is due for onshore revenues not disbursed timely to states. The year-over-year result may fluctuate, thus, the FY 2010 target remains 60%, though the ultimate reduction by FY 2012 is targeted at 90%.*									
Transfer X percent of revenue to OST within 1 business day of receipt (BUR)	A	100% ($113.4M/ $113.4M)	100% ($157.1M/ $157.1M)	100% ($124.3M/ $124.3M)	100%	100% ($139.8M/ $139.8M)	100%	100%	0%	100%
Contributing Programs	MRM-Revenue and Operations									
Comments	*This measures the percentage of all Indian revenue received on a daily basis that is transferred to OST within one business day of identification. The MMS monitors the timeliness of the data transfer to ensure fulfillment of MMS's Indian Trust responsibilities.*									
Percent of royalties for which lease data provided to BIA by first semi-monthly distribution (PART)	A	92% ($95.8M / $103.2M)	94.7% ($130.0M / $137.3M)	96% ($126.8M / $132.1M)	96%	97.1% ($121.5M / $125.1M)	96.5%	97%	0.5%	98%
Contributing Programs	MRM-Revenue and Operations									
Comments	*The MMS's goal is to provide BIA the lease data needed to disburse revenue to individual Indian mineral owners (no later than the first semi-monthly distribution following the month of receipt of the revenue). The BIA needs this lease data so that OST can disburse revenues to correct recipients.*									
Ensure substantial compliance for X% of Indian gas properties within 3 years for Indian-specific major portion/index pricing terms (BUR)	A	100% of CY 2002; (2,216 properties / 2,216 properties)	100% of CY 2003; (2,246 properties / 2,246 properties)	100% of CY 2004; (2,295 properties / 2,295 properties)	100% of CY 2005	100% of CY 2005 (2,370 properties / 2,370 properties)	100% of CY 2006	100% of CY 2007	No Change	100% of CY 2009
Contributing Programs	MRM-Compliance and Asset Management									
Comments	*This measure supports MMS efforts to provide the highest possible Indian Trust protection and enforce the unique terms contained in Indian leases.*									
RIK administrative cost efficiencies (PART)	C	N/A	$0.063/BOE (Baseline)	+5%*	-5% (Cum)	**	-10% (Cum)	TBD	TBD	TBD
Contributing Programs	MRM-Compliance and Asset Management									
Comments	*This measure supports managing the RIK Program efficiently which is a key element to implementing the RIK Business Plan. The FY 2006 baseline is an average of the 2004 thru 2006 cost per BOE. The FY 2007 actual is an average of 2005 - 2007 cost per BOE, compared to the baseline.* ** The MMS did not meet its PART efficiency measure goal to reduce RIK administrative costs per BOE for FY 2007 by 2 percent. Now that trend data is available for this measure, MMS is concerned that BOE costs may not be the best method to measure RIK efficiencies. Facility Measurement Points (FMP) are more representative of RIK workload and may be more appropriate to use. During FY 2009, MMS will be developing the RIK Strategic Business Plan for FY 2010 - 2012. During this time, MMS will reevaluate this RIK PART efficiency measure, in strong coordination with OMB, to determine the most appropriate method to measure RIK efficiency.* *** Target for FY 2008 was -5%. Final FY 2008 result anticipated in late April 2009.*									

Goal Performance Table (continued)										
End Outcome Measure/Intermediate or PART Measure/PART Efficiency or Other Outcome Measure	**Type**	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Compliance benefit/cost efficiencies (PART)	A	N/A	1 : 2.63 (Baseline)	1 : 4.27	1 : 4.45	1 : 7.08 *	1 : 4.60	1 : 4.75	1 : 0.15	1 : 4.75
Contributing Programs	MRM-Compliance and Asset Management									
Comments	*This measure is a ratio of costs to collections for compliance reviews and audits. To mitigate variances in collections, thus providing better management information, this is measured as an average over the previous 3 years. MRM costs and collections, as well as those of state and Tribal auditors, are included in this measure.* ** In FY 2005-2007 (reported in FY 2008), for every dollar spent on compliance reviews and audits, MMS collected $7.08 in additional royalties. The $7.08 overall (Audits + CRs) result for FY 2008 becomes $5.08 without the $105,300,000 settlement with Burlington. This large settlement is a non-recurring event.*									
Ensure systems availability (300)		100%	100% (553,729 min / 554,430 min)	100% (537,785 min / 537,884 min)	100%	100% (577,950 min / 578,040 min)	100%	100%	0%	100%
Contributing Programs	MRM-Revenue and Operations									
Comments	*This measures the overall, online availability of the Minerals Revenue Management Support System (MRMSS). The MRMSS is comprised of the MRM Financial System, the RIK (Nucleus) System, and the MRM Data Warehouse.*									
End Outcome Goal: Improve protection of lives, resources, and property										
GPRA End Outcome Measures										
Level of emergency preparedness as measured by the Interior Readiness (I-READ) Index	A	N/A	N/A	N/A	N/A	82.7% (Baseline)	86.8%	90%	3.2%	
Contributing Programs	MMS Administration and Budget									

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

			2010 Initiatives									
	2008 Enacted	FY 2009 Enacted	Production and Gas Plant Accountability	Renewable Energy	Risk-Based Audit/Comp. Coverage	5-Year Program 2007-2012	Marine Minerals	Reductions	Offsetting Collections Changes	To Renewable Energy	Fixed Costs	2010 Request
Offshore Energy and Minerals Management												
Renewable Energy [a/]				+15,640						+5,732	+41	21,413
Leasing & Environmental	46,403	54,963		+6,500		+1,600	+1,060			-5,344	+682	59,461
Resource Evaluation	30,407	33,698				+1,100		-900		-142	+629	34,385
Regulatory Program	55,769	57,268				+2,300				-246	+939	60,261
Information Management	28,757	20,270									+184	20,454
Total OEMM	**161,336**	**166,199**	**0**	**22,140**	**0**	**5,000**	**1,060**	**-900**	**0**	**0**	**2,475**	**195,974**
Minerals Revenue Management												
Compliance & Asset Mgmt	45,055	47,965			+3,045			-1156			+1,086	50,940
Revenue & Operations	36,632	38,719	+1,730					-2520			+505	38,434
Total MRM	**81,687**	**86,684**	**+1,730**	**0**	**+3,045**	**0**	**0**	**-3,676**	**0**	**0**	**+1,591**	**89,374**
General Administration												
Executive Direction	2,590	2,741									+77	2,818
Policy & Mgmt Improvemt	4,165	4,236									+92	4,328
Administrative Operations	17,310	17,654		+1,780		+145					+450	20,029
General Support Services	23,392	26,589		+100							+1,835	28,524
Total GA	**47,457**	**51,220**	**0**	**+1,880**	**0**	**+145**	**0**	**0**	**0**	**0**	**+2,454**	**55,699**
ROMM	**290,480**	**304,103**	**+1,730**	**+24,020**	**+3,045**	**+5,145**	**+1,060**	**-4,576**			**+6,520**	**341,047**
Offsetting Collections	**-135,730**	**-146,730**							**-10,000**			**-156,730**
Inspection Fee		**0**							**-10,000**			**-10,000**
Oil Spill Research	**6,303**	**6,303**										**6,303**
Minerals Management Service	**161,053**	**163,676**	**+1,730**	**+24,020**	**+3,045**	**+5,145**	**+1,060**	**-4,576**	**-20,000**	**0**	**+6,520**	**180,620**

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

Table 7: Summary of Requirements Table - Royalty and Offshore Minerals Management (ROMM)																
Offshore Energy and Minerals Management (OEMM)	**2008 Enacted**		**2009 Enacted**		**Fixed Costs and Related Changes**		**Programmatic Changes**		**Offsetting Collections Changes**		**To Renewable Energy**		**2010 President's Request**		**Inc(+) Dec(-) From 2009**	
	FTE	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**
Renewable Energy																
Appropriation	0	0	0	0	0	+41	+26	+15,640	0	-14,000	+14	+5,732	40	7,413	+40	+7,413
Offsetting Collections	0	0	0	0	0				0	+14,000			0	14,000	0	+14,000
Subtotal	0	NA	NA	NA	0	+41	+26	+15,640	0	0	+14	+5,732	40	21,413	+40	+21,413
Leasing & Environmental																
Appropriation	228	18,797	231	20,457	0	+682	+4	+9,160	0	0	-12	-5,344	223	24,955	-8	+4,498
Offsetting Collections	0	27,606	0	34,506	0				0	0			0	34,506	0	0
Subtotal	228	46,403	231	54,963	0	+682	+4	+9,160	0	0	-12	-5,344	223	59,461	-8	+4,498
Resource Evaluation																
Appropriation	208	18,381	214	19,572	0	+629	+1	+200	0	0	-1	-142	214	20,259	0	+687
Offsetting Collections	0	12,026	0	14,126	0				0	0			0	14,126	0	0
Subtotal	208	30,407	214	33,698	0	+629	+1	+200	0	0	-1	-142	214	34,385	0	+687
Regulatory																
Appropriation	317	34,720	319	36,219	0	+939	0	+2,300	0	-10,000	-1	-246	318	29,212	-1	-7,007
Offsetting Collections	0	21,049	0	21,049	0		0	0	0		0	0	0	21,049	0	0
Inspection Fee	0	0	0		0		0	0	0	+10,000	0	0	0	10,000	0	+10,000
Subtotal	317	55,769	319	57,268	0	+939	0	+2,300	0	0	-1	-246	318	60,261	-1	+2,993
Information Management																
Appropriation	69	8,208	63	721	0	+184	0	0	0	+8,300	0	0	63	9,205	0	+8,484
Offsetting Collections	0	20,549	0	19,549	0	0	0	0	0	-8,300	0	0	0	11,249	0	-8,300
Subtotal	69	28,757	63	20,270	0	+184	0	0	0	0	0	0	63	20,454	0	184
Total OEMM							0									
Appropriation	822	80,106	827	76,969	0	+2,475	+31	+27,300	0	-15,700	0	0	858	91,044	+31	+14,075
Offsetting Collections	0	81,230	0	89,230	0	0	0	0	0	+5,700	0	0	0	94,930	0	+5,700
Inspection Fee	0	0	0	0	0	0	0	0	0	+10,000	0	0	0	10,000	0	+10,000
Total	**822**	**161,336**	**827**	**166,199**	**0**	**2,475**	**31**	**27,300**	**0**	**0**	**0**	**0**	**858**	**195,974**	**+31**	**+29,775**

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

Minerals Revenue Management (MRM)	2008 Enacted		2009 Enacted		Fixed Costs and Related Changes		Programmatic Changes		Offsetting Collections Changes		2010 President's Request		Inc(+) Dec(-) From 2009	
	FTE	($000)	FTE	($000)	FTE	($000)	FTE	($000)	FTE	($000)	FTE	($000)	FTE	($000)
Compliance & Asset Mgmt														
Appropriation	361	25,820	370	26,465	0	+1,086	+21	+1,889	0	-1,553	391	27,887	+21	+1,422
Offsetting Collections	0	19,235	0	21,500	0	0	0	0	0	+1,553	0	23,053	0	+1,553
Subtotal	361	45,055	370	47,965	0	+1,086	+21	+1,889	0	0	391	50,940	+21	+2,975
Revenue & Operations														
Appropriation	170	17,367	170	18,719	0	+505	+4	-790	0	-1,551	174	16,883	+4	-1,836
Offsetting Collections	0	19,265	0	20,000	0	0	0	0	0	+1,551	0	21,551	0	+1,551
Subtotal	170	36,632	170	38,719	0	+505	+4	-790	0	0	174	38,434	+4	-285
Total MRM														
Appropriation	531	43,187	540	45,184	0	+1,591	+25	+1,099	0	-3,104	565	44,770	+25	-414
Offsetting Collections	0	38,500	0	41,500	0	0	0	0	0	+3,104	0	44,604	0	+3,104
Total	**531**	**81,687**	**540**	**86,684**	**0**	**+1,591**	**+25**	**+1,099**	**0**	**0**	**565**	**89,374**	**+25**	**+2,690**

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

General Administration (GA)	2008 Enacted		2009 Enacted		Fixed Costs and Related Changes		Programmatic Changes		Offsetting Collections Changes		2010 President's Request		Inc(+) Dec(-) From 2009	
	FTE	($000)	FTE	($000)	FTE	($000)	FTE *	($000)	FTE	($000)	FTE	($000)	FTE	($000)
Executive Direction														
Appropriation	26	1,590	26	1,741	0	77	0	0	0	0	26	1,818	0	+77
Offsetting Collections	0	1,000	0	1,000	0	0	0	0	0	0	0	1,000	0	0
Subtotal	26	2,590	26	2,741	0	77	0	0	0	0	26	2,818	0	+77
Policy & Mgmt Improvement														
Appropriation	31	3,165	31	3,236	0	92	0	0	0	0	31	3,328	0	+92
Offsetting Collections	0	1,000	0	1,000	0	0	0	0	0	0	0	1,000	0	0
Subtotal	31	4,165	31	4,236	0	92	0	0	0	0	31	4,328	0	+92
Admin Operations														
Appropriation	150	15,755	150	16,099	0	450	7	1,925	0	-1,000	157	17,474	+7	+1,375
Offsetting Collections	0	1,555	0	1,555	0	0	0	0	0	1,000	0	2,555	0	+1,000
Subtotal	150	17,310	150	17,654	0	450	7	1,925	0	0	157	20,029	+7	+2,375
Gen Support Services														
Appropriation	0	10,947	0	14,144	0	1,835	0	100	0	-196	0	15,883	0	+1,739
Offsetting Collections	0	12,445	0	12,445	0	0	0	0	0	196	0	12,641	0	+196
Subtotal	0	23,392	0	26,589	0	1,835	0	100	0	0	0	28,524	0	+1,935
Total General Administration														
Appropriation	207	31,457	207	35,220	0	2,454	7	2,025	0	-1,196	214	38,503	+7	+3,283
Offsetting Collections	0	16,000	0	16,000	0	0	0	0	0	1,196	0	17,196	0	+1,196
Total	**207**	**47,457**	**207**	**51,220**	**0**	**2,454**	**7**	**2,025**	**0**	**0**	**214**	**55,699**	**+7**	**+4,479**
Total ROMM		**($000)**		**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**	**FTE**	**($000)**
Appropriation	1,560	154,750	1,574	157,373	0	6,520	63	30,424	0	-20,000	1,637	174,317	+63	+16,944
Offsetting Receipts	0	135,730	0	146,730	0	0	0	0	0	10,000	0	156,730	0	10,000
Inspection Fee	0	0	0	0	0	0	0	0	0	10,000	0	10,000	0	10,000
Total	**1,560**	**290,480**	**1,574**	**304,103**	**0**	**6,520**	**63**	**30,424**	**0**	**0**	**1,637**	**341,047**	**+63**	**+36,944**

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

Oil Spill Research	2008 Enacted		2009 Enacted		Fixed Costs and Related Changes		Programmatic Changes		Offsetting Collections Changes		2010 President's Request		Inc(+) Dec(-) From 2009	
	FTE	($000)	FTE	($000)	FTE	($000)	FTE *	($000)	FTE	($000)	FTE	($000)	FTE	($000)
Appropriation	18	6,303	18	6,303	0	0	0	0	0	0	18	6,303	0	0
Offsetting Collections	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	**18**	**6,303**	**18**	**6,303**	**0**	**0**	**0**	**0**	**0**	**0**	**18**	**6,303**	**0**	**0**

Table 9: Summary of Requirements Table - Total MMS Funding

Total MMS	2008 Enacted		2009 Enacted		Fixed Costs and Related Changes		Programmatic Changes		Offsetting Collections Changes		2010 President's Request		Inc(+) Dec(-) From 2009 Req	
	FTE *	($000)	FTE *	($000)	FTE	($000)	FTE *	($000)	FTE	($000)	FTE *	($000)	FTE *	($000)
ROMM Direct Appropriation	1,560	154,750	1,574	157,373		+6,520	+63	+30,424		-20,000	1,637	174,317	+63	+16,944
OSR Appropriation	18	6,303	18	6,303		0	0	0			18	6,303	0	0
Total Appropriated	1,578	161,053	1,592	163,676	0	+6,520	+63	+30,424	0	-20,000	1,655	180,620	+63	+16,944
Offsetting Collections	0	135,730		146,730						+10,000	0	156,730	0	+10,000
Inspection Fees	0	0		0						+10,000	0	10,000	0	+10,000
Total	**1,578**	**296,783**	**1,592**	**310,406**	**0**	**+6,520**	**+63**	**+30,424**	**0**	**0**	**1,655**	**347,350**	**+63**	**+36,944**

* This table does not include 22 FTE in the Coastal Impact Assistance Program (CIAP), a mandatory account, for 2008, 2009, or 2010.

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FY 2010 PERFORMANCE BUDGET REQUEST

Offshore Energy and Minerals Management

Table 9: Offshore Energy and Minerals Management Summary of Budget Request

Offshore Energy and Minerals Management (OEMM)		2008 Enacted	2009 Enacted	FY 2010				Change from 2009 (+/-)
				Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Transfer to Ren. Energy	Budget Request	
Renewable Energy	($000)	NA	NA	+41	+15,640	+5,732	21,413	21,413
	FTE	NA	NA		+26	+14	40	+40
Leasing and Environmental	($000)	46,403	54,963	+682	+9,160	-5,344	59,461	4,498
	FTE	228	231		+4	-12	223	-8
Resource Evaluation	($000)	30,407	33,698	+629	+200	-142	34,385	687
	FTE	208	214		+1	-1	214	0
Regulatory	($000)	55,769	57,268	+939	+2,300	-246	60,261	2,993
	FTE	317	319			-1	318	-1
Information Management	($000)	28,757	20,270	+184	0	0	20,454	184
	FTE	69	63				63	0
Total, OCS Lands Act Activities	**($000)**	**161,336**	**166,199**	**+2,475**	**+27,300**		**195,974**	**+29,775**
	FTE	**822**	**827**	**0**	**+31**		**858**	**+31**
Other Major Resources								
Coastal Impact Assistance Program	($000)	**250,000**	**250,000**	0	0	0	**250,000**	**0**
	FTE	**22**	**22**	0	0	0	**22**	**0**
Oil Spill Research Appropriation	($000)	**6,303**	**6,303**	0	0	0	**6,303**	**0**
	FTE	**18**	**18**	0	0	0	**18**	**0**

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

The Federal Outer Continental Shelf (OCS) is a major supplier of oil and natural gas for the domestic market. OCS leases offshore California, Alaska, and in the Gulf of Mexico provide about 1.4 million barrels of oil and 8 billion cubic feet of natural gas per day for U.S. consumption, accounting for about 27 percent of the Nation's oil production and 14 percent of domestic natural gas production (July 2008).

The MMS is responsible for managing the Nation's oil, natural gas, renewable energy, and other energy and mineral resources on the OCS. Within MMS, the Offshore Energy and Minerals Management program (OEMM) is responsible for OCS activities, which range from administering OCS leases and monitoring the safety of offshore facilities to protecting our coastal and marine environments. Through the work of OEMM, MMS manages the energy and mineral resources on 1.7 billion acres of the OCS offshore Alaska, the Atlantic and Pacific coasts, and in the Gulf of Mexico. OEMM has ensured that the OCS remains a solid contributor to the nation's energy needs through facilitation of a new offshore renewable energy industry, oil and gas development, careful regulation, and conservation of resources.

Interest in offshore oil and gas development remains extraordinarily strong. The seven lease sales scheduled and held through March 2009 under the 2007-2012 5-Year Program have brought in over $10.5 billion dollars in bonus bids alone to the Nation's Treasury. Three of these lease sales - two in the Central Gulf of Mexico and one in the Chukchi Sea - account for $9.3 billion of this total.

In addition to its Oil and Gas Program, MMS also manages the Renewable Energy Program on the Federal OCS. This authority was granted under the Energy Policy Act of 2005 (EPAct 2005). It added section 8(p) to the Outer Continental Shelf Lands Act (OCSLA) giving the Department of the Interior (Department) discretionary authority to grant leases, easements, or rights-of-way for activities on the OCS that produce or support production, transportation, or transmission of energy from sources other than oil and gas. Additionally, the Department was given the authority to grant leases, easements, or rights-of-way for other OCS activities that make alternate use of existing OCS facilities, such as research, education, recreation, and support for offshore facilities. On March 20, 2006, the Department delegated the authority to implement these new programs to the MMS. These authorities were further delegated to the offshore program.

Given this new authority, MMS responded by altering its organization. To more accurately reflect the OCS energy-related components of our mission, the former name of Offshore Minerals Management (OMM) was changed to Offshore Energy and Minerals Management (OEMM). MMS also created an Office of Offshore Alternative Energy Programs to develop and implement policy and provide overall management of the OCS renewable energy leasing and operations programs. New in FY 2010 is the establishment of a Renewable Energy Program budget subactivity. The new office and budget structure raises the renewable energy program's profile and best allows OEMM to meet the new statutory mandates and respond to unique needs of the regulated community.

The Energy Policy Act of 2005 also established the Coastal Impact Assistance Program (CIAP) which authorizes funds to be distributed to coastal oil and gas producing states to conserve, protect and restore coastal areas and natural resources and mitigate the impacts of OCS oil and gas activities. OEMM administers this program through the approval of state plans and grant administration and monitoring.

BUDGET OVERVIEW

Congress appropriates funds to the OEMM program through the Royalty and Offshore Minerals Management (ROMM) appropriation, the Oil Spill Research (OSR) appropriation, and the Coastal Impact Assistance appropriation.

Within the ROMM appropriation, OEMM has four subactivities that roll up to the OCS Lands Activity. These are Leasing and Environmental (LE); Resource Evaluation (RE); Regulatory (RG); and the Information Management Program (IMP). In FY 2010, OEMM is requesting the addition of a fifth subactivity, Renewable Energy, to reflect its new responsibilities for the implementation and management of a renewable energy program in Federal offshore waters.

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

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

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

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

- The *Renewable Energy Subactivity*, if approved, will fund: program implementation and development; environmental analysis, assessment, and compliance work needed to plan and effect competitive and non-competitive leasing actions; and, consultation with state and local governments, federal agencies, and other stakeholders.

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

The Coastal Impact Assistance Program (CIAP). The Energy Policy Act of 2005 authorized disbursement of $250 million in grants annually from OCS oil and gas revenues in each of the fiscal years 2007 through 2010 to producing coastal states (Alabama, Alaska, California, Louisiana, Mississippi, and Texas) and their coastal political subdivisions (counties, parishes, or boroughs) for approved coastal restoration and conservation purposes. MMS is currently authorized to retain 3%, or $30 million, of this amount to administer the program. This includes plan review and approval, grant administration and monitoring, and other related activities.

Resource Shifts

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

Historically, OEMM has taken action to shift resources as program needs and priorities shifted, and program efficiencies were realized. Recent examples include the following:

2003[1]
- Workforce reduction of 48 FTEs and $1 million in the Pacific Region
- Base reduction of $2.2 million in the Environmental Studies Program
- Resources shifted to fund needs in the Gulf of Mexico (GOM) ($5 million and 21 FTE) and OCS Connect effort to streamline business processes ($8.7 million)

2004
- IT reductions, FTE streamlining, and office closures of $4.7 million
- Resources shifted to fund continuing needs in the GOM ($1.6 million), OCS Connect ($2.9 million), Methane Hydrates ($300,000) and Infrastructure Security ($350,000)

2006
- Closing of the Santa Maria, CA District office ($364,000) and redirection of interpretive technology funding received in FY 2005 ($610,000) to offset some of the costs of new needs (helicopter safety, $1,605,000; MONTCAR model, $500,000; and geological interpretive needs, $500,000)
- Generated $2.1 million in increased cost recovery fees, which were used to replace appropriated dollars to fund bureau-wide operating costs.

2008
- Refocusing base resources of $2 million and 18 FTE to fund new, priority program requirements.

FY 2010 Budget Request: In FY 2010, OEMM's net OCS Lands Act Activities request is $29,775,000 and 31 FTE greater than the FY 2009 enacted budget. This figure represents increases of $28,200,000 for new and priority program funding requirements and $2,475,000 for fixed costs, and reductions of $900,000 for the Center for Marine Resources and Environmental Technology (CMRET). Please see the table below for a listing of OEMM's programmatic budgetary changes.

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

Table 10: OEMM Program Request Compared to FY 2009

Request Component	Subactivity	Amount	FTE
Program Changes			
• Renewable Energy	**Total** Leasing & Environmental Renewable Energy	**+22,140,000** +6,500,000 +15,640,000	**+26** +0 +26
• OCS 5-Year Leasing Program	**Total** Leasing & Environmental Resource Evaluation Regulatory	**+5,000,000** +1,600,000 +1,100,000 +2,300,000	**+3** +2 +1 +0
• Marine Minerals Program	**Total** Leasing & Environmental	**+1,060,000** +1,060,000	**+2** +2
• **Subtotal – Programmatic Increases**		**+28,200,000**	**+31**
• CMRET	**Total** Resource Evaluation	**-900,000** -900,000	
• **Subtotal – Programmatic Decreases**		**-900,000**	**-0**
• **Total, Program Changes**		**+27,300,000**	**+31**

PROGRAM OVERVIEW

The OEMM program manages the nation's Outer Continental Shelf (OCS) energy mineral resources in consultation with affected parties to determine if they can be developed in an environmentally sound manner and, if leased, to regulate activities to ensure safety, conservation, and protection of the environment. It is headquartered in Washington, DC and Herndon, Virginia, with regional offices in three locations: (1) New Orleans, Louisiana, for the Gulf of Mexico OCS Region, including the Atlantic OCS area; (2) Camarillo, California, for the Pacific OCS Region; and (3) Anchorage, Alaska, for the Alaska OCS Region.

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

Oil and Gas - OCS leases offshore California, Alaska, and in the Gulf of Mexico currently contribute about 1.4 million barrels of oil and 8 billion cubic feet of natural gas per day for U.S. consumption, accounting for about for 27 percent of the Nation's oil production and 14 percent of domestic natural gas production (July 2008).

The MMS estimates that this role is likely to increase with OCS production to account for almost 40 percent of domestic oil and 17 percent of domestic natural gas production within the next 3 years (by 2011) even as we aggressively pursue renewable energy opportunities on the OCS. The Energy Information Agency (EIA) Annual Energy Outlook 2009 indicates similar growth trends for offshore oil and gas.

The share of energy produced from the OCS will likely continue to grow over time because the OCS contains about 60 percent of the Nation's remaining undiscovered technically recoverable oil resources and 40 percent of its undiscovered natural gas resources. The MMS estimates that the OCS contains about 86 billion barrels of oil and 420 trillion cubic feet of natural gas in yet-to-be discovered fields (2006). While the majority of this resource is in areas that were already open to leasing, significant resources are also located in areas that were previously under moratoria. With the expiration of the annual Congressional moratoria, OCS areas with estimated technically recoverable resources of about 14 billion barrels of oil and 55 trillion cubic feet of gas are no longer subject to moratorium. How much of these areas to make available for development is under review as the Administration develops its comprehensive OCS energy strategy.

The strongest trend on the OCS today is the continuing development of the Gulf of Mexico (GOM) deepwater (i.e., more than 1,000 feet deep). The MMS Deepwater Gulf of Mexico 2008 Report highlights the activities, offers trend analyses and describes technological advancements in this important portion of the GOM for 2007. Deepwater has continued to be a very important part of the total GOM production, providing approximately 72 percent of the oil and 38 percent of the gas from the region. In 2007, MMS approved 15 new technologies for use in the GOM deepwater.

In 2008, deepwater continued to play an important role in supplying our energy needs with 15 deepwater discoveries announced. Operators of the Kodiak and the Freedom/Gunflint discoveries have indicated that these discoveries could add significant new oil production. Several of the natural gas discoveries are already under development as subsea tiebacks and additional natural gas discoveries are planned for subsea tieback. Investor presentations indicate most of these natural gas discoveries are in the range of 50 to 200 billion cubic feet.

Another notable deepwater development, Perdido Hub, is expected to be one of the world’s deepest spars. It is designed to be nearly as tall as the Eiffel Tower, weigh as much as 10,000 family cars, and its moorings span an area of the seafloor roughly the size of downtown Houston. Installation is scheduled for 2009 about 200 miles south of Freeport, Texas, in about 8,000 feet of water. The Perdido Hub is designed with the capacity to process 130,000 barrels of oil equivalent per day with startup expected in 2010.

Also in 2008, three shallow water deep gas discoveries were announced, including the Black Beard discovery about 115 miles southwest of New Orleans. While located in shallow water (70 feet), the discovery was made from the deepest well ever drilled below the mud line in the GOM (32,000 ft). Extreme pressure and temperature will require technology advances for successful production to occur with most deep gas projects.

New OCS 5-Year Oil and Gas Leasing Program

In the summer of 2008, under former Interior Secretary Kempthorne, MMS was directed to begin the initial steps for developing a new 5-Year Program. On August 1, 2008, MMS published a

Federal Register Notice requesting information on whether to start a new program and what areas should or should not be included in a new program. More than 152,000 comments from the general public and nearly 200 substantive comments from state and local governments, Congress, other Federal agencies, environmental and other interest groups, and energy and non-energy businesses and associations were received regarding the next 5-Year Program for oil and gas leasing on the OCS. A majority of the public commenters, about 53 percent, supported a 5-Year Program that offers increased acreage for offshore oil and gas production and development. Other comments either requested that MMS maintain the current OCS leasing footprint, or reject development in favor of renewable energy resource development. Another group of commenters expressed a desire for MMS to pursue both traditional and renewable sources of energy.

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

Secretary Salazar announced his strategy for developing an offshore energy plan that includes conventional and renewable energy resources on February 10, 2009. As part of his 4-step plan, the comment period for the DPP was extended for an additional 180 days to September 21, 2009, in order to provide additional time for input from states, stakeholders and affected communities. Also at the direction of Secretary Salazar, the MMS worked with the U.S. Geological Survey to assemble a report on offshore resources along with information regarding sensitive areas and resources on the OCS. This report synthesized the vast knowledge-base on OCS energy resources and environmental factors in one concise document. The report was delivered to the Secretary at the end of March 2009. Following publication of the report, the Secretary conducted four regional meetings, covering the Atlantic Coast on April 6 in Atlantic City, NJ; Gulf Coast, on April 8 in New Orleans, LA; Alaska on April 14 in Anchorage, AK; and, Pacific Coast on April 16 in San Francisco, CA in an effort to gain insight and comment from all stakeholders of OCS energy

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

The MMS completed a Programmatic Environmental Impact Statement (EIS) in November 2007 which examines the interface between the marine and human environment and the technologies and activities that generate energy from ocean renewable energy resources. A final Renewable Energy regulatory framework was published in the Federal Register on April 29, 2009, and is effective June 29, 2009. The MMS is also evaluating the Cape Wind Energy Project identified

by EPAct 2005 for concurrent consideration along with the ongoing rulemaking process. The Final EIS which assesses the physical, biological and social/human impacts of the proposed Cape Wind Energy Project and all reasonable alternatives, and proposed mitigation, was announced on January 16, 2009. A Record of Decision on Cape Wind is pending.

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

MMS received more than 40 nominations of areas proposed for limited leasing off the West and East coasts. In April 2008, based on a set of criteria including geographical and resource balance (e.g., East, West; wind, wave, ocean current) MMS identified a subset of 16 proposed lease areas for priority consideration and provided public notice of those areas for the purpose of determining competitive interest, as required by EPAct 2005, and also for receiving relevant environmental or other information. The comment period on the April notice closed on June 30, 2008.

Ten of the proposed 16 lease areas were located in the Atlantic – six offshore New Jersey, one offshore Delaware, and three offshore Georgia – related to wind resources. No competing nominations or significant comments were received, and in July 2008 MMS announced it would proceed with a noncompetitive leasing process for these sites. As of January 2009, MMS has received applications from the nominating developers for four sites offshore New Jersey and one offshore Delaware. Depending on the outcome of the Environmental Assessment and required consultations for these proposed projects, MMS expects to issue Interim Policy limited leases for the five lease areas in the Spring of 2009.

Four of the proposed 16 lease areas were located offshore southeast Florida and pertained to site-assessment and/or technology-testing activities relating to ocean current resources. Three of these four lease areas received competing nominations. MMS decided in July 2008 to proceed with a noncompetitive leasing process for the sole site that did not receive competing nominations. The competing nominators for the other areas were asked to collaborate in order to enable interested parties to jointly benefit in information gathering under leases issued noncompetitively. Two of the developers that nominated sites withdrew their nominations. As of January 2009, MMS had received a single application for one of the remaining proposed lease areas and has begun the environmental compliance review process for this proposed lease area.

The remaining two nominations were offshore Northern California for potential wave sites, and were subsequently withdrawn.

In FY 2010, MMS anticipates a substantial increase in work in support of leasing OCS sites for the commercial generation of renewable energy directly related to the efforts of coastal States to

meet tangible goals established in the form of renewable energy portfolio standards (RPSs). These are described further in this section and in the Renewable Energy Subactivity discussion.

FY 2010 Request

The FY 2010 OEMM budget request funds needed to support its current programs in three broad categories: (1) current OCS 5-Year Oil and Gas Leasing Program; (2) Renewable Energy; and (3) Marine Minerals Program.

Current OCS 5-Year Oil and Gas Leasing Program: The FY 2010 budget request includes funding to support current activities under the existing 5-Year Program, particularly in response to new, expanded, and frontier areas made available in the current program and the ongoing demands of deepwater activity.

Table 11: Summary of OCS 5-Year Oil and Gas Leasing Program Needs – *All OEMM Subactivities

	($000)	FTE	Short Description
Program-Wide	***1,295***	***2***	
Geological and Geophysical (G & G) Data Acquisition & Analysis	500	0	New data acquisition and analysis as a result of expanded GOM and Alaska acreage (RE)
Technical Training & Tools	455	0	Technical training for new geoscientists, principally in the GOM ($300K) and required specialized technical analysis equipment ($155K) (RE)
Workforce	290	2	To manage expanded environmental study efforts (LEA)
Safety Requirements	50	0	OCS operator audit support (RG)
Gulf of Mexico	***2,150***	***0***	
Helicopter Support	2,150	0	Reconfiguration of fleet in response to deepwater activity ($900K); increase in availability fee expenses ($900K) and mandatory federal excise taxes ($350K) (RG)
Alaska	***1,555***	***1***	
Protection of G&G data	145	1	Management of Alaska legacy data (RE)
Environmental Studies	1,310	0	Studies to support leasing activity decision making in the Alaskan Planning Areas (LEA)
Alaska Inspection Support	100	0	To support inspection needs resulting from exploration activities in the Chukchi and Beaufort Seas (RG)
Five-Year Program Needs	***5,000***	***3***	*Does not include $145,000 requested in General Administration Activity, Admin Ops Subactivity, for Procurement Support

Renewable Energy: To continue development and implementation of the renewable energy program on the Outer Continental Shelf (OCS), $24,020,000 in new resources is requested. The current level of funding for this relatively new program is $7.661M, which provides funds for salaries and very limited foundational NEPA and environmental studies work. The Energy Policy Act of 2005 amended the Outer Continental Shelf lands Act (OCSLA) and gave the Secretary of the Interior the lead agency responsibility for moving forward on renewable energy on the OCS. MMS was tasked with implementation. Interest in and demand for offshore renewable energy projects has blossomed. Significant resources must be provided to this nascent program and industry to achieve these goals.

To illustrate, many states have established Renewable Energy Portfolio Standards (RPSs) and have initiated various endeavors to meet these standards, such as interstate cooperative agreements, legislative initiatives, and contracting actions. Three states—Delaware, New Jersey, and Rhode Island—are farthest along in RPS planning and actualization involving OCS development. Delaware's utility has a 25-year power purchase agreement (a binding contract) with an offshore wind developer calling for construction of a 200 MW OCS wind power facility slated to begin operation in 2012. New Jersey's Board of Public Utilities (BPU) awarded a multi-million dollar grant to an offshore developer for the construction of a 350 MW offshore wind farm. Also, in order to further expedite offshore wind development, the NJ BPU has initiated an offshore met-tower reimbursement program. The rebate program was developed in response to a modification to the NJ Energy Master Plan calling for 1000 MW of offshore wind energy by 2012. In 2006, Rhode Island committed itself to providing 15% of the State's electricity demand from wind power. Rhode Island issued a formal Request for Proposals seeking bids from private companies to construct and operate an offshore wind farm, with the successful developer selected in September 2008. The exact location of the wind project will be determined from the results of the State's ocean Special Area Management Plan (SAMP) process.

The MMS's renewable energy program near-term goals relate to supporting the state efforts described above, as well as other potential activity anticipated off Massachusetts, New York, California, and other coastal states. Also, MMS may be called on to support Federal agency initiatives arising from EPAct 2005 mandates for increased use of renewable energy to meet agency needs. Necessary steps include continuation of outreach and education initiatives, establishing mechanisms for consulting and coordinating with federal, state, local, and tribal governments and the public, conducting environmental studies, identifying technical research needs, developing construction monitoring protocols, and continuing to work cooperatively with other federal agencies in developing the Multipurpose Marine Cadastre responsive to the EPAct 2005 section 388 mapping mandate. In addition we must continue to follow through on the processing and issuance of limited leases under our interim policy, as they relate to future commercial development. The proposed interim leases off Delaware and New Jersey are tied directly to plans for commercial leasing and development under the state initiatives discussed above.

MMS has established a firm foundation for its program. The final Renewable Energy regulatory framework was published in the Federal Register on April 29, 2009, and is effective June 29, 2009. We have made great strides in coordinating and consulting with our counterparts in the Federal, state, local, and tribal government bodies throughout the rulemaking effort, the development of studies and research plans, and most notably, in implementing the interim policy. As recently as November 2008, a series of workshops were held in states where proposed interim policy projects are under MMS consideration. To prepare for the upcoming leasing efforts in support of the initiatives of Delaware and New Jersey that are described above, MMS has initiated the development of joint Federal/State Task Forces. Similar efforts are contemplated for Rhode Island, California, and other states where we anticipate commercial leasing and development. We intend to continue our policy of close collaboration and coordination with affected governments and stakeholders to provide for the most transparent and cooperative

process as possible, both under the interim policy and looking ahead to the implementation of the regulations. Activities and materials relevant to the MMS Offshore Renewable Energy Program are provided on the MMS web site and updated regularly for reference.

The MMS renewable energy and alternate use program directly supports several aspects of the Administration's goals relating to energy and the environment. The single-most significant contribution of the program will be enabling coastal states to effect initiatives supporting their RPSs as discussed above. The program may be especially important in this regard in the Northeast, where electrical demand is greatest and onshore opportunity for development is most constrained. As the states act to meet their RPSs, they will be supporting the Administration's goals for increased use of renewable sources, as well as the goals relating to job creation, displacement of oil imports, reduction of greenhouse gases, and international leadership on climate change.

A detailed accounting of our request, bureau-wide, is provided below, and explained in greater detail in the relevant subactivity discussion:

Table 12: FY 2010 Renewable Energy Request

	Funds	FTE
Description	**24,020,000**	**32**
Initiate additional environmental studies to prepare for lease sales and for post lease environmental monitoring. (OEMM)	3,450,000	3
Initiate Technology Assessment and Research (TA&R) studies to prepare for lease sales, standards development, and inspections. (OEMM)	650,000	1
Prepare National Environmental Policy Act (NEPA) environmental compliance documents for competitive lease sales in the Atlantic and Pacific and noncompetitive renewable energy proposals. (OEMM)	5,575,000	8
Program development and implementation (OEMM)	5,915,000	12
Continue development of a Multipurpose Marine Cadastre/GIS. (OEMM)	800,000	0
Develop and maintain computer models designed to determine fair return for Renewable energy resources. (OEMM)	500,000	0
Conduct inspections of data gathering and technology testing facilities and develop a basis for inspection of commercial facilities and existing facilities converted to alternate uses. (OEMM)	450,000	2
Renewable Energy and the 5-Year Programmatic Environmental Impact Statement (OEMM)	3,500,000	0
Support Service Needs (Computers, Shared Services, Operational Needs - OEMM)	1,300,000	0
Support Service Needs (Space) (GA)	1,300,000	2
Additional procurement/HR staff to handle increased workload (GA)	580,000	4
OEMM Total = $22.1M/26 FTE; General Administration Total = $1.9M and 6 FTE		

Marine Minerals - Natural barrier islands and wetlands, like those protecting coastal Louisiana's delta region, are rapidly deteriorating under multiple stresses.

Responsibility for managing the mineral resources located on the Outer Continental Shelf (OCS) is vested solely within the Department's Minerals Management Service (MMS). Historically, the Marine Minerals Program implemented OCSLA Section 8(k) through three main functions:

(1) preparing non-competitive leases and Memoranda of Agreements (MOAs),
(2) completing environmental studies in support of leasing, and
(3) managing and coordinating cooperative agreements, task forces, and other working groups with state and federal agencies.

In the past, MMS has funded all sand and gravel activities, including environmental evaluation, with funds from its oil and gas program. However, ongoing funding constraints over the past

few years have resulted in the need for MMS to redirect that funding to the newly authorized renewable energy program and back to the oil and gas program. MMS believes additional funding in 2010 is needed to allow MMS to meet the demands for OCS sand and gravel for projects that contribute to the protection and restoration of coastal shorelines.

Funding of $1,060,000 and two FTE are requested to continue this important work - $500,000 for environmental studies; $220,000 for cooperative studies; and $340,000 for program management consultations. Further discussion can be found in the Leasing and Environmental Subactivity section.

PERFORMANCE OVERVIEW

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

Program Assessment Rating Tool (PART) – In support of increased integration of budget and performance management processes, OMB developed the PART review to assess and improve program performance. A PART review helps identify a program's strengths and weaknesses by looking at all factors that affect and reflect program performance, including: program purpose and design; strategic planning and performance measurement; program management; and, program evaluations and results. For purposes of the PART, OEMM is divided into three components:

OCS Environmental Studies

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

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

OCS Resource Evaluation and Leasing

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

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

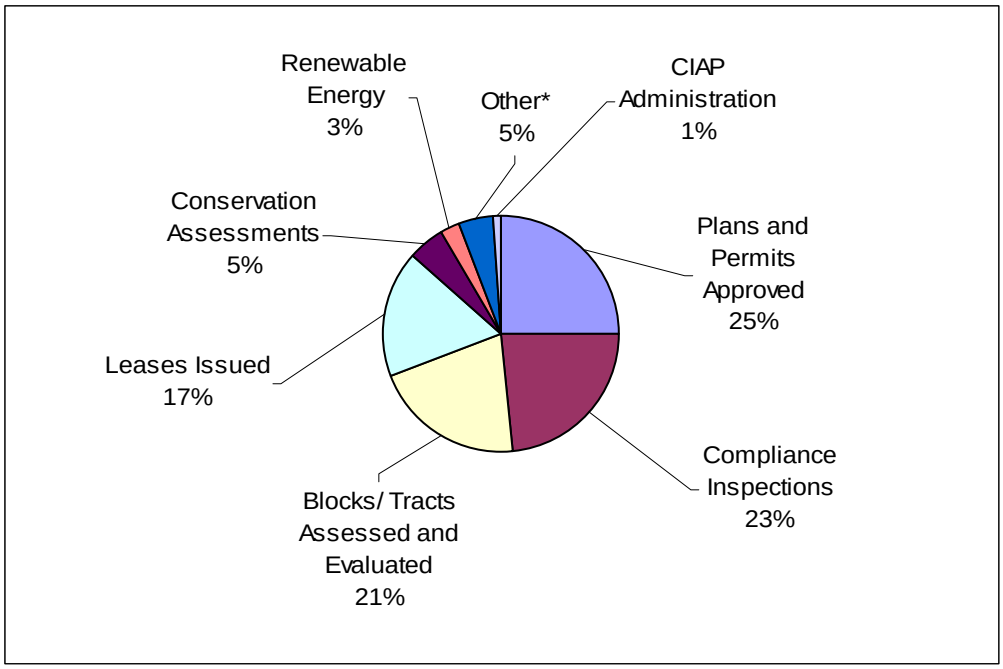
OCS Regulatory and Compliance

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

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

MMS has closed all except one of the original improvement actions, which is "expand program evaluation through regular independent reviews". OEMM is taking steps to implement this recommendation through independent external reviews. Two additional improvement actions were developed in 2006: (1) publish safety and environmental management systems (SEMS) regulations (Regulatory and Compliance PART); and (2) publish regulations to formalize the new Alternative Energy/Alternate Use program (Resource Evaluation and Leasing PART). The SEMS rule is currently under review in the Department. The final Renewable Energy regulatory framework was published in the Federal Register on April 29, 2009, and is effective June 29, 2009.

OEMM End Outputs - The OEMM continues to work toward integrating its budget and performance data. As part of these efforts, OEMM is collecting, reviewing, and analyzing Activity-Based Cost (ABC) data to examine how OEMM activities consume resources and produce outputs, whether changes in cost correlate to changes in output, and whether the information confirms perceptions of where program dollars are being invested. OEMM ABC data is shown in the following figure, which illustrates program dollars spent in end output categories established in the ABC framework:



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

Figure 6: Approximate Distribution of 2008 Costs by End Output

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FY 2010 PERFORMANCE BUDGET REQUEST

Offshore Energy and Minerals Management

Renewable Energy Subactivity

Table 13: OEMM Renewable Energy Subactivity Budget Summary

				FY 2010				
		2008 Enacted	2009 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Funding Transferred From Other Subactivities	Budget Request	Change from 2009 (+/-)
Renewable Energy Subactivity [1/]	($000)	NA	NA	+41	15,640	5,732	21,413	21,413
	FTE			0	26	14	40	40

1/ To reflect OEMM's authority and responsibility for OCS renewable energy, MMS has established a new subactivity, Renewable Energy, in FY 2010. Please see tables in this chapter and the OEMM Overview for a cross-walk from the old budget structure. Funding for Renewable Energy Environmental studies will continue to stay in the Leasing and Environmental subactivity as these studies may benefit both the Oil and Gas and Renewable Energy Programs.

SUMMARY OF FY 2010 PROGRAM CHANGES

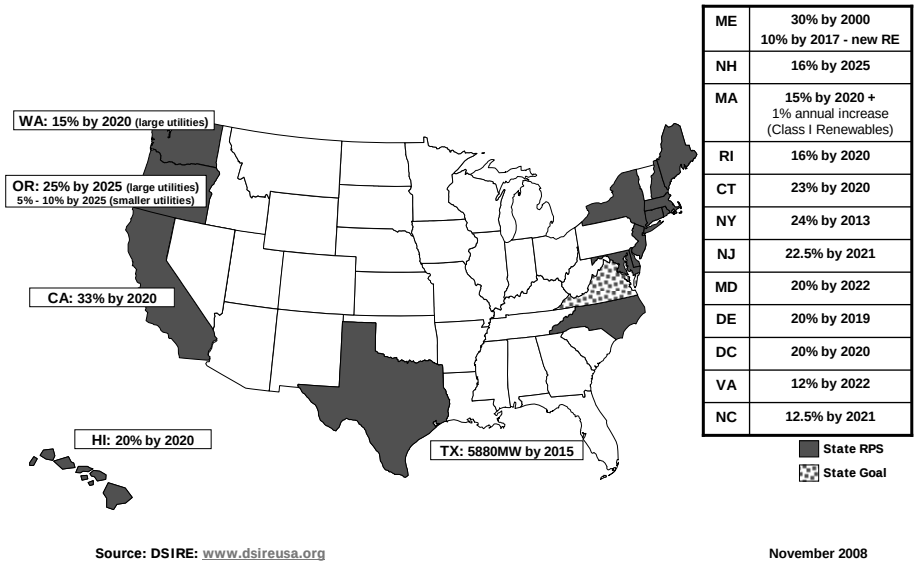
Request Components	**($000)**	**FTE**
Program Changes		
• Renewable Energy	+$15,640	+26
Total, Program Changes	**+$15,640**	**+26**

JUSTIFICATION OF FY 2010 PROGRAM CHANGES

Renewable Energy(+$15,640,000; +26 FTE):

On April 22, 2009, President Obama announced that the Interior Department had finalized the framework for renewable energy production on the US Outer Continental Shelf (OCS). The framework establishes a program to grant leases, easements, and rights-of-way for orderly, safe, and environmentally responsible renewable energy development activities, such as the siting and construction of offshore wind farms on the OCS.

MMS is requesting the resources needed to build a robust OCS-based renewable energy program. This funding will provide for OCS renewable energy leasing activities, including collaboration with coastal states, Federally recognized Indian tribes, and other stakeholders; conduct of environmental and technological studies; preparation of environmental documents; initiation of three to four competitive (renewable energy lease sales) or noncompetitive (individual renewable energy projects) leasing actions; and processing of limited leases for offshore resource data collection and/or technology testing.



COASTAL STATES RENEWABLE PORTFOLIO STANDARDS (RPS)

The projects and leases will likely be for the development of wind, wave, and ocean current resources driven largely by renewable portfolio standards (RPS) that have been adopted by states (see above) and could eventually be adopted on a nationwide basis. Due to onshore constraints on energy development, many coastal states—especially in the east—must look offshore to develop renewable energy in support of their RPS. By developing renewable energy projects off the coast where population centers are highest and therefore electricity demand great, the difficulties associated with siting transmission lines to deliver the needed power is greatly reduced if not eliminated.

Wind Energy

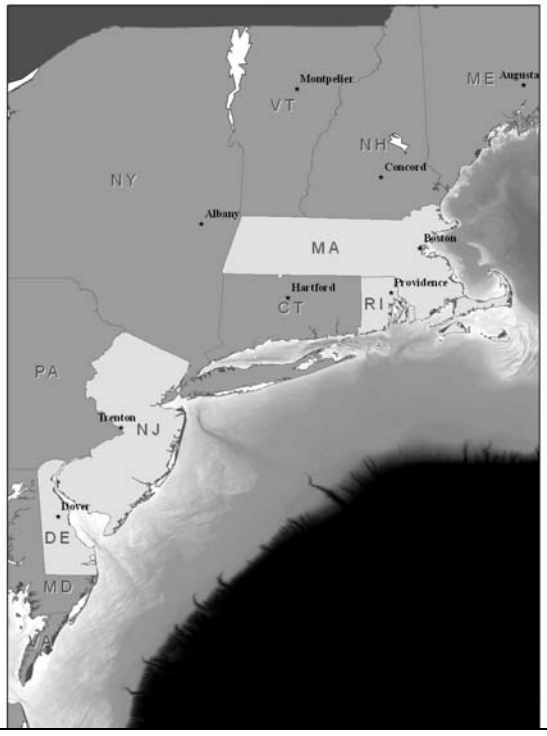
Offshore wind development technology is more advanced than ocean wave and current. Commercial-scale wind facilities have been operating in European waters since the 1990s, and several commercial projects have been proposed on the U.S. OCS, mainly off the east coast.

Leasing will likely occur in Federal waters off the coast of Mid-North Atlantic states with large offshore wind resources where States have selected developers through competitive processes, entered into a Power Purchase Agreement (PPA), or established aggressive state renewable energy development or incentive initiatives.

For example, in November 2006, Delmarva Power issued a Request for Proposals (RFP) for the construction of a new power plant in Delaware selecting the Bluewater Wind LLC proposal. In June 2008, Bluewater Wind LLC signed a 25-year power purchase agreement with Delmarva Power to sell up to 200 megawatts (MW) of power from its proposed OCS facility. Bluewater Wind LLC is currently pursuing an Interim Policy limited lease to collect wind resource data off Delaware.

MMS is also working with the New Jersey Board of Public Utilities (BPU) which issued and awarded a grant solicitation to develop a capacity of 350 MW of wind power on the OCS. In late 2008, the state revised its Energy Master Plan calling for at least 1,000 MW of offshore wind energy by 2012 and at least 3,000 MW by 2020. The MMS is currently processing four applications for data collecting facilities off New Jersey that will likely provide meteorological and other environmental data needed to support Federal leasing activity in the future.

In addition to the currently planned renewable energy developments offshore New Jersey and Delaware, Rhode Island announced an ambitious plan to increase the use of renewable sources of energy to generate 20 percent of the state's electricity needs. A large component of that target will likely be from offshore wind. Similar to the New Jersey process, Rhode Island issued an RFP and selected a developer to construct the project. The exact location of the wind project will be determined from the results of Rhode Island's Special Area Management Plan process currently underway.



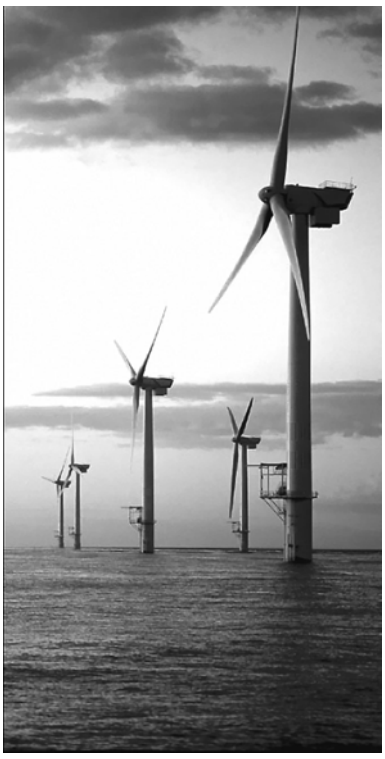
STATES WITH RENEWABLE ENERGY PROJECT PROPOSALS UNDER CONSIDERATION.

To enable the states to affect their plans for renewable energy development as described above, MMS must conduct a lengthy process entailing information gathering, consultation with interested and affected parties, National Environmental Policy Act (NEPA) review and compliance, and analysis in light of other applicable federal requirements for each state. The first step in each decision process will be to identify a proposed lease area and determine whether or not there is competition for that area. If MMS determines that there is competition, it will undertake an approximately 2-year public consultation and

decision process with the following formal steps: (1) Call for Information and Nominations; (2) Area Identification; (3) Proposed Sale Notice; (4) Final Sale Notice; and (5) Lease Sale. If MMS determines that there is no competition, it will undertake a noncompetitive process that could be shorter (18 months) and will also involve public consultation but without formal steps. In either case, full NEPA documentation involving the preparation of a draft and final EIS is expected to be required. Thus, the funds we request for FY 2010 will enable us to begin or continue processes leading to leasing actions in 2012 and beyond.

Before MMS even begins a leasing process, it must complete foundational work to pave the way for subsequent leasing and development. Environmental studies and technology assessment and research plans must be put in place and procurements accomplished well in advance to provide the lead time necessary to complete research and provide relevant information for decision processes that will be completed years later.

Consultation mechanisms such as federal/state/local/tribal government task forces must be established and operated as well. The MMS has begun to establish such task forces in FY 2009, starting with Delaware and New Jersey, to support the leasing processes we anticipate completing in 2012 and later. Similar single state efforts will follow for Rhode Island.



GE OFFSHORE WIND TURBINES: DEVICES USED TO GENERATE RENEWABLE ELECTRICITY FROM OFFSHORE WIND.

Renewable energy development is driven by the technological feasibility, resource availability and demand for the power it generates. For the Mid-North Atlantic and West coast this is wind and wave, respectively. The planning and successful harnessing of these OCS resources will require evaluation and consideration of local and regional energy needs and issues. MMS will need to create a proactive approach to facilitate involvement of state and local stakeholders and to accommodate multi-state renewable energy initiatives. For example, MMS has already been approached by the US Offshore Wind Collaborative representing six Mid-North Atlantic states to form a multi-state planning agreement with MMS to address offshore renewable energy development.

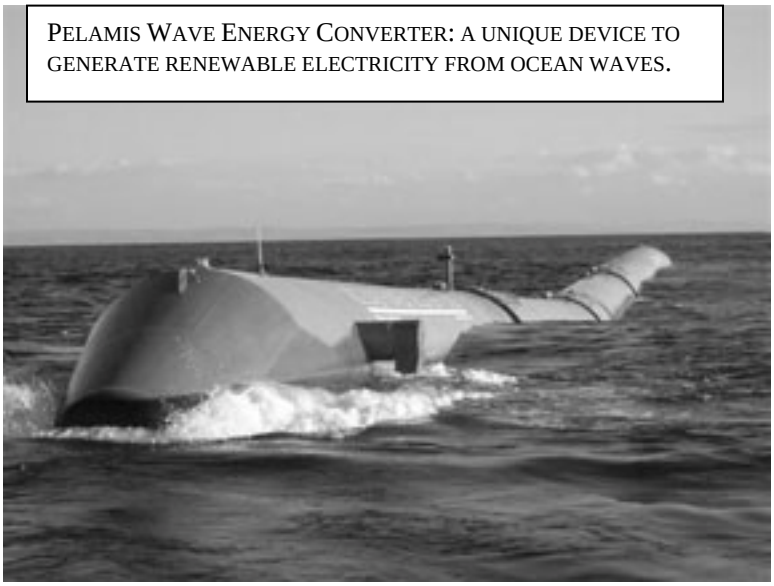
The MMS will also broaden and increase its consultation with other federal agencies and entities with expertise in renewable energy. While MMS has begun to liaison with the National Resource Energy Lab (NREL) on offshore wind resource assessments and technological advancements, more work must be done. The Department of Energy is currently working on environmental and technology studies and funding academic institutes to become centers of excellence in various areas of renewable energy development providing resources for the testing of new technologies and existing designs in some cases. As demand for renewable energy grows and associated challenges arise, MMS will call upon the OCS Policy Committee and Sub-committee on

Renewable Energy to provide policy guidance to the Secretary and Director.

It should be noted that the three projects discussed above represent MMS' highest priority for the next few years but do not by any means constitute all of the leasing activity that we anticipate. We believe that in addition to these three areas there are other hotspots where electricity demand and state policies and initiatives will be the catalyst for prompt commercial leasing on the OCS. It appears that New York and Massachusetts trail closely behind Rhode Island, and we also expect activity off California relatively soon. Farther in the future, we anticipate leasing needs off Maryland, Virginia, Georgia, Florida and the Pacific Northwest. This proposal will enable the MMS to lay the groundwork in FY 2010 for these subsequent leasing activities and ensure the agency is capable of supporting expedient and efficient development of OCS resources.

Wave and Ocean Current

Experts believe that the Pacific Northwest offers one of the best regimes for wave energy development. Even though rigorous RPSs have been established in California, Oregon and Washington, these states are moving forward with caution. They have created the West Coast Governors Agreement (WCGA) to coordinate efforts in baseline ecological research and regional planning, among other things. While the WCGA is working diligently on these issues, it has not yet recommended going forward with commercial ocean wave development anywhere on the west coast. In light of the WCGA efforts, coupled with the relatively unproven wave technology, we anticipate future leasing and funding needs for these resources off California, Oregon and Washington. Even so, we believe that beginning to establish some of the groundwork in FY 2010 for these wave energy leasing activities is a sound and prudent approach and will enable effective coordination with the FERC and facilitate technology development.



PELAMIS WAVE ENERGY CONVERTER: A UNIQUE DEVICE TO GENERATE RENEWABLE ELECTRICITY FROM OCEAN WAVES.

<u>Resource Needs</u>

The program's near-term goals relate to supporting the state efforts described above. OEMM's needs are listed in the table below and described further in the text that follows. The entire initiative totals $24,020,000. Of this amount, $15,640,000 and 26 FTE will be in the Renewable Energy subactivity; $6,500,000 will be in the Leasing and Environmental subactivity; and $1.88 million and six FTE will be in the General Administration Activity. A bureau-wide chart can be viewed in the OEMM Overview.

Table 14: OEMM Renewable Energy Funding Request – All OEMM Subactivities

FY 2010 OEMM Renewable Energy Funding Request		
	Funds	**FTE**
Description	**22,140,000**	**26**
Initiate additional environmental studies to prepare for lease sales and for post lease environmental monitoring. **($3 million in ESP Subactivity;** $450,000 Renewable Energy)	3,450,000	3
Initiate Technology Assessment and Research (TA&R) studies to prepare for lease sales, standards developments, and inspections.	650,000	1
Prepare National Environmental Policy Act (NEPA) environmental compliance documents for competitive lease sales in the Atlantic and Pacific and noncompetitive renewable energy proposals.	5,575,000	8
Program Development and Implementation	5,915,000	12
Continue development of a Multipurpose Marine Cadastre/GIS.	800,000	0
Develop and maintain computer models designed to determine fair return for Renewable Energy resources.	500,000	0
Conduct inspections of data gathering and technology testing facilities and develop a basis for inspection of commercial facilities and existing facilities converted to alternate uses.	450,000	2
Renewable Energy and the 5-Year Programmatic Environmental Impact Statement **(LE Subactivity)**	3,500,000	0
Support Service Needs (Computers, Shared Services, Operational Needs)	1,300,000	0

Environmental Studies [$3,000,000; 0 FTE]: Initiate studies to prepare for lease issuances and for post lease environmental monitoring. Funds will be used to procure environmental studies to address physical, biological and social resource issues in the areas where renewable energy applications are initially expected. Anticipated activities regulated by MMS include site characterization, facility construction, operation, monitoring, and decommissioning. Prior to approval of any of these activities, MMS needs baseline environmental information about the areas and must make an evaluation of the potential impacts of these activities on the marine and human environment. Topical areas of study that will be undertaken include but are not limited to: economic impacts of renewable energy development on commercial fishing; evaluation of lighting schemes for offshore wind facilities and impacts to local environments; artificial reef effects from offshore development and various biological field surveys.

The timely acquisition of environmental information is crucial to issuing leases on the Atlantic and Pacific coasts. Given that these areas are considered frontier areas for energy development, numerous baseline and issue-specific studies are required and will take a substantial amount of time to complete. Examples of studies to be conducted include: Identification of OCS Renewable Energy Space-Use Conflicts and Analysis of Potential Mitigation Measures and Field

Surveys to Determine Abundance, Distribution and Flight Patterns of Waterbirds, Seabirds, and Seaducks in the Atlantic. Without sound science for decision-making, opportunities for renewable energy development could be hindered or delayed. Adequate funding for environmental studies is critical for the success of the Renewable Energy Program. These funds for the required environmental studies are being requested in the Leasing and Environmental Subactivity/Environmental Studies Program.

Studies Workload (+$450,000; +3 FTE): Three new FTE are required to manage studies contracts and implement the activities described above.

Technology Assessment and Research Studies (+$650,000; +1 FTE): These funds will be used for technological and engineering studies to ensure safety of operations and protection of the environment.

The MMS recently completed an initial review of various structural design standards for offshore wind facilities to determine their applicability to operations on the OCS (see list below). An additional project that has been undertaken is a first-pass effort at establishing inspection procedures for ensuring the structural reliability of the offshore wind facilities. In FY 2009, we are continuing this effort by studying the adverse operational incidents that have occurred on worldwide wind facilities in an attempt to determine general trends and potential mitigation methods. Current offshore renewable energy developments in Europe have already encountered technical issues associated with turbine gear boxes, braking mechanisms and typhoon survivability. Until a complete design standard can be established that addresses this still emerging field, we have commissioned another study that will create a "template" for offshore developers to utilize in their wind facility plans that will ensure that all of the crucial issues are addressed. The use of the most common structural support for the wind turbines, a monopile, requires the use of pile driving equipment on location for months at a time. We are in the process of awarding a project that will study the potential mitigation of underwater noise during pile-driving activities.

We have also begun the initial work in determining the state of the art in ocean wave and current energy conversion technology, what existing design standards might be applicable, and establishing where gaps exist that will need new standards to be developed. The results of these studies are being utilized in our participation with the International Electrotechnical Commission's effort to establish basic design standards to ensure the safety of wave, current, and tidal energy conversion devices.

The MMS will work with international counterparts where renewable energy development is further along and will contract for needed studies and analysis. One FTE is required to manage the effort.

Table: 15: OEMM Performance Overview – Renewable Energy

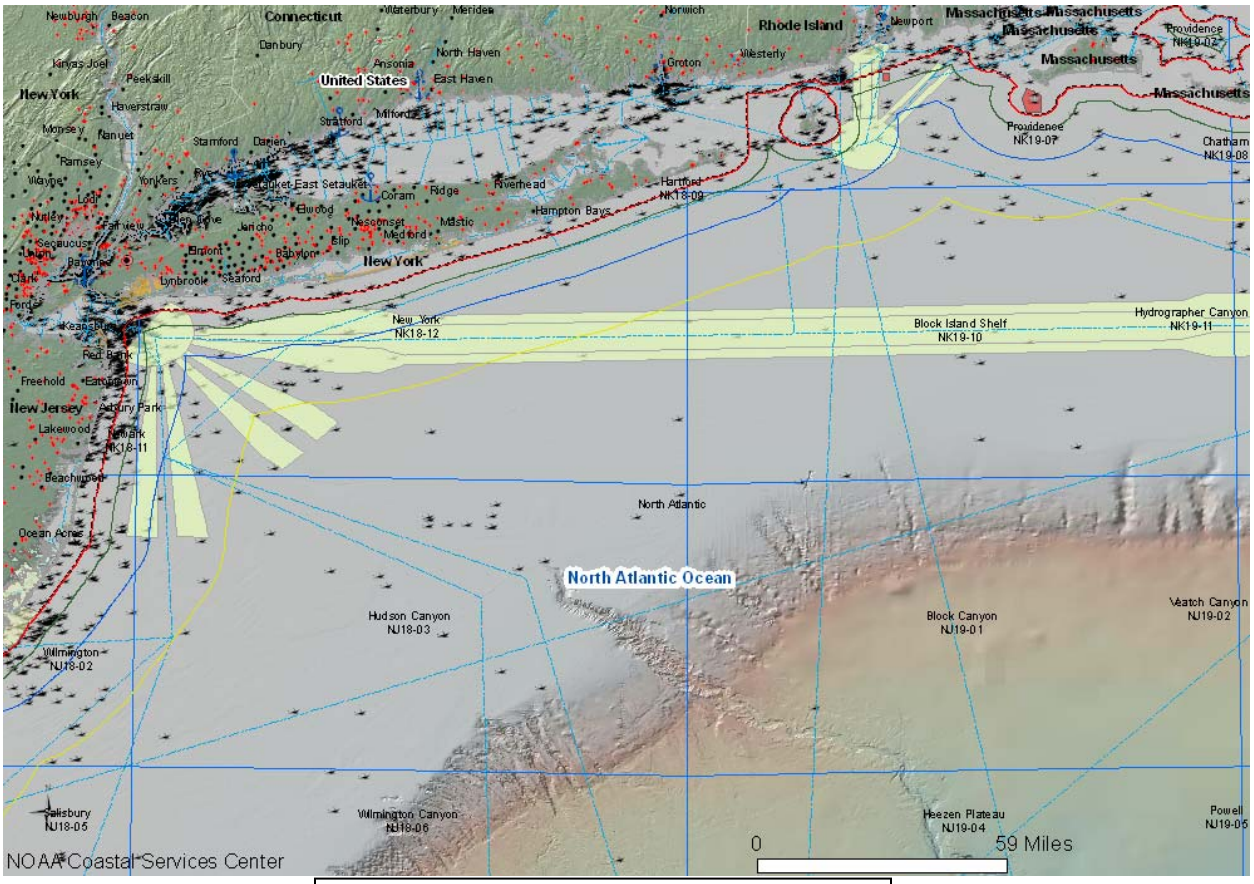
Standards/Regulations potentially applicable to U.S. OCS wind farms
DNV-OS-J101, Design of Offshore Wind Turbine Structures
DNV-OS-J102, Design and Manufacture of Wind Turbine Blades, Offshore and Onshore Wind Turbines
GL Wind 2003, Guideline for the Certification of Wind Turbines, Edition 2003.
GL Wind 2005, Guideline for the Certification of Offshore Wind Turbines, Edition 2005.
GL 2007, Guideline for the Certification of Condition Monitoring Systems for Wind Turbines, Edition 2007.
IEC 61400-3, Ed. 1, Design requirements for offshore wind turbines
API Recommended Practice 2A, RP-2A, Recommended Practice for Planning, Designing and Constructing Fixed Offshore Platforms, 21st Edition
Standards/Regulations potentially applicable to wave/current energy conversion
ABS – Guidance Notes on Review and Approval of Novel Concepts
ABS – Guide for Risk Evaluations for the Classification of Marine-Related Facilities
API RP 2A – Fixed Offshore Structures
API RP 2I – Mooring Hardware Inspections
API RP SK – Stationkeeping Systems for Floating Structures
API RP 2SM – Synthetic Ropes for Offshore Mooring
API RP 14F – Electric Systems
DNV-OSS-312 – Certification of Tidal and Wave Energy Converters
EMEC - Design Basis Guidelines for Marine Energy Converters (draft)
Germanisher Lloyd IV, 14, Part 1 – Ocean Current Turbines
IALA Recommendation O-131 – Marking of Offshore Wave and Tidal Energy Devices
IMCA AODC 35 – Code of Practice for the Safe Use of Electricity Under Water

NEPA Documents (+$5,575,000; +8 FTE): These funds will allow MMS to prepare or contract for the required environmental compliance documents (Environmental Impacts Statements, Environmental Assessments, Essential Fish Habitat Assessments, Biological Assessments) and analysis needed to meet the anticipated demands for offshore renewable energy as a result of the current state initiatives described above in this document. These compliance documents and environmental analyses will inform decision-making for the competitive lease sales and noncompetitive lease issuances required to bring OCS based renewable energy power onshore. For leases issued competitively, MMS will be responsible for preparing the required environmental analysis. In the case that the lease is issued non-competitively, the project applicant would be responsible for funding the environmental analysis and documentation. Efforts would focus on issuing four leases, as well as a number of limited leases authorizing technology testing or data gathering facilities, likely in the Mid-North Atlantic or possibly in the Pacific. The requested funding would allow MMS to prepare three environmental impact statements should the leases be issued competitively and several environmental assessments depending on their scope. Eight FTE are required to coordinate and conduct the environmental compliance work.

Program Development and Implementation (+5,915,000; +12 FTE): These funds will allow MMS to launch its new OCS Renewable Energy Program regulatory framework that would provide opportunities for OCS renewable energy commercial and technology development

activities; complement ongoing state and local renewable energy legislative initiatives, interstate cooperative agreements, and contracting actions; assist states in meeting mandatory goals established in the form of renewable portfolio standards; and help establish marine-based renewable energy as a viable, stable contributor to the Nation's energy needs. Funding will support cooperative planning and leasing efforts with relevant federal agencies and affected state, local, and tribal governments. Extensive coordination and collaboration, especially with federal regulatory and resource agencies, will be required to fulfill MMS' statutory responsibilities including, but not limited to, Essential Fish Habitat, Endangered Species Act, Marine Mammals Protection Act, Clean Air Act, National Historic Preservation Act, and the Coastal Zone Management Act. Funds will be used to augment the current Federal/State taskforces in Delaware and New Jersey with the establishment of two new Federal/State consultation processes in the northeast in addition to new multistate coordination efforts. Funds will also be used to liaison with DOE and other appropriate federal agencies and coordinated with the MMS OCS Policy Committee's Alternative Energy Subcommittee. The efforts will require public stakeholder meetings; renewable energy resource assessment and transmission studies; and support for inter-governmental and inter-agency meetings and information exchange. Twelve FTE are requested to carry out these functions.

Multipurpose Marine Cadastre (+$800,000; +0 FTE): These funds will enable MMS to permanently host and coordinate further development of the interagency Multipurpose Marine Cadastre (MMC). MMS is currently partnering with the National Oceanographic and Atmospheric Association to develop the MMC, a web based online mapping application that will provide decision makers and the public with a tool to assist in the planning and siting of offshore wind development as well as other development on the OCS. Examples of information that can be found in the MMC include MMS blocks and boundary lines, Fish and Wildlife refuges, National Park boundaries, shipping fairways, shipwrecks, pipelines and oil and gas platforms. Funding would allow MMS to continue development of the MMC by improving and adding function tools, and working with coastal states and other federal agencies to include their datasets. Funding would also support a contractor for system administration, and hardware and software maintenance cost (e.g. servers, licenses, etc.)



Siting of Offshore Wind Potential

Ensure Fair Return for Renewable Energy Resources (+$500,000 +0 FTE): This funding will allow for the review of various renewable energy auction formats and the development and maintenance of computer models to ensure a fair return to the American public from OCS lease tracts awarded for renewable energy development. The review will enable MMS to determine which format is best able to adequately address lease terms and bidding strategies for renewable energy lease issuances, ensuring a fair return to the American public for use of Federal lands on the OCS as required by law.

Safety Program and Inspections (+$450,000; +2 FTE): These funds will allow MMS to hire two additional engineers; develop a methodology for inspection of commercial renewable energy generating facilities; provide training to inspectors who will require new engineering and technical skills on operating systems, facilities, and hardware associated with harnessing offshore wind, waves, and ocean currents; and conduct routine safety inspections of offshore renewable energy components.

Statistics on wind facility accidents worldwide reveal that towers can experience structural failures, fires, and blade failures. Of over 500 recorded accidents and incidents, 48 resulted in fatalities. Funds will support MMS efforts to prevent accidents on the OCS through:

- review and adoption of engineering standards and recommended practices;

- review and acceptance of classification societies that certify facility design and construction; and
- establishing an integrated inspection and enforcement program to ensure compliance with Federal regulations that promote worker health and safety, and protection of the environment.

Oversight, which the funding will allow, will become even more important as renewable energy projects are installed in increasingly harsh offshore environments and technologies are employed in new ways to support growth in the renewable energy field.

Operational and safety inspections will be required on five meteorological towers built for data collection and technology testing on Interim Policy limited leases issued in FY 2009. As renewable energy installations are constructed on the OCS, routine on-site inspections of gear boxes, turbine towers, braking mechanisms, electrical systems, cathodic protection, turbine blades, and safety shut down systems will be needed to maintain these power generation systems in a state of optimal performance such that operational disruptions of electrical supply to U.S. energy grids are minimized.

Renewable Energy and the 5-Year Programmatic Environmental Impact Statement [$3,500,000; 0 FTE]: In addition to the traditional oil and gas resources, the OCS holds the potential for significant renewable energy resources. In the United States, marine-based renewable energy development is about to be launched. The recently completed OCS renewable energy program framework and the imminent meteorological towers authorizations along the Mid-Atlantic Bight will support the first commercial offshore wind power contributions to meeting the Nation's energy needs. It is important to consider potential interaction between any prospective oil and natural gas projects and any potential renewable energy projects, especially wind projects. This consideration, along with the possible leasing of some areas previously under moratoria for oil and gas activities, has greatly increased the scope and complexity of the required 5-Year Programmatic EIS.

Base funding for contractor support to develop the EIS has never been included in the budget, primarily because, in the past, in-house resources have been used for this effort. However, due to growing program needs and subsequent lack of available in-house resources, MMS must now use funds intended for other important oil and gas programs to acquire contractor assistance in preparing the document. Since the need is ongoing, we need to establish a stable funding source for this critically important document. Based on EIS expenditures on comparable-sized projects, we estimate that a minimum of $3.5 million will be needed for the larger programmatic EIS. Funds for the EIS are being requested in the Leasing and Environmental Subactivity/Leasing and Environmental Assessment Program.

Support Service Needs (+$1,300,000; +0 FTE): OEMM will need to purchase equipment and furniture, and pay for common services such as e-mail, postage, IT security, archival needs, and other program support requirements.

Performance Change Statement:
The need to diversify and identify viable additional energy resources is a major priority for the American public and the Administration. This initiative will help MMS accelerate the use of the OCS to develop renewable energy sources.

The requested funding would enable MMS to prepare for three or four competitive lease sales with potential to process several limited leases. Lease sales will likely occur in the Mid and North Atlantic off the coast of those states who have selected developers through competitive processes, entered into a PPA or have strong state or multi-state renewable energy development or incentive initiatives.

With this funding, MMS can also address its legislative mandate to ensure safe and sound operations by conducting inspections of renewable energy technology testing and resource data collection facilities. These efforts will allow MMS to create a safety compliance inspection program specifically designed for offshore renewable energy facilities. Ensuring safe operations of renewable energy activities is critical to the overall success and expansion of the program. Insufficient funding for new inspectors and proper training could result in a limited and inadequate inspection force to accommodate new renewable energy facilities/structures and could jeopardize operator safety as well as the marine environment.

Funding would also enable MMS to improve its ability to assess renewable energy resources for fair return determinations and policy analysis. Without funding to develop and maintain computer models needed to determine fair return for renewable energy resources, MMS would be unable to adequately address lease terms and bidding strategies and our ability to ensure receipt of fair return would be restricted. Additionally, this funding level provides MMS adequate resources to comply with the mapping initiative of the EPAct and with OMB Circular A-16 which requires MMS to make all its geospatial public data available. Functionality in the MMC would be improved to better assist Federal and state agencies and the public in making decisions regarding the location of renewable energy projects.

If MMS does not address the needs for renewable energy projects, the Government will not be responsive to OCSLA and EPAct 2005. Requests from industry for leases will not be processed in an orderly manner and revenues anticipated from associated activities could be lost. Moreover, MMS would hinder greatly the ability for states to meet their RPSs, particularly those with a primary renewable energy resource located offshore their respective coast.

Additional resources of $6,500,000 and zero FTE are also being requested in the Leasing and Environmental Subactivity, and $1,880,000 and six FTE are being requested in the General Administration Activity/Administrative Operations Subactivity.

Table 16: OEMM Performance Key Increases – Renewable Energy

OEMM Performance for Key Increases - Renewable Energy, + $22,140,000 (*includes related funding for Renewable Energy in all OEMM subctivities)*

	2005 Actual	2006 Actual	2007 Actual	2008 Actual	2009 Plan	2010 President's Budget	2011 Estimate	2012 Estimate
Measure Title: Number of Renewable Energy leasing processes initiated (i.e., Calls)								
Performance at Proposed Budget Level	N/A	N/A	N/A	N/A	1	2	2	2
Performance w/o Initiative	N/A	N/A	N/A	N/A	1	1	0	0
Performance Change	N/A	N/A	N/A	N/A	0	1	2	2
Total actual/projected cost at Budget Level ($000)	N/A	N/A	N/A	5.6	7.7	28.2	28.2	28.2
Total actual/projected cost without initiative ($000)	N/A	N/A	N/A	5.6	7.7	7.7	7.7	7.7
Actual/projected cost per unit (whole dollars)	N/A	N/A	N/A	N/A	7.7	14.1	14.1	14.1

To enable renewable energy development on the OCS, MMS must conduct a lengthy, multi-step process entailing information gathering, consultation with interested and affected parties, NEPA review and compliance, and analysis in light of other applicable federal requirements for each affected state. The first step in each decision process will be to identify a proposed lease area and determine whether or not there is competition for that area. If MMS determines that there is competition, it will undertake an approximately 2-year public consultation and decision process consisting of several formal steps. This metric counts the number of formal actions MMS publishes in the Federal Register to initiate the leasing process for renewable energy (i.e., the Call for Information or the Call for Nominations).

NOTE: The Renewable Energy metrics presented are interim in nature and will likely be revised as the Program matures.

PROGRAM OVERVIEW

The Outer Continental Shelf (OCS) has significant potential as a source of new production from renewable energy resources. Section 388 of EPAct 2005 gave the Secretary of the Interior the lead agency responsibility over Federal offshore renewable energy and alternate uses of the OCS. These renewable energy and alternate use projects include wind, wave, current, solar energy, and hydrogen generation projects, as well as projects that make alternative use of existing oil and natural gas platforms in Federal waters. On March 20, 2006, the Department delegated the authority to implement these new programs to the Minerals Management Service (MMS).

Subsequent to passage of the Act, the Federal Energy Regulatory Commission (FERC) expressed concern relative to jurisdictional responsibilities governing hydrokinetic projects in Federal waters. On April 9, 2009, the Interior Department and the Federal Energy Regulatory Commission (FERC) signed an agreement that clarified their agencies' jurisdictional responsibilities for leasing and licensing renewable energy projects on the OCS. Under the agreement, the MMS has exclusive jurisdiction with regard to the production, transportation, or transmission of energy from non-hydrokinetic renewable energy projects, including wind and solar. FERC will have exclusive jurisdiction to issue licenses for the construction and operation of hydrokinetic projects, including wave and current, but companies will be required to first obtain a lease through MMS.

MMS activities include:

- Program implementation, including the establishment of a regulatory framework;

- Environmental analysis, assessment, and compliance for both competitive and non-competitive lease sales;
- Conducting environmental studies to establish baseline information and determine the environmental affects from renewable energy development activities;
- Understanding the interaction between renewable energy hardware (e.g. wind turbine generators, current devices) and the marine environment; and,
- Consultation with state and local governments, federal agencies, and other stakeholders.

In FY 2010, MMS is requesting establishment of a *Renewable Energy Subactivity*. With the growing profile and demand for renewable energy projects, MMS believes it is important to identify the resources it has been and will be providing for these activities.
Most of the funding that supports these program activities is currently housed in the Leasing and Environmental Program Subactivity, with a very small amount in the Regulatory and Resource Evaluation subactivities. A cross-walk identifying these funds is provided below. In addition to the resources shown in the below table, an additional $1.9 million has been identified in the Environmental Studies Program (ESP) element to support the Renewable Energy Program. Those dollars will remain in ESP as renewable energy studies can also benefit the Oil and Gas Program, and provides MMS with the best opportunity to leverage its funds.

Table 17: Transfers to Proposed Renewable Energy Subactivity ($000)

	Leasing and Environmental	Resource Evaluation	Regulatory	Total
Renewable Energy	5,344	142	246	5,732
Based on FY 2009 likely enacted dollars. Does not include $1.9 million to remain in Environmental Studies				

PERFORMANCE OVERVIEW

Within its Activity-Based Costing (ABC) system, MMS is able to allocate expenditures to the Renewable Energy activities and operations they support. Through 2008, the majority of spending for Renewable Energy has been focused on program development and environmental analysis and has been funded in other subactivities. As the program matures, more funding will be directed to providing access to the OCS for renewable energy activities as well as regulatory and compliance efforts. The following chart shows the estimated spending profile for 2008.

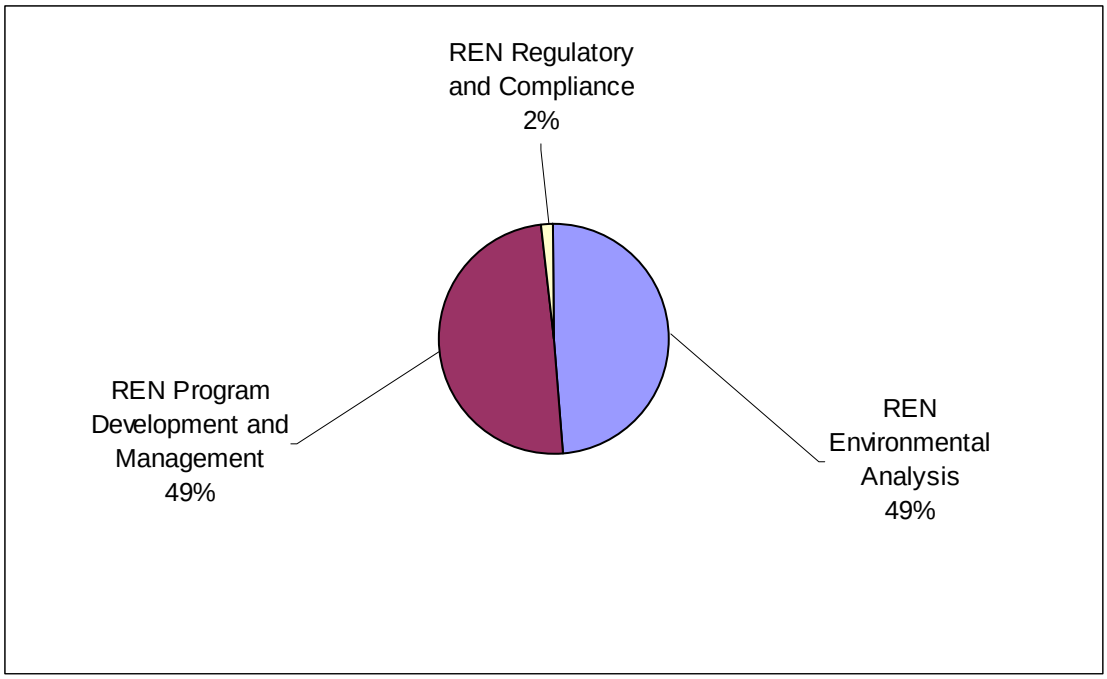


Figure 7. Estimated FY 2008 Renewable Energy Spending Profile[1]

2010 PROGRAM PERFORMANCE – RENEWABLE ENERGY

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

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

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

- Ensure that appropriate revenue is shared with adjacent coastal states, as required by law.

Section 388 does not authorize any leasing, exploration, or development activities for oil or natural gas. Also, per an April 2009 agreement between the Interior Department and the Federal Energy Regulatory Commission (FERC), the MMS has exclusive jurisdiction with regard to the production, transportation, or transmission of energy from non-hydrokinetic renewable energy projects, including wind and solar. FERC has exclusive jurisdiction to issue licenses for the construction and operation of hydrokinetic projects, including wave and current, but companies will be required to first obtain a lease through MMS.

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

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

MMS received more than 40 nominations of areas proposed for limited leasing off the West and East coasts. In April 2008, based on a set of criteria including geographical and resource balance (e.g., East, West; wind, wave, ocean current) MMS identified a subset of 16 proposed lease areas for priority consideration and provided public notice of those areas for the purpose of determining competitive interest as required by EPAct and also for receiving relevant environmental or other information. The comment period on the April notice closed on June 30, 2008.

Ten of the proposed 16 lease areas were located in the Atlantic and are related to wind resources; four were located offshore Southeast Florida and pertained to ocean currents; two were offshore Northern California for potential wave sites and were subsequently withdrawn. Of the ten proposed lease areas in the Atlantic, six are offshore New Jersey, one offshore Delaware, and three are offshore Georgia. No competing nominations or significant comments were received, and in July 2008 MMS announced it would proceed with a noncompetitive leasing process for these sites. As of January 2009, MMS has received applications from the nominating developers for four sites offshore New Jersey and one offshore Delaware. Depending on the outcome of the Environmental Assessment and required consultations for these proposed projects, MMS expects to issue Interim Policy limited leases for the five lease areas in the spring of 2009.

Of the four proposed Florida lease areas, three received competing nominations. MMS decided in July 2008 to proceed with a noncompetitive leasing process for the sole site that did not receive competing nominations. The competing nominators for the other areas were asked to collaborate in order to enable interested parties to jointly benefit in information gathering under

leases issued noncompetitively. Two of the developers that nominated sites withdrew their nominations. As of January 2009, MMS had received a single application for one of the remaining proposed lease areas and has begun the environmental compliance review process for this proposed lease area.

EPAct 2005 also gave MMS responsibility for two existing offshore wind energy projects - the Cape Wind project in the Nantucket Sound offshore Massachusetts, and the Long Island Offshore Wind Park offshore New York.

With regard to the Long Island Offshore Wind Park, in the past several months the Long Island Power Authority (LIPA) has been reevaluating the need for its offshore wind park. The MMS is currently awaiting the official decision from LIPA on the disposition of the Long Island Offshore Wind Park project.

As background for the Cape Wind project, a Notice of Intent to prepare an EIS for the Cape Wind Project was published by MMS in May 2006. The MMS filed the draft EIS with EPA on January, 11, 2008 and it was released on January 14, 2008. The Draft EIS was published in the *Federal Register* on January 17, 2008. Public hearings were held during March 2008. The final EIS was published on January 9, 2009.

In FY 2010, MMS anticipates a substantial increase in work in support of leasing OCS sites for the commercial generation of renewable energy, which can be categorized as follows.

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

- **Initiation of Renewable Energy Lease Sales.** In order to initiate competitive renewable energy lease sales, MMS must have the resources to conduct and support all of the steps involved.

- **Inspection and Enforcement on November 2007 Interim Policy Limited Leases.** In FY 2010, MMS anticipates conducting inspection and enforcement activities on Interim Policy limited leases issued in FY 2009 for data collection and technology testing and developing a methodology to inspect future commercial renewable energy generating facilities.

- **Preliminary work to prepare for Renewable Energy lease sales in FY 2011 or 2012.** Work will begin in 2009 and continue into 2010 to identify areas of competitive interest, contract environmental studies, interpret study results, prepare environmental compliance documents, reach out to stakeholders and interested parties, and begin the formal lease issuance process.

- **Post Lease Monitoring**. Should the Cape Wind Offshore Wind Project be approved and Interim Policy limited leases be issued in FY 2009, MMS will need to plan and conduct post lease monitoring.

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

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

EPAct 2005 also directs the Secretary of the Interior, together with other agencies, to establish an OCS Mapping Initiative to assist in decision making related to renewable energy uses on the OCS. This initiative, also called the Multipurpose Marine Cadastre, is a multiyear endeavor that requires joint planning, interaction and commitment by federal, state, local, territorial, and tribal entities working through public and private partnerships. The MMS has been working cooperatively with other federal agencies to develop this information system, which is a repository of data such as the legal extents of authorities, and physical and cultural information in a common reference framework. This work is being facilitated through the efforts of the Federal Geographic Data Committee (FDGC)-Marine Boundary Working Group.

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

Table 18: OEMM Performance Overview – Renewable Energy

Performance Overview - Renewable Energy									
Note: Performance and Cost data may be attributable to multiple activities and subactivities. Therefore, measure costs may not equal totals shown in subactivity tables.									
End Outcome Goal: Manage or influence resource use to enhance public benefit, responsible development, and economic value.									
Measure	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Intermediate Outcome Strategy 1: Effectively manage and provide for efficient access and development									
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures									
Number of Renewable Energy leasing processes initiated (i.e., Calls)	N/A	N/A	N/A	N/A	N/A	1	2	+1	
Total Actual/Projected Cost ($M)	--	--	--	--	5.6	7.7	28.2	+20.5	
Comments	*To enable renewable energy development on the OCS, MMS must conduct a lengthy, multi-step process entailing information gathering, consultation with interested and affected parties, NEPA review and compliance, and analysis in light of other applicable federal requirements for each affected state. The first step in each decision process will be to identify a proposed lease area and determine whether or not there is competition for that area. If MMS determines that there is competition, it will undertake an approximately 2-year public consultation and decision process consisting of several formal steps. This metric counts the number of formal actions MMS publishes in the Federal Register to initiate the leasing process for renewable energy (i.e., the Call for Information or the Call for Nominations).* **NOTE: The Renewable Energy metrics presented are interim in nature and will likely be revised as the Program matures.**								
Number of MMS-supported Stakeholder Collaboratives for Renewable Energy	N/A	N/A	3	N/A	5	8	8	0	1
Comments	*MMS recognizes the importance of coordinating and consulting with local and federal stakeholders to develop a comprehensive renewable energy program for the OCS. This metric quantifies the number of cooperative planning and leasing efforts undertaken with relevant federal agencies and affected state, local, and tribal governments. MMS has actively sought and will continue to solicit stakeholder input through collaborative partnerships with federal agencies, state governments and other affected stakeholders. Following publication of the final Renewable Energy regulations, MMS plans to hold a number of stakeholder meetings across the country and has recently approved the formation of Federal/State Taskforces with Delaware and New Jersey.* **NOTE: The Renewable Energy metrics presented are interim in nature and will likely be revised as the Program matures.**								

Performance Overview - Renewable Energy (continued)									
Measure	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Number of Renewable Energy leases issued (competitive or noncompetitive; limited or commercial)	N/A	N/A	N/A	N/A	N/A	7	2	-5	0
Comments	*In November 2007, MMS announced the establishment of an interim policy for Offshore Alternative Energy Resource Assessment and Technology Testing Activities which invited the public to nominate areas of the OCS for MMS to consider in awarding limited leases for data collection and technology testing. From the nominations submitted, MMS identified 16 proposed lease areas for priority consideration; 10 of which drew no competing nominations. MMS expects to issue noncompetitive limited leases for seven of these lease areas in the Spring of 2009. After the Final Renewable Energy Rule is published and the required environmental analyses are conducted in 2010 and 2011, MMS anticipates being able to issue its first commercial competitive or noncompetitive leases in 2012 or 2013. In 2010, a lease may also be issued for the existing Cape Wind Project as well as one additional limited lease for data collection and technology testing.* **NOTE: The Renewable Energy metrics presented are interim in nature and will likely be revised as the Program matures.**								
Number of Ongoing EA/EISs for Renewable Energy Development	N/A	N/A	N/A	N/A	N/A	3	3	0	0
Comments	*Comprehensive environmental analyses are an essential but lengthy part of the overall OCS lease planning process. The Energy Policy Act of 2005 gave MMS responsibility for two existing offshore alternative energy projects - the Cape Wind project in the Nantucket Sound offshore Massachusetts, and the Long Island Offshore Wind Park offshore New York. While the Long Island Project was withdrawn, the MMS published the final EIS for the Cape Wind Project in January 2009. The MMS also anticipates publishing a Multi-state environmental assessment for the Delaware and New Jersey Interim Policy projects later in 2009.* **NOTE: The Renewable Energy metrics presented are interim in nature and will likely be revised as the Program matures.**								

FY 2010 PERFORMANCE BUDGET REQUEST

Offshore Energy and Minerals Management

Leasing and Environmental Subactivity

Table 19: OEMM Leasing and Environmental Subactivity Budget Summary

				FY 2010				
		2008 Enacted	2009 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Transfer to Renewable Energy	Budget Request	Change from 2009 (+/-)
Leasing and Environmental Assessment Program	($000)	27,224	30,270	+682	+4,350	-5,344	29,958	-312
	FTE	228	231	0	+4	-12	223	-8
Environmental Studies Program	($000)	19,179	24,693	0	+4,810	0	29,503	+4,810
	FTE	0	0	0	0		0	+0
Leasing and Environmental Subactivity	**($000)**	**46,403**	**54,963**	**682**	**+9,160**	**-5,344**	**59,461**	**+4,498**
	FTE	**228**	**231**	**0**	**+4**	**-12**	**223**	**-8**

SUMMARY OF FY 2010 PROGRAM CHANGES

Request Components	**($000)**	**FTE**
Program Changes		
• Renewable Energy and the Programmatic Environmental Impact Statement	+3,500	+0
• Current 5-Year Program 2007-2012	+290	+2
• Marine Minerals - Leasing and Environmental Assessment	+560	+2
• Current 5-Year Environmental Studies	+1,310	+0
• Marine Minerals - Environmental Studies	+500	+0
• Renewable Energy - Environmental Studies	+3,000	+0
Total, Program Changes	**+9,160**	**+4**

JUSTIFICATION OF FY 2010 PROGRAM CHANGES

The 2010 budget request for the Leasing and Environmental Subactivity is $59,461,000 and 225 FTE, a net program increase of $4,498,000 and -8 FTE from the FY 2009 enacted level, including reprogramming of funds and FTE to the new Renewable Energy Subactivity.

Leasing and Environmental Assessment Program (+$4,350,000; +4 FTE)

Renewable Energy and the Programmatic Environmental Impact Statement (+$3,500,000; +0 FTE): In addition to the traditional oil and gas resources, the OCS holds the potential for significant renewable energy resources. Marine-based renewable energy development is about to be launched in the United States. The recently completed OCS renewable energy program framework and the imminent meteorological towers authorizations along the Mid-Atlantic Bight

will support the first commercial offshore wind power contributions to meeting the Nation's energy needs. The MMS feels it is important to consider potential interaction between any prospective oil and natural gas projects and any potential renewable energy projects, especially wind projects. This consideration, along with the possible leasing of some areas previously under moratoria for oil and gas activities, has greatly increased the scope and complexity of the required 5-Year Programmatic Environmental Impact Statement (EIS).

Base funding for contractor support to develop the EIS has never been included in the budget, primarily because, in the past, in-house resources have been used for this effort. However, due to growing program needs and subsequent lack of available in-house resources, MMS must now use funds intended for other important oil and gas programs to acquire contractor assistance in preparing the document. Since the need is ongoing, we need to establish a stable funding source for this critically important document. Based on EIS expenditures on comparable-sized projects, we estimate that a minimum of $3.5 million will be needed for the larger programmatic EIS.

This request is part of the Secretary's cross-cutting initiative for Renewable Energy. In MMS, additional resources totaling $24 million are requested. A complete listing of the Bureau-wide resources can be found in the OEMM Overview, and a complete accounting for the OEMM request can be found in the Renewable Energy Subactivity.

Impacts of Not Funding: The availability of MMS subject matter experts for preparing the EIS is limited because of commitments to other projects. If funding is not received, the EIS will have to be prepared with insufficient internal resources resulting in potential weaknesses in the document, with more exposure to legal challenge and potential disruptions to the program. Close scrutiny of and legal challenge to the EIS can be expected if the next program includes areas previously under withdrawal and where there has been historical opposition to OCS leasing. Legal challenges present unnecessary delays that slow new development of domestic energy supplies and potentially exacerbate price volatility. Due to mission-critical responsibilities to support oil and gas development and ongoing efforts to address recommendations from various examinations, the MMS can no longer redirect personnel to perform these functions without reducing the quality of MMS' overall performance.

Current 5-Year Program 2007-2012 (+$290,000; +2 FTE): Two additional FTE are needed to support the Alaska studies that are detailed in the below Environmental Studies Program narrative. The staff devoted to managing oil and gas environmental studies are funded from the Leasing and Environmental Program element. Only environmental studies dollars are housed in the Environmental Studies Program element. The complexity, scope, and number of environmental studies managed by the staff have grown measurably over the past few years. An addition of two FTE will enable the MMS to devote the proper amount of resources to manage this program with the same high degree of quality and efficiency that it has in the past.

Additional resources for the Current 5-Year Program are requested in the Resource Evaluation, Regulatory, and General Administration Programs. The initiative in its totality is for $5,145,000. A detailed listing can be found in the OEMM Overview section.

Marine Minerals (+$560,000; +2 FTE): MMS is requesting a total of $1,060,000 and two FTE for the Marine Minerals Program: $500,000 for sand and gravel environmental studies; $50,000 for workshops and the sand management working group; $220,000 for sand and gravel cooperative studies; and $290,000 for two FTE. Please see the Environmental Studies Program narrative below for details concerning the $500,000 request for studies.

Natural barrier islands and wetlands, like those protecting coastal Louisiana's delta region, are rapidly deteriorating under a multitude of stresses. These changes, along with depletion of sand deposits in state waters, are continuing to elevate the demand for sand and gravel from the OCS. Based on current knowledge, MMS estimates that requests for OCS sand over the next five to ten years will be on the order of five to seven requests per year. This includes planned requests from the State of Louisiana and U.S. Army Corps of Engineers for up to 70 million cubic yards of sand for barrier island restoration, more volume than conveyed in the history of the program. The National Oceanographic and Atmospheric Association, the Environmental Protection Agency, and the United States Department of Agriculture have also alerted MMS of their plans to request federal sand for multiple Coastal Wetlands Planning, Protection and Restoration Act projects on the Louisiana coast. Louisiana has the highest coastal erosion rates in the Nation, losing 217 square miles of land from Hurricane Katrina alone.

Responsibility for managing the mineral resources located on the OCS is vested solely with MMS. Public Law 103-426, enacted in 1994, allows MMS to convey, on a noncompetitive basis, the rights to OCS sand, gravel, or shell resources for shore protection, beach or wetlands restoration projects, or for use in construction projects funded, in whole or part, or authorized by, the Federal government.

MMS is responsible for ensuring that the issuance of negotiated leases for the use of OCS sand resources does not result in adverse environmental impacts to the marine, coastal, or human environment. For each negotiated lease, the NEPA process must be completed, including endangered species and essential fish habitat consultations, as well as coastal consistency and archaeological resource reviews. MMS is also required by law to coordinate biological consultations with NOAA Fisheries and the U.S. Fish and Wildlife Service.
Funding is required for:

- Environmental studies
- Identification of new sand resources and better characterization of known deposits
- Coordination of regional sand management working groups
- Processing of negotiated and competitive lease sales.

Much of this work can and will be done cooperatively with other Federal or state agencies. The MMS is committed to communicating, consulting, and cooperating with many diverse stakeholders in order to build consensus while balancing national, regional, and local interests. To this end, MMS organizes and continues to support regional sand management working groups in Louisiana and Florida, where sand resources are scarce and the demand is high. These groups need to be maintained and expanded to include several Atlantic states where coastal restoration activity is increasing. The sand management working groups, constituted of diverse stakeholders, from resource users to dredging contractors, have been invaluable to MMS in

promoting better management of scarce sand resources in areas of competing use.

In the past, MMS has funded all sand and gravel activities, including environmental evaluation, with funds from its oil and gas program. However, ongoing funding constraints over the past few years have resulted in the need for MMS to redirect that funding to the newly authorized renewable energy program and back to the oil and gas program.

The requested funding will support environmental studies, identification of new sand resources and better characterization of known deposits, coordination of regional sand management working groups, and processing of negotiated leases. The Marine Minerals Program benefits local communities where billions of dollars of infrastructure are at stake and coastal protection is critical, not only to the health of the environment, but to the economic health of those communities who rely on a stable coast environment.

Impacts of Not Funding: With the current staffing level (three FTE), MMS will not be able to meet the increase in demand for critically-needed OCS resources, especially in North Carolina, Florida, and Louisiana, without causing considerable schedule delays. Without a significant increase in marine minerals program funding, MMS may be unable to process future requests in a timely manner, in particular those submitted as a result of damage from severe storms and hurricanes. Alternatively, MMS will be forced to set strict limits on the number of requests that can be processed in a given year, which may incidentally and directly impact the functions of other federal agencies.

Although it continues to be the primary responsibility of the lessee to prepare required NEPA and related environmental documents, a significant staff effort is still required for document review and coordination, decision document preparation, and project coordination (~100 hours per project for an environmental assessment and ~200 hours per project for an environmental impact statement). At least six staff members in the Branch of Environmental Assessment currently have part-time responsibility for environmental tasks on more than ten sand lease projects. If MMS is unable to conduct the necessary environmental studies in advance of requests, it risks not being able to support sand conveyance decisions, or worse, faces the very real possibility of not being able to convey sand resources at all, due to the lack of adequate environmental information that is crucial for the development of lease terms.

Delays in the timing of projects or the inability to provide these critical materials will exacerbate erosion and lengthen the risks faced by coastal communities and result in negative environmental impacts. For example, a beach nourishment project that used OCS sand at Virginia Beach, Virginia in 2002 just prior to Hurricane Isabel was credited with preventing millions of dollars in damage to the local community of Sandbridge and to nearby wetlands and wildlife preserves. Without this requested funding, MMS will also forgo the invaluable input currently received from states and localities and jeopardize a forum that has been essential for internal planning and resource allocation.

Performance Change Statement: The requested funding level will provide MMS the resources necessary to meet the growing demands of our Marine Minerals Program.

Based on current knowledge, MMS projects that requests for OCS sand or gravel over the next five to ten years will be on the order of five to seven requests per year. During the past three years, MMS has only issued six sand and gravel mineral leases in total. The projected demand represents a significant increase in workload for the sand and gravel program. With the current staffing level, MMS will not be able to meet the anticipated increase in demand for critically-needed OCS resources without causing considerable schedule delays.

Environmental Studies Program (+$4,810,000; +0 FTE):

Current 5-Year Program 2007-2012 (+$1,310,000): The Alaska MMS environmental studies that are underway and planned in FY 2009 will improve our information base for the management of the natural and biological resources found in the study areas. The studies to be conducted must support both the pre-sale and post-sale (exploration, development, and production) environmental analyses and therefore be designed to gather information over an extended period of time to gather observations in advance of, and then during, post sale operations.

Of particular concern are the formidable challenges for critical environmental information needs in the Chukchi Sea. Information needs regarding the polar bear will increase substantially as a result of its recent Endangered Species Act (ESA) listing. Ribbon seals and pacific walrus are other species of significant concern that will require increased research and funds. Climate change and reduction in sea ice have important implications for changing species and habitat range in the arctic; our analyses and research must take these complex changes into consideration.

While our proposed studies for FY 2009 provide a good start, without additional funds we will not be able to expand our oceanographic sampling of benthic communities and sediment chemistry to match the broad geographic range of newly leased blocks. Nor will we be able to address the specific information needs associated with the polar bear, the ribbon seal, the pacific walrus, climate change, and sea ice reduction while also addressing other basic research needs and efforts, such as ice gouging to ascertain pipeline feasibility or gathering surface current circulation data to improve oceanographic modeling and oil spill response planning.

As a result of Sale 193, held in February 2008, exploration activities are expected during the open water season from drill ships, which may lead to delineation drilling and then development and production. As activities move towards development we need to establish the baseline for future monitoring.

A total of $290,000 and two FTE are needed to support these efforts and are requested in the Leasing and Environmental Assessment Program Element. Additional resources of $1,100,000 and one FTE are requested in the Resource Evaluation Subactivity to support the Current 5-Year Program 2007-2012, and $2,300,000 and no FTE are requested in the Regulatory Subactivity.

Impacts of Not Funding: Without increased funding, the MMS will have insufficient resources to procure critically needed studies in the Chukchi Sea and North Aleutian Basin Planning Areas. Failure to acquire credible scientific information in a timely manner in these ecologically

complex frontier areas will seriously jeopardize the development of new energy resources and MMS's stewardship responsibilities. Specifically, an inadequate information base will mean substantially less credible, and thus less defensible, NEPA or ESA analyses.

Performance Change Statement: With the requested funding, MMS will be able to more adequately fund its Environmental Studies Program (ESP) to procure critically needed studies in the Chukchi Sea and North Aleutian Basin Planning Areas. This funding will improve the quality of environmental data available and will provide for more informed decision-making on such critical issues as the number of lease sales that should be held, when a lease sale should be held in a particular area, and which areas of the OCS might have to be deferred from a lease sale (which can directly impact the percent of acres offered). This initiative also increases confidence that effective environmental studies can be delivered on a timely basis to support these decisions.

Without increased funding, MMS may not be able to acquire sufficient credible scientific information to support leasing decisions. Lack of this information could seriously jeopardize the development of new energy resources and MMS's stewardship responsibilities. Specifically, an inadequate information base may result in less defensible NEPA or ESA analyses at a time when offshore activity is under increased scrutiny and litigation from stakeholders. In the last two years, MMS has been the target of nine lawsuits challenging MMS decision-making, generally relating to the adequacy of our environmental analysis. Although MMS continues to believe that our environmental assessments are sound, the additional scrutiny our work has been receiving warrants additional attention to firmly establish the scientific underpinnings of MMS leasing and development plans.

Marine Minerals Environmental Studies (+$500,000): These funds will be used to procure sand and gravel related environmental studies by providing scientific data related to marine mineral removal impacts: identifying geophysical, biological and resource issues allowing the completion of sand and gravel negotiated noncompetitive agreements; and useful post-project monitoring protocols.

In the past, MMS has funded all sand and gravel activities, including environmental evaluation, with funds from its oil and gas program. However, ongoing funding constraints over the past few years have resulted in the need for MMS to redirect that funding to the newly authorized renewable energy program and back to the oil and gas program. A total of $500,000 is needed to support environmental studies related to marine minerals.

The MMS marine minerals program is responsible for pre-agreement work, interagency coordination, leasing, construction monitoring, and post-project monitoring. Prior to approval of any of these activities, MMS needs scientific data pertaining to resource availability and baseline environmental information about the project areas to make thorough and accurate evaluations of the potential environmental impacts due to proposed activities.

The timely acquisition of resource identification and environmental information is crucial to processing negotiated noncompetitive agreements on the Atlantic, Gulf of Mexico and Pacific coasts. A lack of environmental and resource evaluations could create an uncertainty in current conditions, hindering opportunities to successfully manage the sand and gravel resources on the

OCS. Adequate funding for environmental studies is critical for the success of the marine minerals program.

MMS is requesting a total of $1,060,000 and two FTE for the marine minerals program: $500,000 for environmental studies; $50,000 for workshops and the sand management working group; $220,000 for cooperative studies; and $290,000 for two FTE. Please see the Leasing and Environmental Assessment narrative for a description of non-study needs.

Impacts of Not Funding: Without adequate funding, the MMS Marine Minerals Program will not be able to provide accurate and timely review of proposed and ongoing projects. Further, these environmental studies are critical for the determination of mitigation measures that may be required during a project's lifespan, and lacking this current and accurate scientific data, necessary mitigation measures may be overlooked or improperly assigned, directly impacting project completion time and costs as well as increasing the probability of unintended environmental impacts and legal challenges.

Environmental Studies for Renewable Energy (+$3,000,000): Funding is needed to initiate studies to prepare for lease issuances and for post lease environmental monitoring. Funds will be used to procure environmental studies to address physical, biological and social resource issues in the areas where renewable energy applications are initially expected. Anticipated activities regulated by MMS include site characterization, facility construction, operation, monitoring, and decommissioning. Prior to approval of any of these activities, MMS needs baseline environmental information about the areas and must make an evaluation of the potential impacts of these activities on the marine and human environment.

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

This request is part of the Secretary's cross-cutting initiative for Renewable Energy. In MMS, additional resources totaling $24 million are requested. A complete listing of the Bureau-wide resources can be found in the OEMM Overview, and a complete accounting for the OEMM request can be found in the Renewable Energy Subactivity.

PROGRAM OVERVIEW

The MMS plays a key role in securing ocean energy for the nation. The MMS is a leader in facilitating energy development to meet the nation's domestic energy needs. It manages access to the energy and mineral resources of the Outer Continental Shelf (OCS) to help meet the energy demands and other needs of the nation while balancing such access with the protection of the human, marine, and coastal environments. Currently, MMS administers about 8,124 active mineral leases on approximately 43 million OCS acres. Production from these leases will generate billions of dollars in revenue for the Federal Treasury and state governments while

supporting thousands of jobs. The MMS oversees production from the OCS that represents a significant portion of total domestic oil and natural gas production. In 2007, OCS production accounted for about 27% of total domestic oil production and 14% of domestic natural gas production. To date (1954-June 2008), OCS lands have yielded about 175 trillion cubic feet of natural gas and almost 17 billion barrels of oil for U.S. consumption**.**

PERFORMANCE OVERVIEW

The Leasing and Environmental (LE) subactivity funds the Leasing and Environmental Assessment Program and the Environmental Studies Program. A key indicator of performance is the ability to hold offshore lease sales as scheduled in the Secretary's 5-Year Oil and Gas Leasing Program. The 5-Year Program 2007-2012 was developed through an extensive consultation process prescribed by the OCS Lands Act, and is effective from July 1, 2007 through June 30, 2012. The Program includes 21 sales in eight of the 26 OCS planning areas – three areas in the Gulf of Mexico, one area in the Mid-Atlantic, and four areas offshore Alaska. The MMS estimates that 10 billion barrels of oil and 45 trillion cubic feet of natural gas could be produced over 40 years as a result of sales under consideration in the Program. The 2007-2012 lease sale schedule can be found at: http://www.mms.gov/offshore/2007-2012LeaseSaleSchedule.htm

Offshore oil and gas leases are awarded following the completion of an extensive, two-phase bid evaluation process to ensure that the federal government receives a fair monetary return for the public mineral resources it makes available. Results of scheduled 2007-2012 offshore lease sales currently include a return of over $10.5 billion dollars:

- Sale 204, Western Gulf of Mexico, was held on August 22, 2007 and MMS accepted high bids valued at $287,081,023 and awarded 274 leases to the successful high bidders.

- Sale 205, Central Gulf of Mexico, was held on October 3, 2007 and MMS accepted high bids valued at $2,812,953,879 and awarded 682 leases to the successful high bidders.

- Sale 193, Alaska Chukchi Sea, was held on February 7, 2008 and MMS accepted high bids valued at $2,662,059,563 and awarded 487 leases to the successful high bidders.

- Sale 206, Central Gulf of Mexico, was held on March 19, 2008 and MMS accepted high bids valued at $3,671,052,702 and awarded 603 leases to the successful high bidders.

- Sale 224, Eastern Gulf of Mexico, was held on March 19, 2008 and MMS accepted high bids valued at $64,713,213 and awarded 36 leases to the successful high bidders.

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

- Sale 208, Central Gulf of Mexico, was held on March 18, 2009. MMS received high bids of $703,048,523 on 348 tracts. Bid evaluation is anticipated to be completed by June 18, 2009.

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

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

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

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

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

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

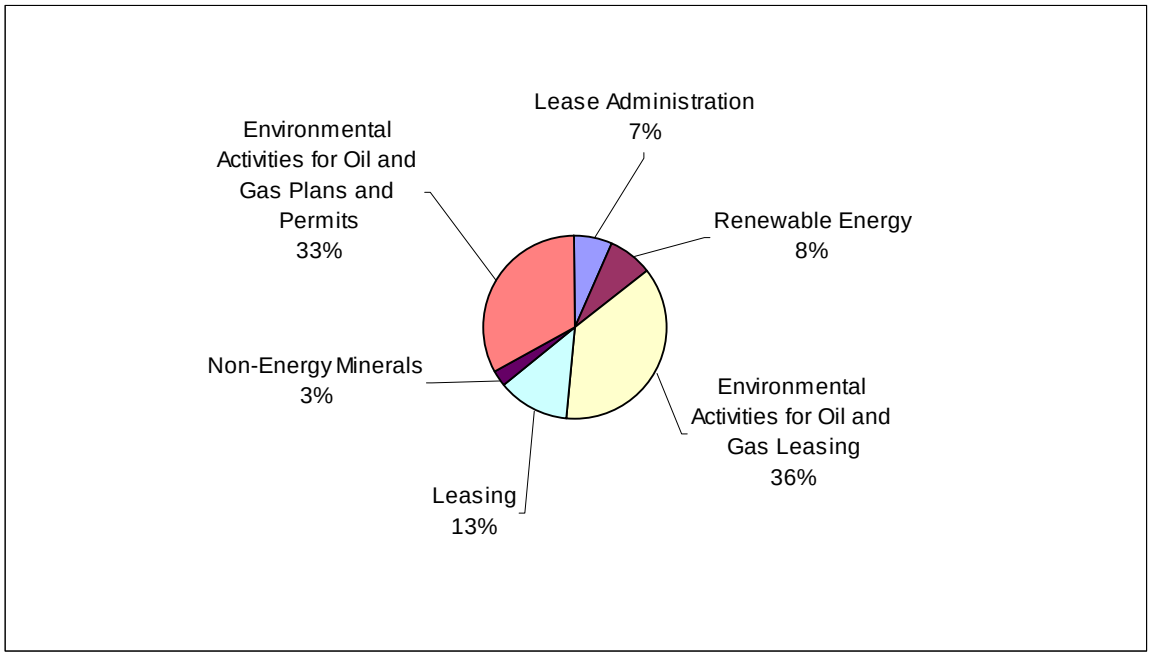


Figure 8. Estimated FY 2008 Leasing and Environmental Spending Profile

2010 PROGRAM PERFORMANCE – LEASING & ENVIRONMENTAL ASSESSMENT

Leasing Program: The MMS has played and will continue to play a vital role in providing access to domestic energy resources by continuing the OCS leasing program on predictable schedules as part of a comprehensive energy plan that includes both conventional and renewable energy resources. In 2004, OEMM initiated the multi-year process of developing a new 5-Year OCS Oil and Gas Leasing Program that schedules OCS lease sales for 2007 to 2012. The 5-Year Program 2007-2012 was approved on June 29, 2007, and is effective from July 1, 2007 through June 30, 2012. In 2008, under former Interior Secretary Kempthorne, the Department initiated the process for possible preparation of a new 5-year program, two years ahead of the normal preparation cycle. On January 16, 2009, a draft proposed program was announced that included areas that had not been available for leasing consideration for decades before the lifting of the executive withdrawal in July 2008, and the expiration of the congressional moratoria on October 1, 2008.

On February 10, 2009, Secretary Salazar announced his strategy for developing an offshore energy plan that includes both conventional and renewable resources. As part of the that plan, the comment period on the draft proposed program was extended by 180 days to allow greater opportunity for input from states, stakeholders and affected communities. The announcement does not affect the current 2007-2012 program.

The 5-Year Program is a pivotal element of managing the nation's offshore mineral assets. The OCS Lands Act (OCSLA) requires the Department to prepare a long-range program that specifies the size, timing and location of areas to be considered for Federal offshore natural gas and oil leasing. The MMS works in consultation with stakeholders (including federal and state agencies, local communities, federally recognized tribes, private industry, and the general public)

to develop a program that not only offers access to those areas of the OCS with the most promising potential for development of oil and natural gas resources, but does so in an environmentally responsible manner. Under the 2007-2012 Program, OCS oil and gas lease sales will be held on an area-wide basis with annual sales in the Central and Western Gulf of Mexico, and less frequent sales held in the Eastern Gulf of Mexico and offshore Alaska.

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

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

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

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

NEPA and related regulations are followed at each stage in the leasing process, starting with the preparation of the final programmatic EIS for approval of the 5-Year Program. The final programmatic EIS addresses public comments in a responsive and responsible fashion. OEMM then prepares an EIS or a more focused Environmental Assessment (EA) prior to each lease sale and for other OCS oil and gas activities on a selective basis, including operator's plans for exploration and development, pipeline permit applications, decommissioning permit applications, and related industry activities. Each environmental review documents the potential environmental impacts and identifies mitigation measures that may be necessary to avoid or minimize adverse effects of a proposal. Many environmental reviews of routine plans or permit applications undergo a streamlined environmental review (Categorical Exclusion Review (CER)), in full compliance with NEPA. CERs are only for activities that have been

demonstrated to not cause a significant environmental impact either individually or cumulatively, and which have been categorically excluded from more detailed reviews. CERs also identify mitigation measures to avoid or minimize adverse effects of the proposed action.

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

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

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

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

Marine Minerals Program: Under the Marine Minerals Program, MMS is responsible for managing all minerals on the OCS other than oil, gas, and sulfur. Key workload data monitored in the ABC and GPRA systems include the number of sand and gravel agreements and cubic yards conveyed, and performance measures include the timeliness with which MMS processes these agreements. Since 1995, the program has fulfilled every request for resources, conveying rights to nearly 34 million cubic yards of OCS sand for shore protection and coastal restoration projects.

Coordination with other OCS users and regulators is becoming more important as new uses and conflicts grow. With mariculture, wind and wave power, artificial reefs, and fiber optic cables competing for space on the OCS, it is becoming more difficult to support the growing demand for sand resources. The MMS is committed to communicating, consulting, and cooperating with many diverse stakeholders in order to build consensus while balancing national, regional, and local interests. The Marine Minerals Program has received supplemental funds to conduct

offshore sand studies in support of coastal restoration efforts to address damage from Hurricanes Katrina and Rita in the Gulf Coast states of Louisiana, Texas, Alabama, and Mississippi. The funds are being used to investigate available sources of federal OCS sand that can be used to restore portions of coastal areas significantly impacted by the hurricanes of 2005.

In addition, MMS has established working groups with state and federal agencies in Florida and Louisiana to coordinate coastal restoration activities and gain information on new projects that plan to use Federal sand resources as early as possible. Such meetings have been very beneficial for the allocation of resources in the Marine Minerals Program. Previous cooperative efforts with coastal states helped identify and evaluate OCS sand deposits that were used for three beach nourishment projects in Maryland, four projects in Virginia, and four in Florida. An additional 12 projects have been completed which utilized OCS sand borrow areas identified by other state or Federal agencies for a total of 23 coastal restoration projects.

2010 PROGRAM PERFORMANCE – ENVIRONMENTAL STUDIES PROGRAM

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

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

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

The ESP funds applied research through environmental and socioeconomic studies to predict potential impacts from offshore energy and mineral development and to provide information for developing scientifically sound mitigating measures. A major program component is focused on improving scientific understanding of the fate, transport and effects of oil when spilled in the marine environment.

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

Partnerships with Stakeholders: The MMS has established key research partnerships with state universities through its Coastal Marine Institute (CMI) programs in Louisiana and Alaska, and through cooperative agreements with universities in California, Mississippi, Texas, and Alabama, where oil and gas activities actively occur. The Alaska CMI has a long record of working cooperatively with MMS and the State of Alaska and thereby provides us greater flexibility in achieving research projects of mutual benefit to MMS and the State. We plan to fully tap the world class expertise of the University of Alaska in timely completion of multi-disciplinary offshore studies. The CMI programs have provided an important vehicle for reducing MMS expenditures because CMI studies require a 1:1 non-Federal match. ESP managers also represent the MMS (and thus, the Department) in the National Oceanographic Partnership Program, a collaborative community of federal agencies working to improve knowledge of the ocean environment. Through this interaction, MMS has accomplished important research that has been highly leveraged with funding from other agencies. The MMS is also extensively engaged in the new and evolving ocean governance structure. Here our experience in integrating state-of-the-art science into resource management decisions and our expertise in applying the principles of adaptive management should prove invaluable.

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

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

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

In addition, the Gulf of Mexico OCS Region (GOMR) has completed a project to develop software for Gulf-wide emission inventory reporting and has initiated a project to update the emission inventory. The GOMR has worked with industry and MMS regulatory staff to ground-truth the inventory via platform inspections and by review of flaring and venting records. Improvements to emission inventory reporting software and MMS flaring and venting reports are

collateral benefits of this activity. The GOMR staff regularly receives and reviews field observer reports from explosive structure removal operations (from NOAA-Fisheries observers) and from seismic survey vessels (from trained industry-supported marine mammal observers), which demonstrate industry compliance with MMS requirements for protection of the environment. An annual summary of the seismic survey marine mammal observer reports is prepared and submitted to NOAA-Fisheries, as required by interagency consultations under Section 7 of the Endangered Species Act.

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

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

The Leasing and Environmental Subactivity Performance Overview Table is shown on the following page.

Table 20: OEMM Performance Overview – Leasing and Environmental

Performance Overview - Leasing and Environmental										
Note: Performance and Cost data may be attributable to multiple activities and subactivities. Therefore, measure costs may not equal totals shown in subactivity tables.										
End Outcome Goal: Manage or influence resource use to enhance public benefit, responsible development, and economic value.										
Measure	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
GPRA End Outcome Measures									
Number of offshore lease sales held consistent with the Secretary's 2007-2012 5-Year Program (SP)	4	2	2	5	5	2	4	2	2
Total Actual/Projected Cost ($M)	32.7	33.1	33.2	35.2	39.4	40.4	43.9	+3.5	--
Comments	*This measure counts lease sales conducted under the OCS Oil and Gas Leasing Program as defined in the Secretary's Five-Year Program. The two lease sales scheduled for 2009 are in the Gulf of Mexico. A third 2009 lease sale, Alaska Beaufort Sea,was delayed because additional time was needed to complete the Arctic Multisale Draft Environmental Impact Statement. The 4 lease sales planned in FY 2010 assume that the delayed sale will be held along with sales in the Chuckchi Sea, and Central and Western Gulf of Mexico. The costs associated with holding lease sales cover pre-sale preparation, conduct of the sale, post-sale bid evaluation, and post-sale lease administration relating to more sales than the ones conducted in that year. Although a lease sale occurs in one year, costs for holding that sale are incurred over several years and can vary depending on the location of the sale, the level of environmental documentation required, whether litigation is involved, and the number of leases issued. Because of such differences and overlapping efforts, there is generally not a direct correlation between annual costs and the number of lease sales held.*								
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures									
Intermediate Outcome Strategy 1: Effectively manage and provide for efficient access and development									
Percent of available OCS acres offered in each year's lease sales (PART)	>99%	94%	35% (44.6/ 127.3)	85%	88% (175.2/ 198.5)	99%	72%	-27%	76%
Percent of available OCS oil and gas resources offered in each year's lease-sales (PART)	>99%	> 98%	35.6%* (19.5/ 54.7)	97%	98.9% (161.2/ 162.9)	99%	98%	-1%	97%
Total Actual/Projected Cost ($M)	32.7	33.1	33.2	35.2	39.4	40.4	43.9	+3.5	--
Comments	*These measures count the acreage and resources offered (in BBOE-billion barrels of oil equivalent) through lease sales scheduled under the Secretary's 5-Year OCS Oil and Gas Leasing Program. Targets for the 2007-2012 OCS Oil and Gas Leasing Program assume that the most prospective acreage will be offered. The anticipiated 2010 decrease in the percentage of acres offered without a corresponding reduction in the planned percentage of resources offered indicate that the excluded acreage contains few estimated technically recoverable resources.* **As a result of a settlement of litigation brought by the State of Louisiana, MMS postponed Central Gulf of Mexico Sale 201 scheduled for March 2007 which decreased the quantity of resources offered in that year.*								

Performance Overview - Leasing and Environmental (continued)									
Measure	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Percentage of Environmental Studies Program projects rated "Moderately Effective" or better by MMS internal customers (PART)	N/A	92% (baseline)	100% (12/12)	85%	85% (29/34)	85%	85%	85%	TBD
Percent of ESP Projects delivered on time (PART)	N/A	68% (26/38)	54% (7/13)	Baseline Year	74% (25/34)	60%	60%	60%	TBD
Comments	*These measures evaluate the effectiveness and timeliness of the ESP's projects. MMS will need a full range of updated environmental information for the North Aleutian Basin (NAB) NEPA pre-lease/post-lease analyses, as well as post-lease monitoring information for the Chukchi and Beaufort Seas. No concerted environmental data gathering related to oil and gas has occurred in these areas for over 15 years.* *Performance results are very sensitive to the number and types of projects evaluated. Although a large number of projects were completed in 2008, recent trends have been toward fewer but more complex projects.The 2009-2010 targets take into account the sensitivity of these metrics to even a single delayed project and strive to maintain current performance levels. The proposed targets consider historical rates as well as the nature of current studies. Many projects scheduled for completion in 2009- 2010 are multidisciplinary or include components of weather-dependent field work.Field work in general, and especially in the Alaskan environment, is subject to unpredictable changes which affect planned timing.e.g. weather conditions or equipment availability.*								

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FY 2010 PERFORMANCE BUDGET REQUEST

Offshore Energy and Minerals Management

Resource Evaluation Subactivity

Table 21: OEMM Resource Evaluation Subactivity Budget Summary

				FY 2010				
		2008 Enacted	2009 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Transfer to Renewable Energy	Budget Request	Change from 2009 (+/-)
Resource Evaluation	($000)	30,407	33,698	+629	+200	-142	34,385	687
Subactivity	FTE	208	214	0	+1	-1	214	0

SUMMARY OF FY 2010 PROGRAM CHANGES

Request Components	($000)	FTE
Program Changes		
• Current 5-Year Program 2007-2012	+1,100	+1
• Center for Marine Resources and Environmental Technology	-900	-0
TOTAL, Program Changes	**+200**	**+1**

JUSTIFICATION OF 2010 PROGRAM CHANGES

The FY 2010 budget request for the Resource Evaluation Subactivity is $34,385,000 and 215 FTE, a net program increase of $1,587,000 and 0 FTE from the FY 2009 enacted level, including reprogramming of funds and FTE to the Renewable Energy Subactivity.

Current 5-Year Program 2007-2012 (+$1,100,000; +1 FTE)

Receive Fair Public Return (+$1,100,000; +1 FTE): To ensure the American public receives a fair return for the use of OCS resources, MMS requests funds to acquire the large amount of additional geological and geophysical data resulting from recent large lease sales, staff and equipment to manage the analysis and physical protection of this data, and funds for the training of new resource evaluation staff.

Four lease sales held in FY 2008 resulted in large amounts of acreage being bid upon and evaluated.

- Sale 205 (October 2007) in the Gulf of Mexico resulted in 723 tracts totaling over 3.8 million acres receiving bids.
- Sale 193 in the Chukchi Sea (February 2008) was the largest offshore Alaska sale and saw 488 tracts receive bids on over 2.7 million acres.

- Sale 206 (March 2008) in the Central Gulf of Mexico had 615 tracts totaling over 3.3 million acres receiving bids.
- Sale 207 (August 2008) in the Western Gulf of Mexico had 319 tracts totaling over 1.8 million acres receiving high bids.

MMS requires funds to acquire the large amount of additional geological and geophysical data resulting from these lease sales, staff and equipment to manage the analysis and physical protection of this data, and funds for the training of new resource evaluation staff.

- $500,000 for new data acquisition and analysis – a result of expanded GOM and Alaska acreage made available in the 5-Year Program, larger than expected lease sales, and relinquished GOM acreage made available for reoffer.

- $145,000/1 FTE to physically manage the legacy data workload in Alaska. This workload can no longer be absorbed by current staff due to an expanded Alaska program and enormous Chukchi 193 lease sale.

- $155,000 to provide the headquarters MMS resource evaluation program with a scientific Geographical Interpretive Tool (GIT) workstation for technical analysis, where none currently exists. This will maximize resources by providing that office with the same analytical tools provided in the Regional Offices.

- $300,000 to provide technical training for new geoscientists and other personnel. The current and long-term hiring climate is such that most of our new geoscientists are just out of college with no hands-on expertise. Our more experienced individuals are retiring or accepting positions with industry, where salaries and benefits are far more lucrative. In order for our new employees to acquire the specialized knowledge needed to perform required duties, costly technical and developmental training will be necessary. These professionals are responsible for evaluating fair market value of offshore leases, ensuring conservation and diligence of resource development, and estimating the value of public resources.

Impacts of Not Funding:

- If MMS does not provide technical training to new geoscientists, they risk an incomplete knowledge base, which risks undervaluation of public resources and jeopardizes the realization of fair market value for offshore leases.

- The MMS may not have access to all available data needed to ensure appropriate fair market value determinations.

- Management of the geophysical data including timely access for fair market value decisions (90 days post sale) will be negatively affected, which could impact analysis and fair return decisions and not allow the MMS to meet the PART assessment metric for percent of bids evaluated in 60 days.

- Fair market value determinations will be negatively impacted by failure to properly train new geologists and geophysicists that were recently hired out of college.

Performance Change Statement:

The large number of bids being received for OCS acreage (i.e., in FY 2008, over 2,100 tracts received bids in five lease sales) has dramatically increased the workload and geophysical data to be managed by the MMS resource evaluation staff. The requested funding will allow MMS to prepare for and more effectively conduct a determination of whether the public has received fair value for the public resource (e.g. a formal evaluation involving a review of geologic, economic and technical parameters). Often evaluations are delayed because operators submit reprocessed geophysical data after the lease sale. With the additional FTE requested, we will decrease the time to load this data and allow evaluators quicker data access, reducing the overall time it takes to accept or reject submitted high bids. An additional Geographical Interpretive Tool **(**GIT) workstation will help MMS better quantify market value by enabling us to more accurately identify the best economic analysis model to use in evaluating a given tract. Better economic analyses help MMS ensure that the American public receives a fair return for the use of its OCS resources.

In addition to this request of $1,100,000, additional resources for the current 5-Year Program are also being requested in the Leasing and Environment Subactivity ($1,600,000/2 FTE); the Regulatory Subactivity ($2,300,000/0 FTE); and the General Administration Activity ($145,000/1 FTE).

Center for Marine Resources and Environmental Technology (-$900,000; -0 FTE): The Center for Marine Resources and Environmental Technology (CMRET) was reauthorized under the Marine Minerals Resources Research Act of 1996 and placed under oversight of the Department of the Interior. The MMS manages the program. The mission of the CMRET at the University of Mississippi is to conduct research on the exploration and extraction of minerals from the seabeds of the Gulf of Mexico. The CMRET in Mississippi was funded in the amount of $900,000 in FY 2009.

The MMS recognizes the importance of the investigations and technological development that this center pursues, particularly the longer-term research. However, MMS must focus on core objectives. Therefore, MMS is proposing to eliminate the Congressionally earmarked CMRET funding in FY 2010.

PROGRAM OVERVIEW

Resource Evaluation (RE) activities support all Offshore Energy and Minerals Management (OEMM) program areas, both energy and non-energy, by conducting critical technical and economic analyses needed to support program decision making. RE activities identify areas of the OCS that are most promising for oil and gas development (including methane hydrates) through the acquisition and analysis of geological and geophysical (G&G) data; estimate the potential quantities of undiscovered technically and economically recoverable resources that may exist and the volume of reserves discovered and likely to be produced; forecast future industry activity levels; and determine the adequacy of high bids received for individual tracts offered for

lease. Economic and statistical analyses are performed that incorporate RE program data and information into overall MMS and DOI leasing policies and program decisions, such as the design of financial terms for lease sales. International activities provide MMS the opportunity to become involved in initiatives that promote better integration of safety and environmental concerns into offshore development decision-making.

PERFORMANCE OVERVIEW

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

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

High bids not accepted in Phase 1 receive further evaluation in Phase 2. MMS geoscientists, engineers, and economists conduct detailed analyses and develop possible scenarios for oil and gas production from these tracts. RE staff integrate G&G, engineering, cost, and economic data in a complex computer model called MONTCAR to derive estimates of tract values. The MONTCAR model provides a means of handling a series of results for such variables as the timing of development and production activities, lease terms and conditions, project costs, reservoir performance, price forecasts and other subjective factors such as geologic risk. The model performs a discounted cash flow analysis, resulting in a resource economic value that is the mean of the range of values from more than 10,000 trials. Industry bids are primarily compared to MMS estimates of net present value in conjunction with market criteria to determine if they are acceptable. If the bid does not meet MMS FMV requirements, the bid is rejected and the tract is returned to the inventory for possible leasing in the area's subsequent lease sale. PART data indicate that, over the 4-year period from 2005 to 2008, more than half of the tracts with bids rejected through these procedures did receive acceptable high bids when re-offered in a subsequent sale. The number of tracts evaluated is tracked on a quarterly basis in the bureau's ABC system. Data indicate that over the period from and including 1997 through 2008 tracts with high bids initially rejected, when re-offered in a subsequent sale, received high bids representing a net gain of $472 million, an increase of 325 percent over the original bids. The success of these efforts is also attested to by the program's continued success at achieving its annual GPRA FMV Ratio target. For each program year, the MMS expects competitive factors to sustain a premium ratio of about 1.8 to 1 (+/- 0.4) when comparing industry high bids to the MMS estimate. For the past three years, MMS has achieved a ratio of 2.1 to 1 or higher.

Bid Procedures Lead to Higher Returns

MMS bid adequacy procedures have consistently resulted in higher returns in subsequent sales for tracts that have had bids rejected on fair market value grounds in previous sales. Since 1984, MMS has rejected total high bids of $581.8 million in the Gulf of Mexico. Subsequently, the same blocks were re-offered and drew high bids of $1.517 billion, for a total net gain of $934.9 million. A net gain of $10.3 million was realized in the 2008 lease sales for 7 tracts with previously-rejected bids.

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

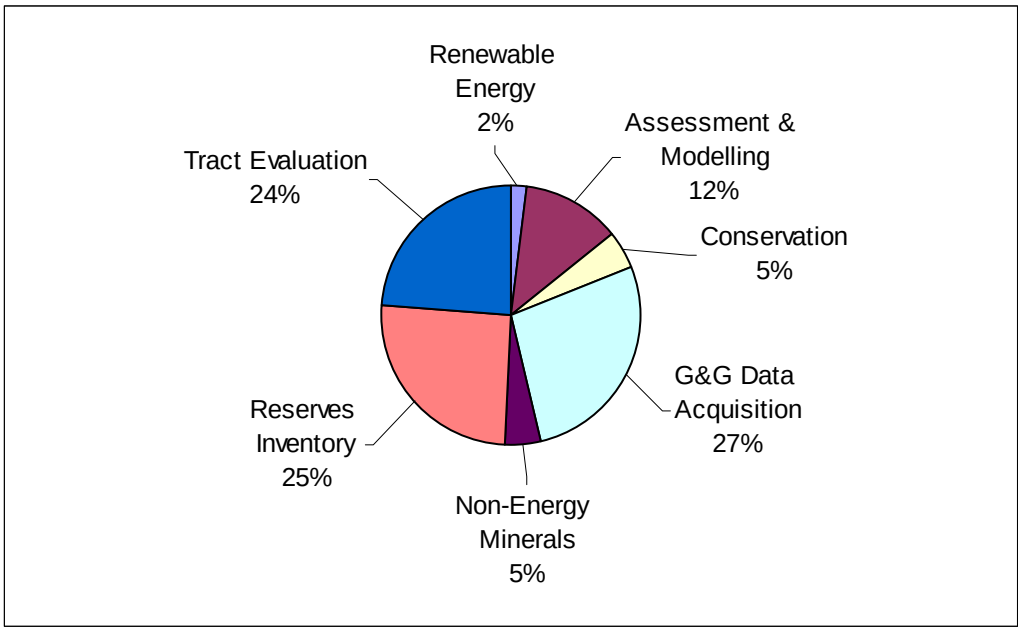

Figure 9. Estimated FY 2008 Resource Evaluation Spending Profile

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

The use of three-dimensional (3-D) seismic data has become standard in the Gulf of Mexico and elsewhere for exploration as well as development activities. The use of 3-D reflection techniques not only portrays subsurface structure and stratigraphy but also reveals information about fluids within the subsurface. A sophisticated computer processing technique, called pre-stack depth migration, has revolutionized hydrocarbon exploration in the Gulf of Mexico. This reprocessing technique allows geoscientists to properly image salt bodies and the sediment strata beneath the salt, opening these areas to lower risk exploration. The MMS has in its inventory approximately two million line-miles of 2-D seismic information covering all portions of the OCS. Since 1993, MMS has acquired, primarily in the Gulf of Mexico, about 750,000 square-miles of 3-D seismic data.

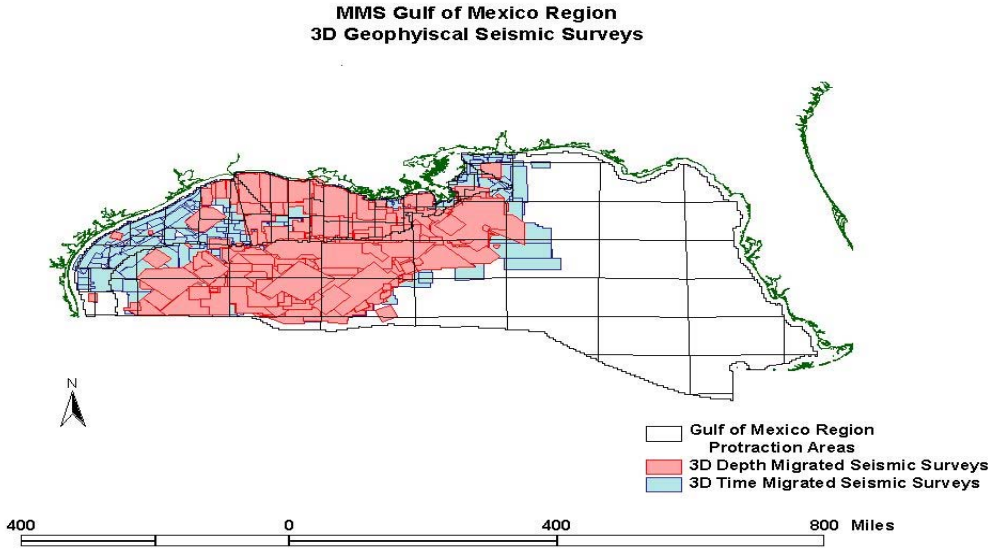

Figure 10: Existing MMS 3-D Seismic Data Inventory, Gulf of Mexico (through FY 2008)

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

analyses; and conservation-related decisions. Further, the oil and gas industry and the investment community often use MMS reports and data in their own assessments.

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

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

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

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

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

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

Table 22: OEMM Performance Overview – Resource Evaluation

Performance Overview - Resource Evaluation

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

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

Measure	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2008 Actual	2009 Plan	2010 President's Budget	Change from 2009 Plan to 2010	Long-term Target 2012
Intermediate Outcome Strategy 1: Effectively manage and provide for efficient access and development									
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures									
Percent of leases drilled for 1st time - 5 Year Leases (PART)(CY measure)	7.1% (132/1,858)	5.9% (119/2,023)	4.8% (86/1,778)	6.1%	4.7% (71/1526)	6.1%	6.1%	No Change	TBD
Percent of leases drilled for 1st time - 8/10 Year Leases (PART)(CY measure)	1.1% (42/3,918)	1.1% (43/3,774)	1.2% (42/3,536)	1.4%	1.2% (38/3,277)	1.2%	1.2%	No Change	TBD
Comments	*Operational delays caused by Hurricanes Gustav and Ike, lease decommissioning/repair work from past storms, and equipment shortages for drilling rigs continue to impact OCS operators' ability to begin drilling on held leases. This is particularly true in the deeper water depths associated with 8 and 10 year leases. Deepwater lease wells take longer to drill due to the increased depth, the potential need for multiple rigs to perform the work, and the harsh conditions involved (in Alaska the drilling season is restricted due to ice conditions and weather).*								
Intermediate Outcome Strategy 3: Appropriate value through effective lease and permit management									
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures									
Percent of high bids accepted or rejected within 60 days (PART)	78% (612/786)	68% (530/785)	69% (259/374)	40%	41.2% (898/2181)	50%	50%	No Change	50%
Total Actual/Projected Cost ($M)	15.5	15.6	13.3	14.1	14	14.4	15.7.	+1.3	--
Comments	*The 60-day target was originally set for lease sales with fewer than 600 tracts receiving bids in the Gulf of Mexico Region or 90 tracts in the Alaska Region. The 2007-2012 Five-year Program, with its expanded program areas, will result in far more and labor-intensive, block/tract evaluation units. A 500 percent expansion of acreage for Alaska and a 10 percent increase in the Gulf of Mexico will increase the number of tracts receiving bids. Additionally, in the Gulf of Mexico deep water, currently leased tracts with 10 year lease terms will be relinquished, then made available. This additional acreage will result in many sales being above the baselines of 600 and 90 tracts receiving bids. For example in FY 2008, GOMR Sales 205 and 206 had 723 and 615 tracts receiving bids respectively and Alaska Sale 193 resulted in 488 tracts receiving bids. The higher number of tracts being bid upon lowers the percentage of bids MMS expects to be able to evaluate within 60 days with existing resources.*								

Performance Overview - Resource Evaluation (continued)									
Measure	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Percent of tracts with high bids rejected in a previous lease sale receiving acceptable bids the next time the tracts are made available (PART) (FY)	83% (15/18)	39% (9/23)	33% (1/3)	50%	51.9% (14/27)	50%	50%	No Change	50%
Comments	*This metric compares the success of rejected tracts from a previous sale the first time these tracts are made available again. High bids for tracts are rejected as inadequate if they do not meet the Government's threshold of an acceptable bid based on our economic evaluation. Between 2005 and 2008, a little over half of the rejected tracts have received acceptable bids in subsequent sales.*								
Blocks/Tracts Evaluated (ABC)	8,177	10,996*	18,645**	9,300	8,341	9,300	9,300	No Change	TBD
Total Actual/Projected Cost ($M)	46.6	47.4	44.8	47.4	43.1	44.2	48.1	+3.8	--
Comments	*It is anticipated that if a new Five-Year Program is adopted with expanded program areas included for leasing, far more, labor-intensive, block/tract evaluation will be required. Additionally expansion into frontier areas as the North Aleutian Basin and expanded 181 Area will require decades old data in analog format be digitized so it can be analyzed in Geological Interpretative Tools based work flows. Data, system and workflow upgrades are urgently needed for fair market value and resource assessment reviews.* **Of the 10,996 blocks/tracts evaluated in FY 2006, 3,003 were Atlantic tracts. New geologic information was evaluated for the Proposed 2007-2012 5-Year Oil and Gas Leasing Program. This evaluation in the Atlantic was a special occurrence.* ***Results for FY 2007 are increased due to a special evaluation in the Atlantic Region for hydrates.*								
Maintain the ratio of 1.8 to 1 (+/-0.4) of accepted high bids to MMS' estimated value (BUR)	1.9 to 1	2.1 to 1	1.8 to 1 (+/- 0.4)	1.8 to 1 (+/- 0.4)	1.8 to 1 (+/- 0.4)	1.8 to 1 (+/- 0.4)	No Change	1.8 to 1 (+/- 0.4)	No Change
Comments	*MMS's current tract evaluation procedure is designed to assure that the Government receives fair value for leased tracts. This measure compares the accepted High Bid on each tract to the Government's Estimated Value for that tract. Industry corporate strategy with respect to acquiring specific acreage could lead to a company raising its bid above this analytical value to improve their chances of winning the lease. MMS estimates are based on a discounted cash flow analysis of a tract and are not designed to predict the high bid. Therefore the value of this indicator should always be greater than one to achieve fair value for OCS leases. The annual target ratio of 1.8 to 1 means that on average, the industry bids received are expected be for $1.80 (+/- 0.4) for every dollar of the Government Estimate Value for each tract. This target was set using several years of historical bid data and is reviewed annually to confirm its validity.*								

FY 2010 PERFORMANCE BUDGET REQUEST

Offshore Energy and Minerals Management

Regulatory Subactivity

Table 23: OEMM Regulatory Subactivity Budget Summary

				FY 2010				
		2008 Enacted	2009 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Transfer to Renewable Energy	Budget Request	Change from 2009 (+/-)
Regulation of Operations	($000)	54,269	55,768	+939	+2,300	-246	58,761	2,993
	FTE	317	319	0	0	-1	318	-1
Technical Assessment and Research	($000)	1,500	1,500	0	0	0	1,500	0
	FTE	0	0	0	0	0	0	0
Regulatory Subactivity	**($000)**	**55,769**	**57,268**	**+939**	**+2,300**	**-246**	**60,261**	**2,993**
	FTE	**317**	**319**	**0**	**0**	**-1**	**318**	**-1**

SUMMARY OF FY 2010 PROGRAM CHANGES

Request Component	**($000)**	**FTE**
Program Changes		
• Current 5-Year Program 2007-2012	+2,300	+0
Total, Program Changes	**+2,300**	**+0**

JUSTIFICATION OF FY 2010 PROGRAM CHANGES

The FY 2010 budget request for the Regulatory Subactivity is $60,261,000 and 318 FTE, a net increase of $2,993,000 and net decrease of -1 FTE from the FY 2009 enacted level, inclusive of funds and FTE transfer to the new Renewable Energy subactivity.

Current 5-Year Program 2007-2012 (+$2,300,000; +0 FTE)

Ensure Safe Operations (+$2,300,000; +0 FTE): Increased lease sales and deepwater activity continue to present challenges. To ensure safe operations, MMS requests additional funds for inspection activities, particularly in the Gulf of Mexico to continue to ensure safe operations and environmental protection and compliance. This increase will be fully offset by revenue generated from proposed new inspection fees to be collected based on the complexity of the OCS facility. The new fees will also recoup a portion of base spending within the inspection program. More detail on this proposal can be found in the General Statement.

Helicopters (+2,150,000/+0 FTE):

- Reconfiguration of Helicopter Fleet (+$900,000): Deepwater activity in the Gulf of Mexico has increased significantly due to highly successful Lease Sales 204, 205 and 206 in 2008 and the current boom in activity in exploring the lower tertiary trend across the Gulf of Mexico. There is currently a large inventory of deepwater leases waiting to be drilled. We are expecting twelve to fifteen new deepwater rigs to arrive in the Gulf of Mexico by 2010 to address this need. This additional drilling activity will result in the need for additional MMS inspections in water further from shore. The MMS Gulf of Mexico OCS Region is requesting an additional $900,000 to replace two one-engine helicopters with two twin-engine helicopters. The twin engine helicopters will enable MMS to enhance operational effectiveness in that they will reduce flight time and refueling stops; ensure the continued safety of our employees during these long flights; and achieve our mandated inspection frequency.

- Availability Fee (+$900,000): MMS is required to pay a daily fee for helicopters being "available" to it, irrespective of whether a helicopter is actually flown that day. If MMS knows in advance that it will not require the use of a helicopter, it can "release" the helicopter for that day, and the company can then redirect the helicopter to one of its other clients that is on their wait list. In this case, the company would not charge the availability fee for that day. Our past contractor had a very large client base that it could draw on when MMS released a vessel, resulting in significant savings to MMS. The helicopter contract is recompeted every five years, and a different company with a smaller client base was awarded the contract, which MMS began using in 2007. This has driven up our availability costs significantly, as they have not been able to credit us a comparable amount of release dates. For instance, MMS was able to avoid availability charges for between 100-200 days in any given year with the former contractor. In 2008, the current contractor has only been able to provide us with fifty-seven credit days. As the service provided by the current contractor has been generally acceptable, and the length of time (1-1/2 years) to recompete another contract is long, MMS does not believe a request to recompete the current contract based on availability fees alone would be granted. However, it will pursue this issue at the time of the next recompete.

- Excise taxes (+$350,000): MMS is required to pay excise taxes for flights originating from a federally funded airport, depending on the weight of the helicopter. Twin engine helicopters are subject to this tax. Our excise taxes this year have been close to $150,000. Our FY 2010 request is for two additional twin engine helicopters. We have just recently become aware of the excise tax associated with larger helicopters, so this cost has not been included in past funding requests.

Inspections (+$150,000/+0 FTE)

- Alaska Inspection Support (+$100,000): In FY 2010, exploration activities in the Chukchi and Beaufort Sea areas of Alaska could require MMS to reimburse industry for helicopter time and lodging costs for MMS inspections, as permitted by regulations. Due to the long distance from shore to the exploration areas, 200 miles for some areas, additional inspection

personnel assistance from the other MMS Regions will be needed. Tentatively, inspectors/petroleum engineers from the Gulf of Mexico and/or the Pacific OCS Regions would come to Alaska on details for one month each. It is estimated that $100,000 will be required for helicopter time, travel expenses, and overtime needs.

- Additional Safety Requirements (+$50,000): Additional resources of $50,000 are needed for safety management audit training and travel expenses associated with conducting audits of OCS operators. MMS has seen a need to augment its safety requirements related to: 1) Hazards analysis; 2) Management of change; 3) Operating procedures; and 4) Mechanical integrity.

  To address this issue, OEMM prepared a *Notice of Proposed Rulemaking* that will require operators to include measures addressing these four elements, at a minimum, in their Safety and Environmental Management (SEMS) plans. The SEMS rule is currently undergoing Departmental review. It is expected to be published in the summer of 2009, with implementation beginning in FY 2010. To enforce the projected new requirements, we expect to reallocate existing FTE's and will require only $50,000 in additional resources to augment training and travel needs. At this time, OEMM does not anticipate the need to request additional funds in the out-years to implement this regulation.

In addition to this request of $2,300,000, funds for the Current Five-Year Program are also being requested in the Leasing and Environmental Subactivity ($1,600,000; +2 FTE); the Resource Evaluation Subactivity ($1,100,000; +1 FTE), and the General Administration activity ($145,000; +1 FTE).

Impacts of Not Funding:

- Without adding twin engine aircraft in Lafayette and Lake Charles districts, reduced efficiencies will occur for these extended flights over water which will have to be performed in single engine aircraft. Additionally this will increase flight time and require more frequent refueling stops. In addition, for all districts, increased costs may require changes to the inspection schedule which would hinder our inspection process.

- The Districts will not be able to achieve the inspection frequency which is mandated by the OCS Lands Act, due to lack of proper aircraft to ensure safety of MMS inspectors on deepwater flights.

- We will be limited in the number of royalty meter site-security inspections and proving test that needs to be conducted to ensure the American public is receiving its fair market value of resources produced.

- Our ability to affect improvements in OCS operational safety that relate to the four elements of an operator's Safety and Environmental Management System plan will be limited.

Performance Change Statement:

Increased drilling and production in the deep waters off the Gulf of Mexico necessitates that MMS upgrade its aircraft fleet to ensure inspectors can efficiently reach these distant facilities to perform the required safety compliance inspections. Currently the Lafayette and Lake Jackson Districts utilize single engine helicopters to transport inspectors to offshore operator facilities. However, one week per month, they borrow a twin engine aircraft from New Orleans or Houma Districts to perform deepwater inspections. In 2010, several new rigs are scheduled to begin drilling deepwater leases in the Gulf of Mexico. Reaching these areas by a single engine helicopter is inefficient because it requires multiple stops and most helicopter contractors and lease operators will not fly a single engine helicopter to these deepwater areas. The inspection mission will be significantly diminished if MMS is unable to inspect these deepwater rigs and production facilities as often as needed because the appropriate aircraft are not available in these Districts. Likewise, new exploration drilling in the Chukchi Sea off Alaska will require MMS inspections, with transportation that can operate in the Arctic and fly to distant locations. Without adequate funding, MMS will be in danger of not being able to achieve the inspection frequency mandated by the OCS Lands Act.

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

PROGRAM OVERVIEW

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

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

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

- In November 2008, Chevron's Blind Faith facility began production of both oil and natural gas. Current production from this facility is 32,500 BOPD and 25.9 MMCFD

from four subsea wells. Anticipated production rate will eventually rise to 60,000-65,000 BOPD and 48.5 MMCFD once current compressor issues are remedied. The platform is located over 75 miles off the coast of Louisiana in approximately 6,480 feet of water.

- In June 2008, BP's Thunder Horse PDQ (Production, Drilling, Quarters) facility began production of both oil and natural gas. Current production from this facility is 189,000 BOPD and 139 MMCFD from six subsea wells.

- In July 2008, BHP Billiton's Neptune facility (GC 613) began production of both oil and natural gas. Current production from this facility is 20,800 BOPD and 16.7 MMCFD from six subsea wells. BHP Billiton plans to sidetrack one well this year to increase production. The platform is located 112 miles off the coast of Louisiana in approximately 4,230 feet of water.

- 2009 Production
    - BHP Billiton's Shenzi facility (GC 653) commenced production in March 2009.
    - Chevron's Tahiti facility (GC 641) is expected to commence production in May 2009.

- Future Production 2010:
    - Phoenix FPU (GC 237) is expected to commence production in the summer of 2010.
    - Cascade/Chinook FPSO (WR 249) is expected to commence production in the summer of 2010.

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

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

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

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

2010 PROGRAM PERFORMANCE

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

In addition to safety and pollution prevention, the OCS Lands Act (OCSLA) charges the Secretary of the Interior with the authority to require that OCS operators prevent waste and conserve the natural resources of the OCS, as well as protect the correlative rights therein.

For fiscal years 2002-2008, MMS conservation management efforts are estimated to have increased ultimate recovery by 278.5 million barrels of oil (or equivalent volumes of natural gas).

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

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

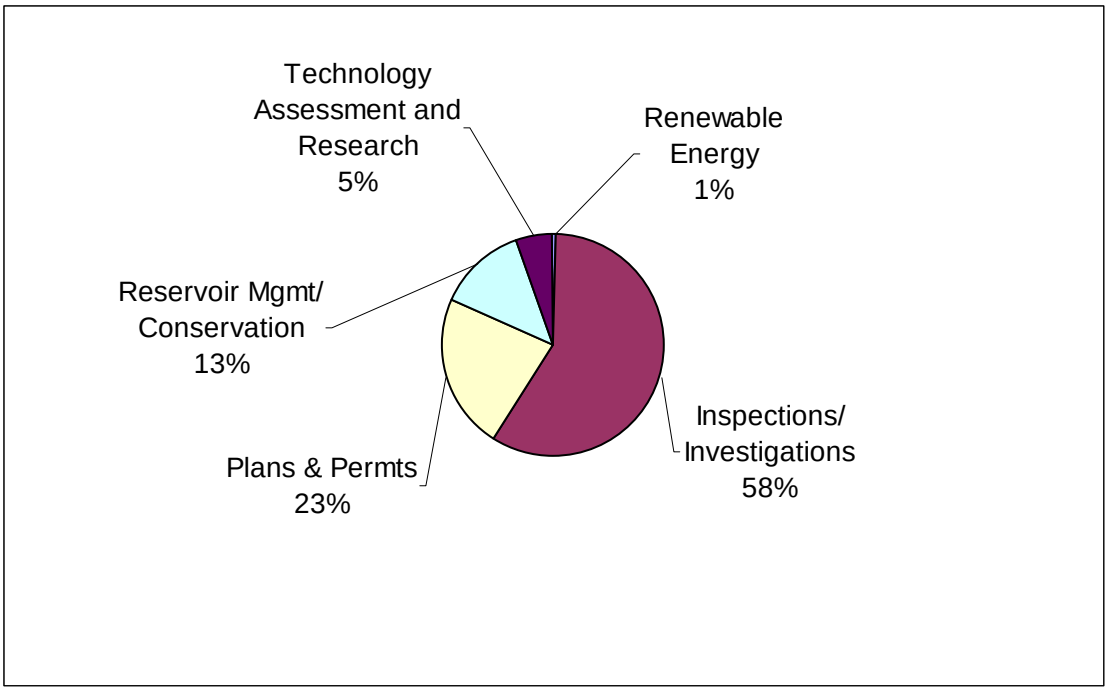

Figure 11. Estimated FY 2008 Regulatory Spending Profile

The MMS's Offshore Steering Committee issued an OEMM strategic plan that identifies specific objectives and initiatives OEMM plans to implement over the 5-year period between 2007 and 2012. Several initiatives included in the plan address Regulatory program priorities and fall under the strategic goal of "Ensure Safe and Sound Operations." The two strategic objectives supporting this goal are:

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

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

Recent regulatory-related initiatives include—

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

ultra-deepwater, and propose solutions to fill any information or other gaps.

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

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

- *Establish a Comprehensive and Efficient Pipeline Safety Program*. The MMS manages over 33,000 miles of undersea pipelines that provide the means to service and transport approximately 27 percent of our nation's domestically produced oil and 14 percent of our natural gas from offshore wells to onshore refineries. The oil and gas pipelines on the OCS have not experienced catastrophic accidents or failures; however, MMS has concerns about the integrity of some older offshore pipeline systems and about ocean pollution from third party-related pipeline accidents. Additionally, as industry moves into deeper water and, potentially, into Arctic areas, there is a continued need to focus on the technology and management practices needed to design, build, and maintain safe and reliable pipelines suitable to these extreme environments and conditions. The MMS will review and update pipeline safety requirements under Subpart J of the regulations, continue to promote safety research, encourage cooperation between government agencies that share jurisdiction, and investigate possible new program initiatives toward the establishment of a comprehensive Pipeline Safety Program with the long-term goal of developing and implementing a proactive and comprehensive regulatory program that promotes the continued integrity of offshore pipelines; further reduces the potential for pipeline leaks and failures; and further protects sensitive environmental resources.

2010 PROGRAM PERFORMANCE – REGULATION OF OPERATIONS

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

Review of OCS Plans and Permits: Reviews of plans and permits help to ensure that all OCS operators comply with regulatory standards and specific lease stipulations. The MMS performs detailed technical and environmental reviews of plans and permits for exploration, development,

and production on OCS lands, as well as permits for other activities such as the installation of pipelines. The ongoing effort by MMS to develop performance-based operating regulations is expected to generate an increasing number of operator requests for approval of alternative compliance programs. Prior to making approval decisions on alternative compliance, MMS must assess the alternatives to ensure they provide equal or greater protection than the regulatory requirements they would replace. The MMS will be required to commit a substantial and increasing amount of resources to these assessments in order to evaluate an operator's proposed alternative, verify adherence to approved plans, and determine effectiveness of technologies and procedures employed.

Inspections and Investigations: The OCSLA amendments mandate that annual inspections be performed on each permanent structure and drilling rig that conducts drilling, completion, or workover operations. Safety is a priority for both MMS staff and for the operations that occur under MMS jurisdiction, and onsite facility inspections and enforcement actions are important components of MMS's safety program. The Bureau has established ambitious GPRA, PART, and Activity Based Costing (ABC) targets for the conduct of thousands of inspections of OCS facilities and operations, including coverage of tens of thousands of safety and pollution prevention components each year to prevent offshore accidents and spills, and to ensure a safe working environment. Inspections of all oil and gas operations on the OCS are performed annually to examine safety equipment designed to prevent blowouts, fires, spills, and other major accidents. In 2008, MMS inspectors completed approximately 24,600 inspections.

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

When incidents do occur, MMS conducts investigations and analyzes incident-related data to understand the causes of incidents. Examination of long-term trends indicates that the safety and environmental record of the offshore industry has dramatically improved over the last 50 years. In 2006, MMS revised the regulatory requirements for incident reporting to clarify the reporting requirements and provide more precise definitions and reporting timeframes. These changes have resulted in a more consistent incident reporting program and the collection of more reliable incident information. The revisions also included requirements for reporting additional categories of incidents such as gas releases, incidents associated with lifting equipment, and incidents that result in less severe injuries than were previously reported. This additional information is helping MMS better identify safety concerns and trends. The MMS and other agencies, such as the U.S. Coast Guard, investigate accidents that result in loss of life, serious injuries, major fires, damage to facilities, and major spillages in order to identify causes and prevent future similar incidents. The MMS and the USCG are currently finalizing the interagency MOA for incident investigation to ensure effective use and coordination of our respective resources. In 2008, MMS investigated 107 incidents to determine causes and analyze

regulatory performance. Though ABC data indicate that these investigations account for less than three percent of Regulatory spending, they provide important information for MMS and industry. Incident investigation reports are published on MMS Regional websites, and MMS advises operators and lessees of safety concerns identified in the reports through the publication of Safety Alerts. Incident data are an important part of evaluating the performance of individual companies and the industry as a whole. Where appropriate, Federal agencies, including MMS, pursue civil and criminal penalty actions against those in violation of Federal regulations, especially when such violations result in, or have the potential to result in, injuries, loss of life, or damage to environmental resources.

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

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

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

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

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

Civil and Criminal Penalties and Operator Disqualification: The MMS, where appropriate, will pursue civil and criminal penalty actions against those in violation of federal regulations, especially when such violations result in, or have the potential to result in, injuries, loss of life, or damage to environmental resources. If an operator exhibits excessively poor, dangerous, or threatening performance, MMS can assess a civil penalty. In 2008, 32 civil penalty cases were paid. The MMS OCS Civil Penalties Program encourages compliance with OCS statutes and

regulations through the pursuit, assessment, and collection of civil penalties (and referrals for the consideration of criminal penalties where warranted).

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

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

2010 PROGRAM PERFORMANCE – TECHNOLOGY ASSESSMENT & RESEARCH

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

Participation in joint projects is one of the most effective and efficient means to leverage available funds and disseminate research findings. Therefore, participation in jointly funded projects with industry, other federal and state agencies, academia, and international regulatory organizations has become an important mechanism for TA&R. In 2008, the TA&R program co-funded six projects with other organizations. In 2009, the TA&R program expects to co-fund five projects with other organizations**.** Due to the many benefits that MMS has experienced through co-funded research, the TA&R program will continue to seek opportunities to leverage research dollars through joint projects for new engineering studies and conservation research.

The expansion of industry operations into the deepwater areas of the Gulf of Mexico presents significant technological challenges to industry and MMS. Industry is focused upon the development of new concepts, operational procedures, production facilities, and transportation

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

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

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

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

Table 24: OEMM Performance Overview – Regulatory Program

Performance Overview - Regulatory

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

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

Measure	2005 Actual	2006 Actual	2007 Actual	2008 Plan	2008 Actual	2009 Plan	2010 President's Budget	Change from 2009 Plan to 2010	Long-term Target 2012
Intermediate Outcome Strategy 2: Enhance responsible use management practices									
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures									
Amount (in barrels) of offshore oil spilled per million barrels produced (SP/PART)	24.7 (13,301/537.9 million)	3.0 (1,382/464.6 million)	2.7 (1,362/ 504.7 million)	<5	13.76 (est.) (6410/466)	<5	<5	No Change	<5
Amount (in barrels) of offshore oil spilled per million barrels produced Excluding Hurricane-related spills (BUR)	0.2 (86.1/ 537.9 million)	3.0 (1,382/464.6 million)	2.3 (1,185/ 504.7 million)	--	0.2 (est.) (72.5/ 466)	--	<5	--	--
Actual/Projected Cost per Unit ($)	62.9	63.8	64	67.8	69.8	71.7	77.8	+6.1	--
Comments	*The structural damage and operational delays caused by Hurricanes Ike and Gustav resulted in a higher than normal oil spill ratio for 2008. Historical data indicates that MMS is typically able to meet the current 5 barrel (bbl) target level when no major hurricanes occur and when medium spills total to less than 2,500 bbl. In 2008, there were 51 petroleum spills of 1 bbl or greater reported totaling 6,150 bbl and annual oil production was down because of the extended operational shut-ins related to the storms. The estimated oil spill ratio excluding hurricane related spills was just 0.2 for 2008 and there were no accounts reported of environmental consequences (e.g., no spill contacts to the shoreline, no oiling of marine mammals, birds, or other wildlife, and no large volumes of oil on the ocean surface to be collected or cleaned up) resulting from OCS spills attributable to Hurricanes Gustav and Ike. Oil spill data is constantly updated as additional information becomes available through the completion of investigations and/or recovery operations. Occasionally, a spill may be deleted or added a year or more later and result in historical data revisions.*								
Process X% of exploration plans in less than 30 days (BUR)	99% (367/371)	75% * (259/345)	99.6% (276/277)	100%	100% (253/253)	100%	100%	No Change	100%
Total Actual/Projected Cost ($M)	6.7	6.5	6.5	6.8	7.2	7.4	8	+0.6	0
Comments	** The 2006 actual reflects the closure of the MMS Gulf of Mexico Region and some associated District offices for as much as 62 days immediately prior to and following Hurricanes Katrina, Rita, and Wilma.*								
Process X% of development plans in less than 120 days (BUR)	100% (258/258)	94% * (293/313)	99.6% (478/480)	100%	100% (224/224)	100%	100%	No Change	100%
Total Actual/Projected Cost ($M)	8.9	8.7	8.6	9.1	9.6	9.8	10.7	+0.8	--
Comments	** The 2006 actual reflects the closure of the MMS Gulf of Mexico Region and some associated District offices for as much as 62 days immediately prior to and following Hurricanes Katrina, Rita, and Wilma.*								
Process X% of right-of-way pipeline applications within 140 days (BUR)	93% (144/155)	97% (133/137)	99% (120/122)	90%	98.2% (167/170)	90%	90%	No Change	100%
Total Actual/Projected Cost ($M)	4.5	4.3	4.3	4.6	4.8	4.9	5.3	+0.4	--
Total Number of Compliance Inspections Completed (PART)	23,115	19,961	20,567	20,000	25,650	20,000	20,000	No Change	TBD
Total Actual/Projected Cost ($M)	38.2	39.8	40.3	43.1	44.1	45.2	49.1	+3.9	--
Comments	*MMS has changed its inspection strategy to a more risk-based approach.. This strategy change means MMS is conducting more component sampling and performance based inspections which focus on higher risk facilities. Inspections at high risk facilities are more comprehensive and consume more resources than sampling inspections. Although a concentrated effort was made in 2008 to perform more production inspections (e.g., meter inspections), in future years MMS anticipates focusing more resources on fewer but higher risk facilities particularly for the non-production type inspections.*								

Performance Overview - Regulatory (continued)									
Measure	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Composite accident severity ratio (SP/PART)	0.03	0.1	0.075 (5,208/ 69,241)	<0.10	0.21 (12,440/ 58,249)	<0.13	<0.13	No Change	TBD
Comments	*MMS is committed to safety and environmental protection as top priorities. For the composite accident severity ratio, MMS assigns a point value to each operator safety incident reported based on its severity, then divides total annual points by the number of components in service for all operators. In 2006, new MMS incident reporting regulations became effective. These new regulations require operators to submit a written report in 15 days and more specifically define the types of incidents to be reported. In 2007, the point matrix used to assign accident severity values was also updated to provide a better indication of the relative severity of the incidents (i.e., there is now a larger differential between the points assigned for major versus minor incidents). During 2007 and 2008, there was noticeable increase in the number of injury incidents reported and the receipt of additional information has improved the MMS' ability to categorize the severity of the injury based on the number of days of lost time/restricted work/job transfer. The FY09/10 targets are based on improvement over the average of the FY07 and FY08 results during which both changes were in place.*								
Maintain an annual composite operator performance index of X or less (PART)	0.11	0.15	0.15	<0.20	0.27	<0.20	<0.20	No Change	0.2
Total Actual/Projected Cost ($M)	40.5	42.1	42.4	44.9	45.9	47.1	51.2	+4.1	--
Comments	*The operator performance index sums two ratios that are normalized for OCS operator activity. The first ratio measures operator compliance using a weighted INC (incident of non-compliance) value. The second ratio measures operator safety by assigning values for accidents (i.e., the composite accident severity ratio). Although the desired results for any type of accident or injury index is always zero; the 2008 results as well as the FY 2009 and FY 2010 targets take into account impacts of recent changes MMS made to its accident severity point matrix and reporting requirements.*								
Reduce number of fatalities among workers in DOI permitted or contracted activities (PART)	6	9	3	6	2	5	Reduce	No Change	Reduce
Reduce number of serious injuries among workers in DOI permitted or contracted activities (PART)	23	29	32	27	31	30	Reduce	No Change	Reduce
Comments	*In July 2006, new MMS incident/accident reporting regulations became effective. These new regulations require operators to submit a written report in 15 days and more specifically define the types of incidents to be reported. In 2007 and 2008, there was a significant increase in the number of injury incidents reported and the receipt of additional information has improved the MMS's ability to categorize the severity of the injury based on the number of days of lost time/restricted work/job transfer. Targets for the fatalities and serious injury metrics are developed based on reducing a rolling multi-year average that is calculated once current year actuals become available. For this reason, outyear targets for 2010 and beyon are expressed in terms of a "reduction" versus a specific numeric target.*								
Intermediate Outcome Strategy 3: Appropriate value through effective lease and permit management									
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures									
Reserves recovered per dollar of funding for the conservation management component of the program (PART)	3.5 BOE (barrels of oil equivalent)	20.4 BOE	62.7 BOE	5.2 BOE	28.9 BOE (85,811,266/ 2,972,207)	5.2 BOE	5.2 BOE	No Change	5.2 BOE
Comments	*This metric saw a significant increase in FY 2007 because MMS required development of smaller, less prolific, economic reservoirs in several major deepwater development projects associated with the Conservation Information Document (CID). The CID details the operator's initial development plan and proposed depletion scenario for a deepwater project. Operators have the tendency to propose a field depletion scenario in which marginally economic reservoirs will be bypassed in favor of more prolific reservoirs. MMS conducts an independent evaluation of the data to determine if any additional economically producible reservoirs not proposed for development by the operator should be developed. A final CID may require operators to produce reservoirs that they might otherwise bypass, which results in barrels saved. Annual targets reflect the fact that as the price of oil and gas fluctuates, it is difficult to predict the number of reservoirs operators will propose to bypass in their CIDs or how much those reservoirs will produce.*								

FY 2010 PERFORMANCE BUDGET REQUEST

Offshore Energy and Minerals Management

Information Management Program Subactivity

Table 25: OEMM Information Management Program Subactivity Budget Summary

				FY 2010			
		2008 Enacted	2009 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2009 (+/-)
Information Management Subactivity	($000)	28,757	20,270	+184	0	20,454	+184
	FTE	69	63	0	0	63	0

SUMMARY OF FY 2010 PROGRAM CHANGES

Request Component	**($000)**	**FTE**
Program Changes		
• None	+0	+0
Total, Program Changes		

JUSTIFICATION OF FY 2010 PROGRAM CHANGES

The FY 2010 budget request for the Information Management Program (IMP) Subactivity is $20,454,000, and 63 FTE, an increase of $184,000 and no FTE from the FY 2009 enacted level.

PROGRAM OVERVIEW

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

2010 PROGRAM PERFORMANCE

Strategic Initiatives

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

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

Each of OEMM's major applications, local area networks, and Enterprise systems require a high level of security to meet all federal requirements. For each system, OEMM maintains up to date Asset Valuations, System Security Plans, Security Architectures, Rules of Behavior, Continuity of Operation Plans, and Configuration Management plans in support of mandatory system Certification and Accreditation. The OEMM provides annual training for general users and expanded training for systems administrators, security managers, and OEMM managers. The OEMM security program complies with the FISMA, OMB policy and National Institute of Standards and Technology (NIST) guidance, and is responsive to the President's initiatives by preventing unauthorized access to our systems. Increased security scrutiny, internal and external to OEMM and MMS, results in tighter and improved security as well as increased costs.

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

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

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

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

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

The IMP subactivity funds IT personnel, systems, hardware, software, training, shared services, security activities, maintenance, and technical support, as well as the business process re-engineering and systems integration activities of the OCS Connect project. Within the Activity-Based Costing system, MMS generally assigns IM activities to specified DOI Common Work Activities, recognizing that program-specific IT systems are developed and maintained to support mission processes. IT security costs are separately identified as program support.

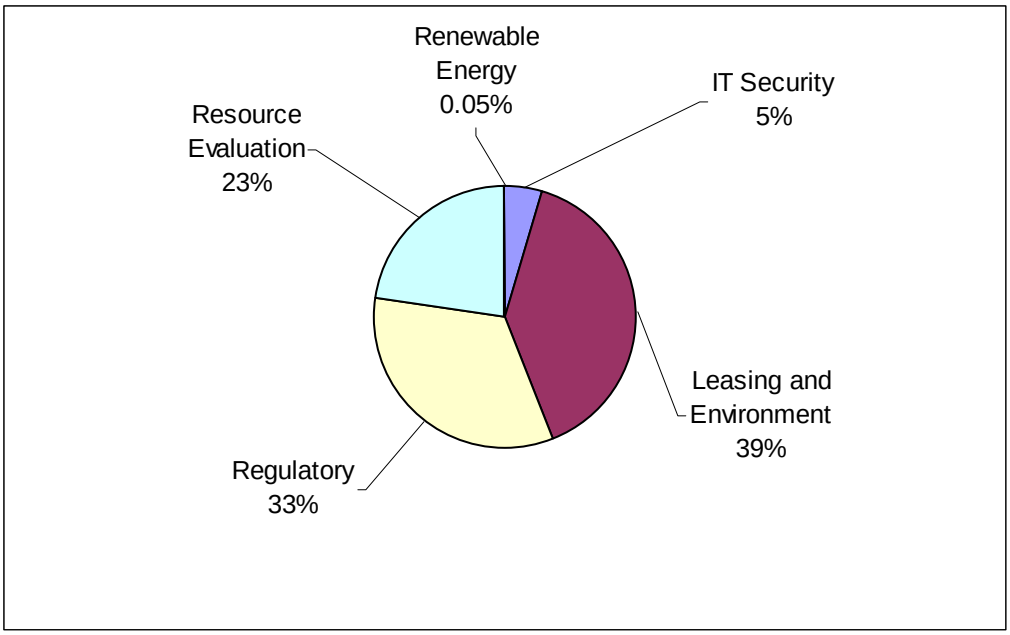

Figure 12. Estimated FY 2008 Information Management Spending Profile

OCS Connect

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

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

The System Integration Contractor (SIC) delivered Cluster 1 source code in February 2007. However, it did not include all of the specified functionality, and OEMM was not able to successfully deploy any of it to staging. OEMM then de-scoped all remaining work with the SIC. In October 2007, OEMM Managers provided process priorities to determine the schedule

of future work. OEMM also performed an extensive lessons learned analysis and worked with vendors on two Proofs of Concept.

In December 2008, OEMM submitted a Baseline Change Request (BCR) to the Department that entailed an extended schedule, reduced scope, and new approach that builds on OEMM's successful legacy system, TIMS, and leverages business knowledge and in-house expertise, supported by contractors.

Of the original eight processes, five key business essential priorities were identified and now compose the revised scope. The five high priority processes that remain in OCS Connect are:

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

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

OEMM will manage the development of OCS Connect by planning and executing three separate useful segments. The new approach is iterative, builds increments of functionality, employs process adaptability, and promotes useful assets that provide desired business outcomes using a realistic schedule.

The Development, Modernization, and Enhancement (DME) phase was originally scheduled to be completed in FY08 but is now estimated to continue for several more years. OEMM will complete the DME phase with funding made available by deferred spending from prior years. The total cost of the project will not change. The Department approved the BCR in December 2008. OEMM is now preparing for an Integrated Baseline Review (IBR) and intends to submit a new proposed baseline to OMB for approval in 2009.

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2010 PERFORMANCE BUDGET REQUEST

Offshore and Energy Minerals Management

Coastal Impact Assistance Program

Section 384, Energy Policy Act of 2005

PROGRAM OVERVIEW

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

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

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

Although not required, states are encouraged to submit a draft plan, which enables MMS and states to identify and address concerns and issues prior to the submittal of the state's final plan. The MMS Director must approve each plan before states can submit grant applications for funds. The MMS will begin accepting grant applications from each state and CPS after the state plan is approved.

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

Administration of the Program

The MMS consulted with a number of other federal grant program managers in order to determine the level of resources that would be needed to implement and administer a grant program of this nature. This included the U.S. Fish and Wildlife Service, and the National Oceanographic and Atmospheric Administration's (NOAA) Coastal Programs Division. The NOAA administered a smaller version of the same program in 2001-2002, and its $150 million one-year CIAP program funded over 600 projects. Based on those discussions, the MMS CIAP budget reflects a conservative estimate of the technical staff required to review state plans and amendments, manage fund allocation and disbursement, and monitor program performance. In the FY 2008 Interior appropriations legislation, Congress approved a three percent appropriation of the CIAP funds to be used by MMS to administer the CIAP program.

In FY 2010, MMS is requesting retention of up to four percent of the CIAP appropriation for the administration of the program. A detailed justification can be found in the Proposed Appropriations Language Change Section.

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

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

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

Table 26: Budget for Multi-Year CIAP Expenses

Dollars in thousands

FY --->	2007	2008	2009	2010	2011	2012	2013	2014+		Total
OEMM	680	1,339	2,795	2,923	3,227	3,371	3,507	3,728		21,570
A&B	386	1,195	1,661	1,698	1,391	1,428	1,564	1,607		10,930
Total - MMS	1,066	2,534	4,456	4,621	4,618	4,799	5,071	5,335		32,500

PERFORMANCE OVERVIEW

Major milestones to date include:

- Final Guidelines Published - September 29, 2006.
- Draft Environmental Assessment (EA) Published – December 2006.
- Able to accept draft/final state Plans – February 16, 2007.
- FY 2007 and FY 2008 allotment amounts – Notice of Availability published in Federal Register April 17, 2007 (see following figure for state allotment amounts).
- Final EA – available on MMS website (http://www.mms.gov/offshore/CIAPmain.htm - Program Documents) June 5, 2007.
- Approved Louisiana State Plan – November 29, 2007.
- Received first grant application (from Louisiana) – November 30, 2007.
- Approved Alaska State Plan – September 25, 2008
- Approved Texas State Plan – January 5, 2009
- Approved Mississippi State Plan – February 18, 2009

Key milestones established to implement the CIAP program were based on the availability of funds requested in the FY 2007 President's Budget Request. Development and implementation of the program assumed that funds would be made available for this purpose early in the fiscal year. As a series of Continuing Resolutions were passed, it became increasingly apparent that the milestones would be delayed or possibly missed altogether as needed implementation funds were unavailable. With the FY 2008 Interior appropriation, Congress authorized MMS to retain three percent of the amounts disbursed under section 31(b)(1) of the CIAP program for administrative costs.

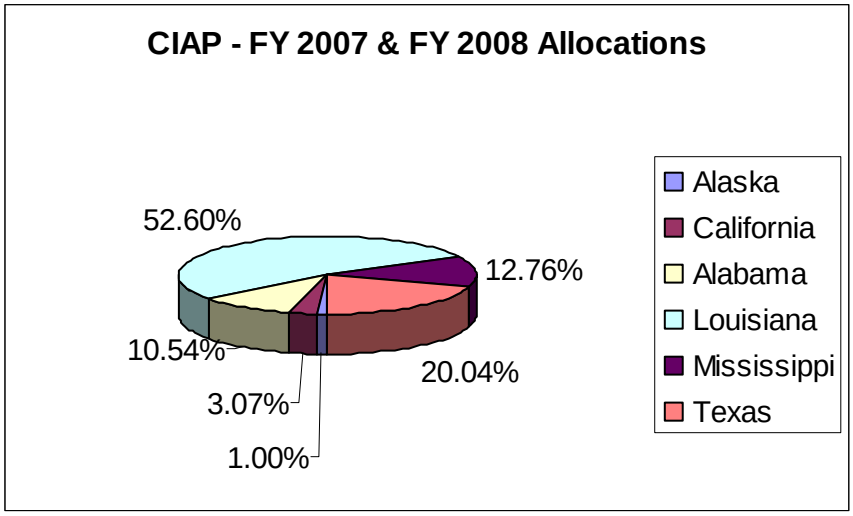
While the delay in receiving administrative funding affected MMS's original target dates for receiving plans, completing the EA, and readying the agency to accept grant applications, steady progress has been made to posture the agency to disburse state grant funding in a timely manner.

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

MMS has developed internal performance measures to evaluate the timeliness of approving State Plans, grant applications, and related amendments. For all four of the completed State Plans submitted thus far (i.e., Louisiana, Alaska, Texas, and Mississippi), MMS has met its goal to review and approve them within 90-days.

As discussed above, the following allocations to the States and Coastal Political Subdivisions were announced on April 17, 2007.

Figure 13: CIAP Annual Allocations to States and Coastal Political Subdivisions (CPS)



Coastal Impact Assistance Program (CIAP)
Fiscal Year 2007 and Fiscal Year 2008 Allocations to States & CPSs

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

FY 2010 PERFORMANCE BUDGET REQUEST

Offshore Energy and Minerals Management

Oil Spill Research Appropriation

Table 27: OEMM Oil Spill Research Budget Summary

				FY 2010			
		2008 Enacted	2009 Enacted	Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	Change from 2009 (+/-)
Oil Spill Research	($000)	6,303	6,303	0	0	6,303	0
	FTE	18	18	0	0	18	0

SUMMARY OF FY 2010 PROGRAM CHANGES

Request Component	($000)	FTE
Program Changes		
• None	0	0

JUSTIFICATION OF FY 2010 PROGRAM CHANGES

The FY 2010 budget request for the Oil Spill Research appropriation is $6,303,000 and 18 FTE, no change from the FY 2009 enacted level.

PROGRAM OVERVIEW

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

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

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

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

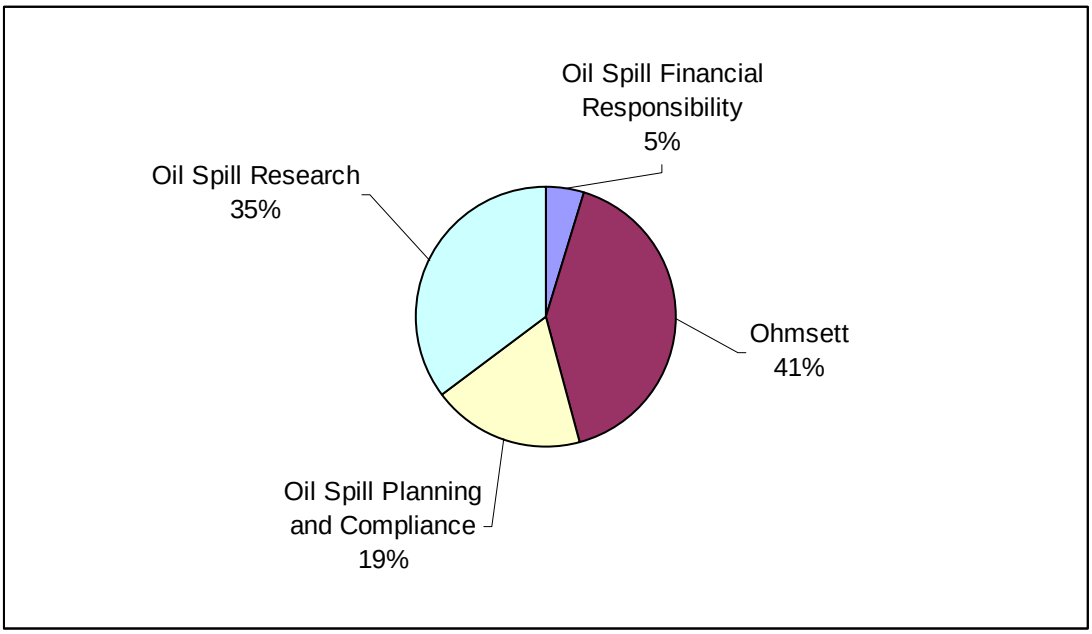


Figure 14. Estimated FY 2008 Oil Spill Research Spending Profile

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

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

In 2002, the National Academy of Sciences reported in its *Oil in the Sea: Inputs, Fates, and Effects*, that far more oil enters the ocean from natural, underwater seeps than from offshore exploration and production activities. The report states that "only one percent of the oil discharged in North American waters is related to the extraction of petroleum." The MMS's goal is not to exceed spillage of five barrels of oil for every million barrels produced. Recent

(estimated) results have been impressive. Petroleum spillage resulting from offshore oil and gas activities in FY 2007 was small enough to bring this metric in at approximately half the goal.

PERFORMANCE OVERVIEW

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

Conducting an effective OSRR program means that the best available response technologies are identified, developed, and made available to combat spills, if and when they occur. Response technologies identified by the OSRR program focus on preventing spills from offshore operations reaching more sensitive coastal environments. The program is cooperative in nature, bringing together funding and expertise from research partners in government agencies, the oil industry, and the international community through cooperative research arrangements and participation in concurrent research and development projects. Many of these projects are Joint Industry Projects, where MMS partners with other stakeholders to maximize research dollars. Recent examples include Phase 3 of the Detection of Oil On and Under Ice project, the ongoing Mitigating Oil Spills by Enhancement of Oil-Mineral Aggregate Formation and testing of a portable multi-spectral aerial sensor for oil-spill thickness mapping over the Santa Barbara oil seeps in November 2008. In 2009, MMS anticipates participating in a project for Improving Methods for Recovering Residues from In Situ Burning of Marine Oil Spills.

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

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

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

Many of today's commercially available oil spill cleanup products have been tested at Ohmsett and a considerable body of performance data and information on mechanical response equipment has been obtained there. This information can be used by response planners in reviewing and approving facility contingency plans. Ohmsett is also the premier training site for oil spill response personnel. Government agencies including the USCG and USN as well as private industry and oil spill response organizations train their emergency response personnel in real oil with their own full-scale equipment. Testing activities for 2008 included Phase 2 of Schlumberger's Infrared Remote Sensing test, the Naval Undersea Warfare Center's Mast Wake Mitigation test, USCG Sunken Oil Detection and the Crucial skimmer test. For 2009, the USCG has a second Sunken Oil Detection test and there is another test of the Crucial skimmer. There is also planned a test of the Elastec Submersible Pump and testing of four renewable energy devices. Information on Ohmsett can be found at www.ohmsett.com.

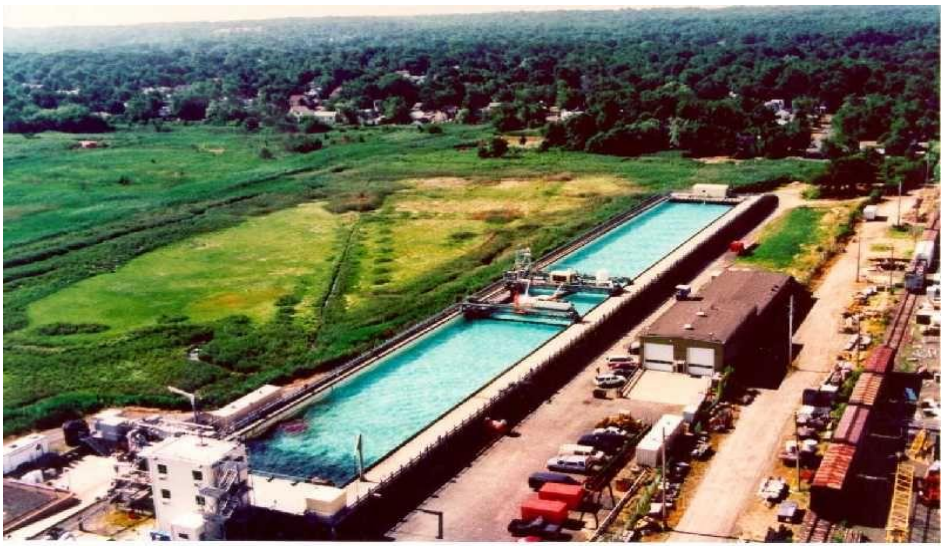


Figure 15: Ohmsett Facility in New Jersey

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

The bureau has established requirements for the preparation of Oil Spill Response Plans that provide information on how an operator would respond to an oil spill. The MMS regulations also outline training requirements, alternative response techniques, sensitive resource identification, identification of pre-trained spill management team members, locations of pre-designated incident command posts, and other key elements. The MMS often collaborates with

state response agencies to review and approve Oil Spill Response Plans for oil and gas facilities in state offshore waters. For the MMS, a major focus of activity is implementation of the DOI Emergency Preparedness & Response Strategy – Oil Discharges & Hazardous Substance Releases.

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

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2010 PERFORMANCE BUDGET REQUEST
Minerals Revenue Management

Table 28: Minerals Revenue Management Summary of Budget Request

Minerals Revenue Management		2008 Actual	2009 Enacted	2010			Change from 2009 (+/-)
				Fixed Costs & Related Changes (+/-)	Program Changes (+/-)	Budget Request	
Compliance and Asset Management	($000)	45,055	47,965	1,086	1,889	50,940	2,975
	FTE	361	370	0	21	391	21
Revenue and Operations	($000)	36,632	38,719	505	-790	38,434	-285
	FTE	170	170	0	4	174	4
Total	**($000)**	**81,687**	**86,684**	**1,591**	**1,099**	**89,374**	**2,690**
	FTE	**531**	**540**	**0**	**25**	**565**	**25**
Other Major Resources							
RIK Revenue Receipts for RIK/SPR Program Admin.	($000)	20,100	22,000				
RIK Revenue Receipts for RIK/SPR Transportation	($000)	80,000	62,000				

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

Every American benefits from the revenues generated from mineral resources, either directly through payments to Tribes and individual Indian mineral owners (IIMOs), or indirectly through contributions to the Historic Preservation Fund, the Land and Water Conservation Fund, the Reclamation Fund, States, and the General Fund of the U.S. Treasury.

PROGRAM OVERVIEW

Revenues collected by MMS are one of the largest sources of non-tax revenue to the Federal Government. In FY 2008, MMS disbursed $23.4 billion in mineral revenues to states, the Office of the Special Trustee for American Indians (OST) for distribution to Indian Tribes and individual owners, other Federal agencies, and U.S. Treasury accounts. Additionally, MMS delivered oil valued at an estimated $1.6 billion in FY 2008 to the Department of Energy for the Strategic Petroleum Reserve.

The record disbursements were attributable to higher energy prices during FY 2008 and the more than $10 billion in bonus bids paid by companies to lease tracts for offshore energy exploration

on the Outer Continental Shelf in the Gulf of Mexico and Alaska, as well as for onshore lease sales.

The MMS exists in a dynamic environment, and its activities continuously evolve in response to industry changes. Since MMS's formation, the energy industry has undergone significant changes, and MMS has successfully adapted to these industry changes while becoming more operationally efficient. More recently, the Energy Policy Act of 2005 changed the MMS operating environment. The greatest immediate impact for MRM came from new royalty collection and disbursement provisions that required major modifications to the MRM Support System (MRMSS). The MRM has made excellent progress toward completion of regulatory, operational, and system changes to ensure timely and effective implementation of all provisions of the Act for which we are responsible.

Who Benefited from MMS Mineral Revenues Disbursements in FY 2008

- ***Conservation and Recreation Programs — $897 Million***

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

- ***American Indian Tribes and Indian Mineral Owners — $533.9 Million***

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

- ***State Infrastructure — $2.6 Billion***

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

- ***Western Water Users — $1.96 Billion***

Mineral revenue receipts fund a significant portion of the U.S. Bureau of Reclamation's water resource development and maintenance work in the western United States. Spending from the account is subject to congressional appropriation.

- ***Preservation — $150 Million***

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

- ***U.S. Taxpayers — $17.3 Billion***

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

FY 2010 PEFORMANCE BUDGET OVERVIEW

The MMS is a leader in securing economic value for America by managing the revenues generated from the natural resources on Federal and Indian lands. Through its core business processes, MRM ensures optimal value for America's mineral resources, benefiting the American people, states, Indian Tribes, and IIMOs. MRM is funded through two subactivities that closely parallel its core business processes:

Compliance and Asset Management: This subactivity supports business processes focused on ensuring that the Nation's Federal and Indian mineral revenues, whether received in kind (RIK) or in value (RIV), are accurately reported and paid in compliance with laws, regulations and lease terms. Integral to this process is the economic analysis to support decisions to take royalties in-kind or in-value.

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

PROGRAM MANAGEMENT

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

MRM Reorganization

The Minerals Revenue Management (MRM) program is undergoing a strategic reorganization in response to MRM's Strategic Business and Operational Plans and recommendations received from MRM employees and Government Accountability Office (GAO), Royalty Policy Committee (RPC), and Office of Inspector General (OIG) reviews. In January 2009, the Department approved MMS's proposal to strategically realign the MRM Program into three core mission organizations:

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

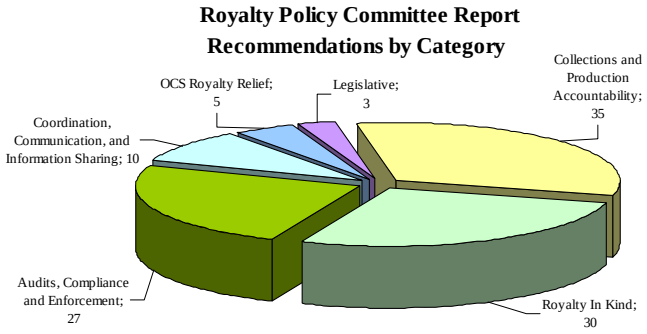
The goals of the reorganization are to:

- Enhance managerial oversight and provide clear reporting responsibilities in immediate proximity;
- Ensure transparency and effective communication across program operations;
- Provide the audit and compliance program with the flexibility to implement the risk-based compliance tool;

- Provide increased visibility and accountability for the State and Indian support programs;
- Better organize the program support functions;
- Realign the asset valuation functions; and,
- Fully integrate the Royalty-in-Kind (RIK) tool into the MRM Program.

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

The RPC Subcommittee Stated in its December 17, 2007 Report: *"In general, the Subcommittee concludes that the Minerals Management Service is an effective steward of the Minerals Revenue Management program, and that MMS employees are genuinely concerned with fostering continued program improvements. The Subcommittee members unanimously agree that MMS is the Federal agency best suited to fulfill the stewardship responsibilities for Federal and Indian leases... However, a number of aspects of royalty management activities administered by MMS and the Bureau of Land Management require prompt, and in some cases, significant management attention to ensure public confidence."*



The report contained 110 recommendations to improve royalty management. The areas with the most recommendations were Collections and Production Accountability, Royalty in Kind, and Audits, Compliance and Enforcement. As of April 1, 2009, 45 of the 110 recommendations have been completed. Of the remaining 65 recommendations, 61 are underway and four are in the planning stage.

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

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

During 2009, MRM is completing implementation of the Five-Year RIK Business Plan for 2005-2009 and developing the RIK Business Plan for 2010-2012.

The operational business plans have drawn on recommendations and resultant corrective action plans implemented by MRM to mitigate risks and enhance internal controls identified from

MRM's FY 2005 Enterprise-Wide Risk Management (ERM) initiative. The ERM initiative included an MRM-wide evaluation that utilized an ERM methodology that followed the guidelines of the Council on Sponsoring Organization of the Treadway Committee, a leading authority in the internal control and risk management field.

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

Based on the results of OMB Circular A-123 and internal control assessments during FY 2008, MMS can provide a reasonable assurance that the internal controls over the effectiveness and efficiency of operations and compliance with applicable laws and regulations, including FMFIA, are operating effectively. Further, MRM found no material weaknesses in the design or operation of internal controls. The MRM will also continue to follow DOI Internal Control and Audit Follow-up guidance and annually submit a program-wide component inventory and 3-year internal control assessment strategy to DOI officials.

Integrating Budget and Performance

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

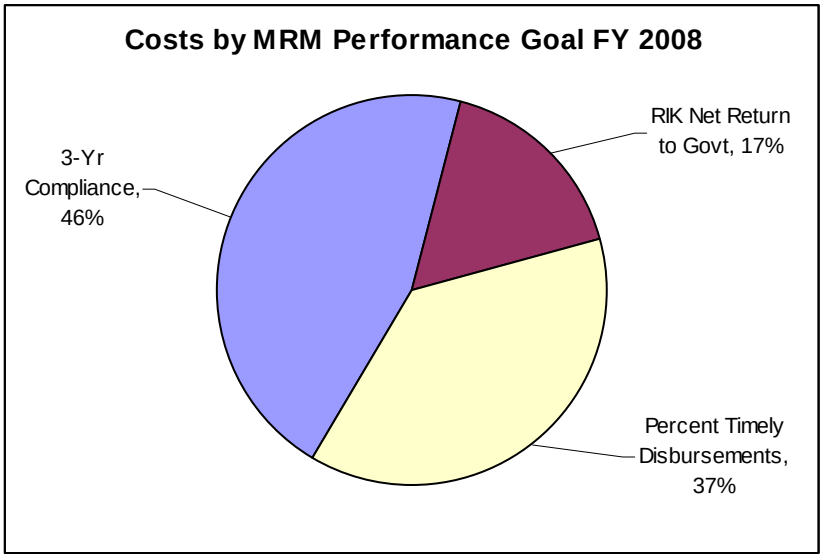


Figure 16: MRM Full ABC Costs, Allocated by Performance Goal

Program Assessment Rating Tool (PART)

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

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

2010 PERFORMANCE BUDGET REQUEST

Minerals Revenue Management

Compliance and Asset Management Subactivity

Table 29: MRM Compliance and Asset Management Subactivity Budget Summary

		2008 Actual	2009 Enacted	2010			Change from 2009
				Fixed Costs & Related Changes	Program Changes	Budget Request	
Compliance and Asset Management Subactivity	**($000)**	**45,055**	**47,965**	**1,086**	**1,889**	**50,940**	**2,975**
	FTE	**361**	**370**	**0**	**21**	**391**	**21**
Other Major Resources							
RIK Revenue Receipts Authority for RIK/SPR Program Admin.	($000)	20,100	22,000				
RIK Revenue Receipts Authority for RIK/SPR Transportation	($000)	80,000	62,000				

SUMMARY OF 2010 PROGRAM CHANGES

Request Components	Amount	FTE
• Increase Risk-Based Audit/Compliance Coverage	+$3,045,000	+21
• OIG Compliance and Audit Recommendations	- 1,156,000	0
Total Program Changes	**+$1,889,000**	**+21**

JUSTIFICATION OF 2010 PROGRAM CHANGES

The 2010 Budget Estimate for the Compliance and Asset Management (CAM) Subactivity is $51,440,000 and 394 FTE, with a program change of $1,889,000 and 21 FTE from 2009. The budget includes staffing increases to help implement a risk-based compliance approach and expand MRM's compliance presence.

Increase Risk-Based Audit/Compliance Coverage (+$3,045,000; +21 FTE)

MRM proposes to increase audit staff by 19 FTE which supports the OIG's and Royalty Policy Committee (RPC) Royalty Management Subcommittee's recommendations to implement a risk-based compliance strategy and increase compliance coverage of properties and companies, while focusing MRM resources on the highest risk. This strategy uses a targeted, detailed approach to identify properties and companies where audits or compliance reviews are warranted. Additionally, 2 FTE for Indian service will provide increased inquiry and outreach services to new Indian mineral owners.

Background: The FY 2009 appropriation included funding to implement a risk-based automated compliance tool to target audits and compliance reviews on those properties and companies with the highest risk of non-compliance. The FY 2009 budget initiative also provided four additional audit FTE to begin addressing the increased number of audits and compliance reviews this tool will identify. During FY 2010, MMS's priority is to build upon these changes by staffing up and fully implementing a risk-based compliance strategy.

Since 2002, MMS has focused primarily on revenue risk by conducting audits and compliance reviews on properties with the highest revenues. While the revenue approach was appropriate during the transition from a 6-year to a 3-year compliance cycle, in 2006 MMS began considering a more dynamic, risk-based compliance approach to include coverage of a greater number of properties and companies. In 2006/2007, the OIG and the RPC both concurred with this direction and the OIG recommended that MMS "consider modifying its Compliance Asset Management (CAM) program strategy to ensure appropriate coverage of properties and companies within a reasonable timeframe, even if this change results in a reduction of the overall percentage of dollars covered." The OIG recommended that MRM's selection process to identify properties for compliance reviews or audits take into account the highest risk for underpaid royalties. In recommendation 4-5, the RPC stated that "MMS should assess the use of more targeted audits/reviews that focus on high-risk issues, and determine the extent to which a more flexible approach to audits is feasible."

Recommendation 4-9 went on to state that "MMS should complete its risk-based compliance pilot project and develop a plan for implementing a risk-based compliance strategy on an MMS-wide basis, using an incremental approach to ensure that essential data and related management information systems are validated and ready for wider application." The MRM compliance risk model was piloted in FY 2007 and fully implemented March 1, 2008. The FY 2009 budget provides funding to automate the model based on expertise MRM developed during the pilot phase.

In addition, the Department's Indian Energy Minerals Steering Committee (IEMSC) and the MMS Indian Trust Business Plan recommend increasing and expanding the scope of outreach presented to Indian royalty owners.

Justification and Benefits: A 21 FTE increase in compliance resources will: provide for 19 additional audit staff to enable MRM to perform an estimated 33 additional audits annually, based on property and company risk analysis, and 2) provide 2 additional FTE to increase service to our Indian constituents. The increased outreach services will ensure relevant information is available for all Indian royalty owners, covering all aspects of Indian Trust Management for both oil and gas and solid minerals.

In FY 2008, while focusing on revenue exposure, MMS covered 91.7% of high-significant risk companies and 23.2% of high-significant risk properties. As MMS shifts the focus to increasing coverage for unique companies and properties, we will cover about 94% of high-significant risk companies each year in FY 2009 and 2010. In addition, MMS will cover approximately 20.5% and 23% of high-significant risk properties in FY's 2009 and 2010 respectively.

BENEFITS

A 21 FTE increase in compliance resources will enable MRM to:

- Increase compliance collections. Historically, from FY 2006 to FY 2008, compliance collections by MMS averaged $8.55 collected for each $1 spent on audits.
- Perform an estimated 33 additional audits annually.
- Address increased compliance requirements occasioned by new onshore leasing and production starts.
- Oversee Indian sand and gravel leases (RPC Subcommittee Recommendation 5-1).
- Provide additional compliance coverage for Indian non-standard leases issued under the Indian Minerals Development Act of 1982.
- Adhere to Government Auditing Standards, Audit Manual, Compliance Manual, and enhanced Compliance Asset Management procedures and controls which emphasize accountability, documentation, and internal controls.
- Perform annual analysis of the risk-based compliance strategy.
- Target potential noncompliant properties and companies for audit or compliance reviews associated with the increased workload.
- Increase and expand inquiry and outreach services to new Indian mineral owners.

Impacts of Not Funding: If this request is not funded, MRM will not be able to adequately increase coverage on properties and companies. Additionally, MRM will be unable to meet the new compliance, inquiry, and outreach requirements associated with expanding Federal and Indian onshore production and leasing. This may negatively impact future compliance collections.

Program Change Statement: Working in close coordination with OMB, MRM developed new compliance measures for the risk-based compliance approach for FY 2009 and beyond. The 19 additional audit staff will ensure that MRM increases its compliance coverage of properties and companies, as recommended by the OIG and the RPC Subcommittee.

The additional 19 audit staff FTE will provide the necessary manpower to perform increased Federal and Indian property and company audits, focused primarily toward onshore properties, where most of the higher risk properties and companies exist and where there is significant growth in oil and gas production. The Federal onshore leases universe is expanding rapidly due to increased demand. The number of producing leases on Indian lands is increasing for similar reasons.

Program Performance Change

	2006 Actual	2007 Actual	2008 Actual	2009 Plan	2010 Without Initiative	2010 With Initiative	Program Change Accruing in 2010	Program Change Accruing in Out-years
					A	B=A+C	C	D
Cumulative percent of unique mineral royalty companies covered by compliance activities (2008-2012) [1]	30.7% (582/ 1,895)	34.7% (632/ 1,820)	28.7% (525/ 1,832)	37.8% (675/ 1,787)	45.4% (800/ 1,761 est.)	46.0% (810/ 1,761 est.)	0.6%	0.3% (815/ 1,761)
Cumulative percent of unique mineral royalty properties covered by compliance activities (2008-2012) [1]	17.5% (4,324/ 24,674)	23.4% (5,558/ 23,742)	12.8% (3,100/ 24,164)	16.7% (4,004/ 23,984)	20.0% (4,908/ 24,565 est.)	20.1% (4,948/ 24,565 est.)	0.1%	0.1% (4,968/ 24,565)
Compliance Reviews Completed	2,584	4,171	884	884	884	884	0	0
Audits Completed [2]	144	304	343	263	263	283	20	13
Total Actual/Projected Cost ($M)	$52.097	$52.596	$54.361	$54.361	$57.402	$60.157	$2.755	0
Comments	[1] The MRM compliance risk strategy provides the data to determine properties and companies to be covered, the mix of audits vs. compliance reviews, and the number of repeat vs. unique royalty companies and properties. Only the unique companies and properties will be added to calculate the cumulative results from FY 2008 forward. [2] Full impact of additional 33 audits/year will not be realized in FY 2010 due to required hiring/training. MMS anticipates completing 20 more audits in FY 2010, with an additional 13 audits completed annually by FY 2011, for a combined increase of 33 audits. NOTE: In FY 2008, while focusing on revenue exposure, MMS covered 91.7% of high-significant risk companies and 23.2% of high-significant risk properties. As MMS shifts the focus to increasing coverage for unique companies and properties, we will cover about 94% of high-significant risk companies each year in FY 2009 and 2010 and approximately 20.5% and 23% of high-significant risk properties in FY's 2009 and 2010 respectively. Royalty dollars are one key component of the risk determination; therefore, there is strong probability of high revenue companies and properties being selected.							

The additional 2 FTE for Indian services will provide increased inquiry and outreach services to new Indian mineral owners. In FY 2008, MMS responded to 3,985 Indian inquiries and conducted 67 Indian outreach sessions. By FY 2010, MMS anticipates that inquiries will increase to 4,300 and outreach sessions will increase to 72.

	2006 Actual	2007 Actual	2008 Actual	2009 Plan	2010 Without Initiative	2010 With Initiative	Program Change Accruing in 2010	Program Change Accruing in Out-years
					A	B=A+C	C	D
Indian Inquiries Serviced	4,366	4,136	3,985	4,000	4,000	4300	300	0
Conduct X Indian outreach sessions per year	74 *	81 *	67	65	67	72	5	0
Total Actual/Projected Cost ($M)	$1.069	$1.097	$1.135	$1.135	$1.198	$1.488	$0.290	0
Comments	* In order to achieve this level of outreach during 2006 and 2007, MMS drew on additional staff resources who performed rulemaking workshops, consultations, or official visits with Tribes.							

MRM Reduction Request

As a result of MRM's analysis of base resources, the Budget Estimates include the following funding reductions within MRM for 2010.

Implement OIG Compliance and Audit Recommendations (-$1,156,000; -0 FTE)

Justification: MRM requested funds in 2009 to develop and implement an automated risk-based compliance tool. Planned activities are fully funded in 2009 and further expenditure in this area beyond ongoing operations costs is not needed in FY 2010.

PROGRAM OVERVIEW

Compliance and Asset Management: This subactivity supports business processes focused on ensuring that the Nation's Federal and Indian mineral revenues, whether received in kind (RIK) or in value (RIV), are accurately reported and paid in compliance with laws, regulations and lease terms. Integral to this process is the economic analysis to support decisions to take royalties in-kind or in-value. The CAM subactivity includes two major components:

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

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

PERFORMANCE OVERVIEW

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

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

The new measures reflect the cumulative percent of unique companies and properties covered by MMS audits, compliance reviews, or RIK compliance strategy. Only the unique companies and properties will be added to calculate the cumulative results from FY 2008 forward. A unique

company or property is one not previously examined and completed since base year, FY 2008. A risk-based approach enables MMS to consistently target companies and properties at risk for underpayment. The MMS is maintaining a strong focus on high-dollar properties and companies and using the risk tool in determining whether a formal audit or compliance review is required.

Estimated net return to the government through RIK. Cumulatively, for FY 2005 through FY 2007, RIK estimated net return has been $130.3 million. In 2007, sales of royalty oil and gas through MMS' RIK program are estimated to have increased the net return to the government by $63.2 million above what would have been received if the government had taken the oil and gas royalties in value, or as cash payments. The final FY 2008 estimate will be published in the Annual RIK Report to Congress by the end of FY 2009.

AUDIT AND COMPLIANCE PERFORMANCE

The MMS Federal and Indian compliance activities have yielded significant additional revenues to states, Tribes, IIMOs, and the Federal Treasury. Since 1982, MMS's additional collections of royalties and interest attributable to its compliance activities totaled over $3.5 billion.

MMS's audit program receives clean audit opinion

In October 2005, MMS's audit program received a clean audit opinion from an independent certified public accounting firm. During FY 2008, an independent certified public accounting firm again performed a peer review of MRM's audit activities, once again resulting in a clean audit opinion. The accounting firm stated: "In our opinion, the system of quality control for the Federal Audit Function of MMS in effect for period January 1, 2005 to May 31, 2008, has been designed to meet the requirements of the quality control standards established by the Comptroller General of the United States for a Federal Government audit organization and was complied with during this period to provide MMS with reasonable assurance of conforming with applicable auditing standards, policies, and procedures."

The MMS compliance assurance activities represent a large and critical part of MMS's operational strategy. Compliance assurance is performed on all types of royalties due, whether received as royalties in-value or in-kind. The MMS's goal is to ensure that the Government is realizing fair market value and that companies are in compliance with applicable laws, regulations, and lease terms.

The MMS performs both compliance reviews and audits. For compliance reviews, MMS develops underpayment issues at the property or contract level, aggregates issues from several properties or contracts, and then presents findings to companies. The MMS creates efficiencies by resolving issues across properties and by gaining extensive property-based knowledge over time. The MMS has developed two different compliance review processes:

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

- For royalties received in-kind (RIK), MMS applies a series of tests designed to assure that it has received the proper royalty volume for the contract and that any transportation charges taken by the producer are reasonable.

The MMS, states, and Tribes also perform audits, in accordance with Generally Accepted Government Auditing Standards. Audits are performed on specifically targeted companies or properties, or for randomly selected companies. Audits can also focus on gas plants, transportation systems, or specific issues. The FY 2009 and 2010 funding will provide for additional MRM audit staff.

Program Performance: Past Accomplishments & Future Goals

Audit and Compliance Activities: During FY 2008, MMS closed 343 audits and 884 full-scope compliance reviews. In FY 2008, MMS covered 28.7 percent of mineral companies and 12.8 percent of mineral properties, covering 65.8% of all royalty revenues and ensuring compliance for about $6.82 billion in royalty revenues. The MMS covered 91.7% of high-significant risk companies and 23.2% of high-significant risk properties during FY 2008. State and Tribal partners report their compliance completion results to MMS on a regular basis, and are incorporated into the results of this measure. We will cover about 94% of high-significant risk companies each year in FY 2009 and 2010 and approximately 20.5% and 23% of high-significant risk properties in FY's 2009 and 2010, respectively. Royalty dollars are remain a key component of the risk determination; therefore, there is strong probability of high revenue companies and properties being selected.

In 2006, the OIG conducted an audit at the request of the U.S. Senate Committee on Energy and Natural Resources. In response, on December 28, 2006, MRM formally submitted an *"Action Plan to Strengthen Minerals Management Service Compliance Program Operations."* The Action Plan documented the improvement actions taken and planned to fully and effectively implement the OIG recommendations. The Action Plan required extensive oversight and frequent implementation status reporting by MMS CAM managers and senior executives. As of February 29, 2008, all action items had been completed, including implementation of a Compliance Risk Tool, which will be automated with FY 2009 funding.

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

Delegated and Cooperative Compliance Agreements with States and Tribes: The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA), as amended, Sections 202 and 205, authorized the Secretary to develop cooperative and delegated agreements with states and Tribes to carry out certain inspection, auditing, investigation, or enforcement activities for leases in their jurisdiction. Currently, the MMS has agreements with 11 states and 7 Tribes. The states and Tribes are working partners and an integral aspect of the overall compliance efforts.

Tribes are self-empowered to perform audits on tribal mineral royalties within their reservation and the states perform audits on Federal leases within their boundaries. MMS conducts compliance reviews and audits to provide compliance coverage over properties not covered by the states and Tribes.

In FY 2008, MMS allocated approximately $10.2 million to the states and Tribes in the 202/205 program, of which the states and Tribes expended $8.7 million. In FY 2009, MMS allocated a total of $10.1 million, including $1.5 million which remained as carryover of 202/205 funds not expended in the prior year. MMS allocates its available budget resources for the Section 205 State Delegated Agreement Program and Section 202 Tribal Cooperative Agreement Program by analyzing cost, workload, and risk data to apply "best business case" criteria to the funding of this program. The mineral revenues at risk and number of producing leases are used to target "best business case" funding allocations among states and Tribes.

Communication and Consultation with American Indians: In addition to the Section 202 Tribal Cooperative Agreement Program, MMS also conducts Indian outreach sessions. The MMS uses several outreach methods, such as Navajo radio broadcasts and attending pow-wows, to reach the American Indian constituents. This reflects MMS's goal to fulfill the Secretary of the Interior's trust responsibility to American Indians. These outreach sessions enable MMS to listen to their concerns and suggestions for royalty accounting improvements, answer questions, identify and resolve mineral-related problems in partnership with BIA, BLM, and the Office of Special Trustee. The MMS's goal is to enhance trust responsibility and foster a positive working relationship with the Indian community. During 2008, MMS held 67 outreach sessions with American Indian constituents and resolved 3,985 royalty-related inquiries. FY 2010 funding will provide 2 additional FTE for Indian services, increasing inquiry and outreach services to new Indian mineral owners.

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

Revised Regulations: In May 2007, MMS published a final geothermal valuation rule to implement the new royalty provisions of the Energy Policy Act of 2005 (EPAct) in a manner that streamlines and simplifies the regulations while achieving the same general level of revenues for both electrical generation and direct use. The new regulations addressed the payment of royalty on geothermal resources produced from Federal leases and the payment of direct use fees in lieu of royalties. In addition, the regulations addressed the procedures and requirements for the MMS audits of payments.

In December 2007, MMS published technical corrections to the current Indian oil regulations. The MMS will address issues regarding the "major portion" calculation for oil produced from Indian leases in a negotiated rulemaking committee. In 2008, the Department requested nominations to the committee and published the final membership in the *Federal Register*. The committee plans to meet 6-8 times per year for the next 2 years with the intention of developing proposed regulations in 2010.

In April 2006, MMS published the Reporting and Paying Royalties on Federal Leases on Takes or Entitlements Basis Advance Notice of Proposed Rulemaking (ANPR), requesting comments on reporting and payment of royalties when oil and gas production is commingled upstream of the point of royalty measurement. The MMS plans to publish proposed regulations in 2009 and final regulations in 2010.

ROYALTY IN KIND PERFORMANCE

The RIK tool provides MMS the opportunity to reduce administrative costs, reduce disputes on royalty valuation, and increase revenues to the Treasury, states, and special purpose funds. This can include selling the received product in the marketplace and then disbursing revenues as prescribed by law, or transferring resources to the Department of Energy to fill the Nation's Strategic Petroleum Reserve (SPR). The MMS collects royalties in-kind if the agency determines there is economic advantage to the Government.

The strategic use of both the RIK and RIV options defines the royalty asset management strategy that is employed by MMS. Appropriately applied, MMS believes the RIK tool can create opportunities to realize additional royalty revenues relative to RIV and reduce administrative cost.

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

The Five-Year RIK Business Plan outlines business principles, goals, objectives, and specific strategies to guide and evolve the use of RIK from 2005 through 2009. During FY 2009, MRM is developing a new RIK Business Operating Plan for FY 2010-2012. Implementing these plans will continue to enhance MMS's ability to assure the American public of proper collection of royalty receipts. Implementation will also ensure MMS's ability to track, analyze, control, and manage the significant portfolio of oil and gas royalties that are taken in kind.

RIK Funding

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

Royalty in Kind Generates Solid Results

Estimated net return to the government through RIK. *Cumulatively, for FY 2005 through FY 2007, RIK estimated net return has been $130.3 million. In 2007, sales of royalty oil and gas through MMS' RIK program are estimated to have increased the net return to the government by $63.2 million above a fair market value benchmark. The 2007 final result of $63.2 million is a combined total of the following:*

- *$56.5 million increased RIK incremental net revenue (amount by which royalties exceed fair market value benchmark for estimated in-value royalties),*
- *$3.1 million incremental time value of money revenue (positive time value of money by collecting RIK revenues earlier than in-value royalties), and*
- *$3.6 million in administrative savings by collecting offshore oil and gas in kind (RIK) rather than in value.*

The final FY 2008 result will be available later in 2009.

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

Several factors accounting for increasing RIK transportation and processing costs include:

- Based on current plans, in FY 2010, MMS expects a 5 percent increase in oil RIK volumes and a 5 percent increase in gas RIK volumes from 2007 levels, largely due to increased oil and gas production in the Gulf of Mexico and Wyoming:
    - Expected RIK oil volumes climb from 46.7 million barrels annually in 2007 to 49.2 million barrels annually in 2010. This would be an increase from approximately 128,000 barrels/day in 2007 to approximately 135,000 barrels/day in 2010.
    - The RIK Gas volumes are also expected to increase from 2007 levels of 278 million MMBtu annually in 2007 to 292 million MMBtu annually in 2010. This would be an increase from approximately 763,000 MMBtu/day in 2007 to 800,000 MMBtu/day in 2010.

Figure 17: Growth RIK in Gas Volumes

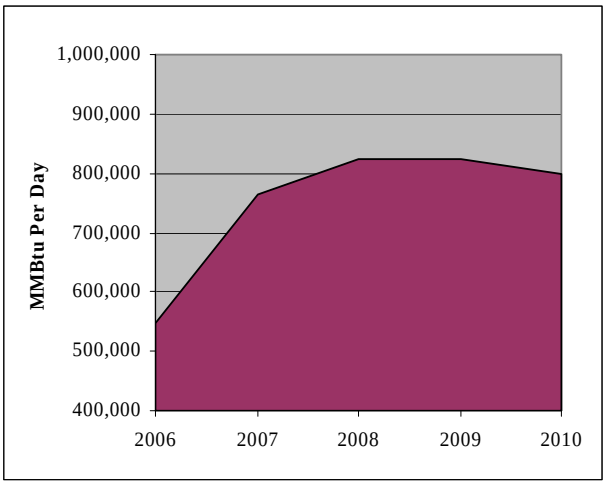
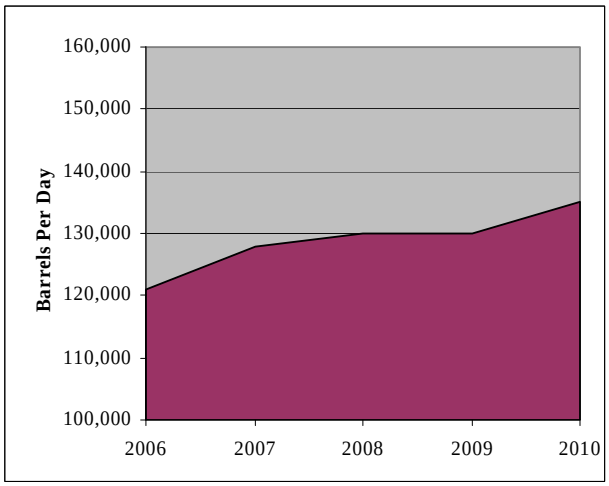


Figure 18: Growth in RIK Oil Volumes



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

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

Actual 2008 and Estimated 2009 funding levels are shown in the following table.

Table 30: FY 2008 and Estimated 2009 RIK/SPR Costs
(in thousands)

	2008 Authority	2008 Actual	2009 Authority
Transportation and Processing			
Gas Processing & Transport [1/]	n/a	$ 14,775	$ 42,000
Oil Transport and Quality Bank [2/]	n/a	2,606	20,000
Total Transportation & Processing	**$ 80,000**	**$ 17,381**	**$ 62,000**
Administrative Costs	20,100	21,468	22,000
Total RIK/SPR Costs	**$ 100,100**	**$ 38,849**	**$ 84,000**

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

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

Program Performance: Past Accomplishments & Future Goals

2010 RIK Costs: The preliminary 2010 estimate for RIK transportation and processing costs is in a range of between $40 million and $130 million.

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

Total RIK volumes will remain relatively flat from 2008 to 2009. MMS anticipates that the administrative costs will increase slightly. In 2009, RIK authority for administrative costs is $22 million, an increase of $1.9 million over the 2008 budget authority of $20.1 million. Use of RIK results in administrative cost avoidance when compared to RIV primarily due to decreased audit, compliance, and litigation costs.

2009 and 2010 - RIK Update

During 2009, the primary focus of the MMS will be to implement RIK recommendations from the RPC Subcommittee, GAO, and OIG to strengthen RIK process internal controls and move toward making the RIK processes more transparent. Therefore, we are projecting slight decreases in RIK oil and gas volumes in 2009 in comparison with 2008. In FY 2010, we anticipate potential increases from 2009 levels for oil and gas, since new production is predicted. This may change as MMS continues its ongoing review of the program and implements GAO, OIG, and RPC recommendations.

The MMS expects RIK administrative costs to increase due to the need to hire additional staff to implement the recommendations cited above and to ensure compliance with newly established procedures and internal controls. Additionally, MMS will be working on a three-year RIK business plan for FY 2010-2012. The Five-Year RIK Business Plan for FY 2005-2009 targets a 10 percent (per BOE) reduction of RIK administrative expenses during the last 3 years of the Five-Year RIK Business Plan, FY 2007 to FY 2009. The MMS set the baseline of $0.063 per BOE for this measure, based on an average of FY 2004 – 2006 results. This measure is being revisited in 2009.

The MMS developed a RIK Process and Procedures Guidebook in December 2008 in response to a RPC recommendation. This Guidebook, published on the MMS website, describes overall RIK processes and procedures and should assist in providing transparency about RIK to the public. This Guidebook along with other procedural and process changes align with MMS's RIK internal controls and the performance and risk monitoring framework, established in 2005, to support MMS RIK policy oversight functions.

2008 and 2009 - Deliveries of RIK oil for the Strategic Petroleum Reserve

In July 2007, MMS began deliveries of royalty oil to the Department of Energy (DOE) at a rate of approximately 50,000 barrels per day (bpd), for the Strategic Petroleum Reserve (SPR). Beginning January 2008, MMS increased the delivery rate to approximately 70,000 bpd. This initiative was suspended by law on June 30, 2008. The MMS and DOE have begun a new SPR fill initiative with deliveries starting April 1, 2009. The delivery rate of approximately 26,000 bpd will continue through calendar year 2009. DOE has current contracts in place, which, with the RIK deliveries, will 'top off' the SPR at its capacity of approximately 727 billion barrels. Until the SPR capacity is expanded, no further RIK SPR sales are planned for FY 2009 or beyond.

SUBACTIVITY SUMMARY

The MMS manages a substantial Federal monetary asset on behalf of the American public. Revenues from mineral leasing on public lands have averaged more than $13 billion annually over the last 5 years. As such, MMS is entrusted with performing an important fiduciary role for the Nation.

The MMS exists in a dynamic environment, and its activities continuously evolve in response to statutory and market changes. The MMS makes every effort to ensure that it continues to provide an unequaled government organization, measured by both performance and strict

adherence to our fiduciary responsibilities. The full funding of the CAM 2010 Subactivity will ensure that MMS is able to perform its Federal and Indian compliance activities effectively.

Table 31: MRM Performance Overview – Compliance and Asset Management

Performance Overview - Compliance and Asset Management									
Note: Performance and Cost data may be attributable to multiple activities and subactivities. Therefore, measure costs may not equal totals shown in subactivity tables. n/a - Data not available									
End Outcome Goal: Manage or influence resource use to enhance public benefit, responsible development, and economic value.									
Measure	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Intermediate Outcome Strategy 3: Appropriate value through effective lease and permit management									
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures									
Cumulative percent of unique mineral royalty companies covered by compliance activities (2008-2012) (PART)*	N/A	N/A	N/A	28.7% (525/ 1,832)	28.7%* (525/ 1,832)	37.8% (675/ 1,787)	46.0% (810/ 1,761 est.)	8.2%	58.6% (975/ 1,665 est.)
Cumulative percent of unique mineral royalty properties covered by compliance activities (2008-2012) (PART) *	N/A	N/A	N/A	12.8% (3,100/ 24,164)	12.8%* (3,100/ 24,164)	16.7% (4,004/ 23,984)	20.1% (4,948/ 24,565 est.)	3.4%	27.3% (6,714/ 24,554 est.)
Total Actual/Projected Cost ($M)	44.2	53.2	53.7	55.5	55.5	59.2	63.2	4.0	--
Comments	*These are new MMS compliance measures implemented in FY 2008, in response to OIG recommendations and in coordination with OMB. They measure the cumulative percent of unique royalty companies and properties covered by MRM audits, compliance reviews, or RIK compliance strategy. The MRM compliance risk strategy provides the data to determine properties and companies to be covered, the mix of audits vs. compliance reviews, and the number of repeat vs. unique royalty companies and properties. Only the unique companies and properties will be added to calculate the cumulative results from FY 2008 forward.* ** In FY 2008, covered 65.8% of all royalty revenues and ensuring compliance for about $6.82 billion in royalty revenues. MMS covered 91.7% of high-significant risk companies and 23.2% of high-significant risk properties in FY 2008. MMS will cover about 94% of high-significant risk companies each year in FY 2009 and 2010 and approximately 20.5% and 23% of high-significant properties in FYs 2009 and 2010 respectively. Royalty dollars are one key component of the risk determination; therefore, there is strong probability of high revenue companies and properties being selected.*								
Compliance benefit/cost efficiencies (PART)	N/A	1 : 2.63 (Baseline)	1 : 4.27	1 : 4.45	1 : 7.08 *	1 : 4.60	1 : 4.75	1 : 0.15	1 : 4.75
Comments	*This measure is a ratio of costs to collections for compliance reviews and audits. To mitigate variances in collections, thus providing better management information, this is measured as an average over the previous 3 years. MRM costs and collections, as well as those of state and Tribal auditors, are included in this measure.* ** In FY 2005-2007 (reported in FY 2008), for every dollar spent on compliance reviews and audits, MMS collected $7.08 in additional royalties. The $7.08 overall (Audits + CRs) result for FY 2008 becomes $5.08 without the $105,300,000 settlement with Burlington. This large settlement is a non-recurring event.*								

Performance Overview - Compliance and Asset Management (continued)									
Measure	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Estimated net return (in dollars) to the government through Royalty in Kind (RIK) (SP/PART)	$36M (cum)	$67.1M (cum)	$130.3M (cum)	$105M* (cum)	$194.7M* (est) (cum)	$210M* (cum)	$230M* (cum)	$20M	$270M * (cum)
Total Actual/Projected Cost ($M)	n/a	17.3	20.0	20.1	20.1	22.0	--	--	--
Comments	*This measure monitors the cumulative outcome of MMS's decision to take royalties in kind (RIK). The MMS collects royalties in kind if there is economic advantage to the Government. The outcome includes three components: (1) the amount by which RIK royalties exceed estimated fair market value benchmark (estimated in value royalties); (2) the positive "time value of money" benefit resulting from collecting RIK royalties more quickly than in value royalties; and, (3) the estimated administrative costs savings resulting from RIK operations versus RIV operations. The sum of the dollar value of these three components comprises the RIK Net Return.* ** Estimated result; final FY 2008 result anticipated late April 2009. Based on the FY 2008 estimated results, the targets for FY 2009 and beyond have been re-evaluated.*								
RIK administrative cost efficiencies (PART)	N/A	$0.063/BOE (Baseline)	+5%*	-5% (Cum)	**	-10% (Cum)	TBD	TBD	TBD
Comments	*This measure supports managing the RIK Program efficiently which is a key element to implementing the RIK Business Plan. The FY 2006 baseline is an average of the 2004 thru 2006 cost per BOE. The FY 2007 actual is an average of 2005 - 2007 cost per BOE, compared to the baseline.* ** The MMS did not meet its PART efficiency measure goal to reduce RIK administrative costs per BOE for FY 2007 by 2 percent. Now that trend data is available for this measure, MMS is concerned that BOE costs may not be the best method to measure RIK efficiencies. Facility Measurement Points (FMP) are more representative of RIK workload and may be more appropriate to use. During FY 2009, MMS will be developing the RIK Strategic Business Plan for FY 2010 - 2012. During this time, MMS will reevaluate this RIK PART efficiency measure, in strong coordination with OMB, to determine the most appropriate method to measure RIK efficiency.* *** Target for FY 2008 was -5%. Final FY 2008 result anticipated in late April 2009.*								
Ensure substantial compliance for X% of Indian gas properties within 3 years for Indian-specific major portion/index pricing terms. (BUR)	100% of CY 2002; (2,216 properties / 2,216 properties)	100% of CY 2003; (2,246 properties / 2,246 properties)	100% of CY 2004; (2,295 properties / 2,295 properties)	100% of CY 2005	100% of CY 2005 (2,370 properties / 2,370 properties)	100% of CY 2006	100% of CY 2007	0%	100% of CY 2009
Comments	*This measure supports MMS efforts to provide the highest possible Indian Trust protection and enforce the unique terms contained in Indian leases.*								

Performance Overview - Compliance and Asset Management (continued)									
Measure	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Outputs									
RIK Barrels of Oil Equivalent (BOE) Sold	56.6 million	72.1 million	90.1 million	81 million	74.7 million	100 million	97.2M	-2.8M	TBD*
Barrels of Oil Sold	25.1M	42.3M	44.6M	24.8M	26.0M	48.1M	46.9M	-1.2M	TBD*
MMBtus of Gas Sold	183	173	264	292	282	301	292	-9	TBD*
Barrels Delivered to DOE (SPR)	25.6M	0M	2.9M	22.7M	18.1M	0M	2.3M	2.3M	TBD*
Comments	*In order to calculate all RIK BOE volumes for a year, MMS adds oil volumes to gas volumes, which have been converted to "Barrels of Oil Equivalent" (BOE) utilizing standard industry factors. MMS divides gas MMBtu volumes by a factor of 5.8 (the industry standard factor for converting MMBtu to BOE) to yield a gas BOE. MMS also converts Natural Gas Liquid (NGL) volumes to Mcf by dividing the liquid volumes by 15 (the industry standard factor) and then dividing this result by 5.8 to yield BOE.* *These numbers differ slightly from those published elsewhere in the budget. These numbers are based on the accounting month and the numbers published elsewhere in the budget are based on the production month.* ** The RIK Strategic Plan for FY 2010-2012 is currently under development.*								
Compliance Reviews Completed	3,410	2,584	1,876*	1,500	884**	2,550***	2,550	0	2,550
Comments	** The FY 2007 result is different than the number published in FY09 budget. Prior number included limited scope reviews and number was changed to align with calculation methodology for FY 2005 and 2006.* *** During FY 2008, MMS compliance review counts do not include RIK compliance (which is being tracked separately on a monthly basis as "Facility Measurement Points Reconciled."). The in-kind and in-value compliance review metric was separated in response to an OIG recommendation. RIK compliance reviews included in prior years: 547 in FY 2005; 828 in FY 2006; and 1,020 in FY 2007.* **** Methodology changed in FY 2009, also in response to an OIG recommendation, to include not only full-scope compliance reviews (as counted FY 2005-2008) bur also limited-scope compliance reviews). The compliance risk tool is being utilized FY 2009 forward to determine the proper mix of full-scope vs. limited-scope compliance reviews.*								
Audits Completed	632*	144	304**	155	343***	157	177***	20	190
Comments	** The increase in audits completed in 2005 is partially the result of an effort by MMS to close a significant number of old MRM audits as a result of a recommendation from an external peer review of our audit activities. For many of these cases, the primary work had been completed in prior years, and in 2005, MMS ensured that final steps and documentation were taken to close the audit.* *** The increase in audits in 2007 and 2008 is for the same reason, except that MMS closed old State and Tribal audits, again as recommended by the external peer review of MMS audits.* **** Full impact of additional 33 audits/year will not be realized in FY 2011 due to required hiring/training in FY 2010. MMS anticipates completing 20 more audits in FY 2010, with an additional 13 audits completed annually by FY 2011, for a combined increase of 33 audits.*								
Indian Inquiries Serviced	5,247	4,366	4,136	6,000	3,985	4,000	4,300	300	4300
Comments	*The recent increase in leasing and development on Indian lands will likely result in increased inquiries during FY 2010 forward.*								
Conduct X Indian outreach sessions per year (BUR)	84	74	81	65	67	65	72	7	72

2010 PERFORMANCE BUDGET REQUEST

Minerals Revenue Management

Revenue and Operations Subactivity

Table 32: MRM Revenue and Operations Subactivity Budget Summary

		2008 Actual	2009 Enacted	2010			Change from 2009
				Fixed Costs & Related Changes	Program Changes	Budget Request	
Revenue and Operations Subactivity	**($000)**	**36,632**	**38,719**	**505**	**-790**	**38,434**	**-285**
	FTE	**170**	**170**	**0**	**4**	**174**	**4**
N/A							

SUMMARY OF FY 2010 PROGRAM CHANGES

Request Components	**Amount**	**FTE**
• Streamline and Enhance Production and Gas Plant Accountability	+$1,730,000	+ 4
• MRM Automated Interest Billing	- 1,360,000	0
• MRM Interactive Payment Reconciliation and Billing	- 1,160,000	0
Total Program Changes	**-$ 790,000**	**+ 4**

JUSTIFICATION OF 2010 PROGRAM CHANGES

The 2010 Budget request for the Revenue and Operations Subactivity is $38,438,000 and 174 FTE, with a net program change of minus $790,000 and plus 4 FTE from 2009. The budget includes staffing increases to help implement gas production verification and gas plant compliance activities.

Streamline and Enhance Production and Gas Plant Accountability (+$1,730,000; +4 FTE)

Accurate, reliable, and complete production data is vital to achieving MMS' mission of managing the ocean energy and mineral resources on the OCS and Federal and Indian mineral revenues to enhance public and trust benefits, promote responsible use, and realize fair value.

This three-year project will:

1) Improve and streamline production reporting for Federal and Indian properties;
2) Enhance the Department's oil and gas production accountability and verification processes used to ensure that royalties are paid once production commences;

3) Provide data necessary for identifying and targeting gas plants and companies for audits and compliance reviews, such as changes to gas plant efficiency factors, which will be utilized in the compliance risk tool.

Background: The MMS plans to incorporate proposals and recommendations resulting from:

- Two GAO reports identified production issues and the need to use third-party source documentation to verify the proper payment of royalties paid both in-value and in-kind. The first report, dated September 12, 2008 (GAO-08-893R) is entitled "Mineral Revenues: Data Management Problems and Reliance on Self-Reported Data for Compliance Efforts Put MMS Royalty Collections at Risk." The second report, dated September 26, 2008 (GAO-08-942R) is entitled "Oil and Gas Royalties: MMS's Oversight of Its Royalty-in-Kind Program Can Be Improved through Additional Use of Production Verification Data and Enhanced Reporting of Financial Benefits and Costs."
- The Royalty Policy Committee Report on Royalty Management which has over 20 recommendations dealing with "production accountability" addressing such issues as
    - Enhanced verification of production volumes and quality for information reported by operators of Federal and Indian Leases,
    - Increased coordination and information sharing among MMS, BLM and BIA,
    - Increased staffing for gas verification system (GVS), and
    - Improved accuracy of gas plant efficiency data through collection of additional information from companies, for use in compliance reviews and audits.
- MRM's Strategic Business Planning initiative to improve the timeliness of available production data.

Justification and Benefits: Timely and accurate production data is critical to MMS and BLM for compliance, production accountability, and inspection and enforcement activities. Requested funding would provide:

- Enhancements to the Minerals Revenue Management Support System (MRMSS) to increase timeliness, accuracy, and the efficient exchange of production data for BLM and MMS compliance activities, reservoir management processes, and production accountability, inspection and enforcement programs.
- Development and implementation of a Gas Plant Efficiencies Module in the MRMSS to target gas plants for audit as part of MMS's compliance risk strategy.
- An additional four FTE to allow more timely and thorough verification of production and gas plant data.

The MRMSS Enhancements are needed to:

- *Streamline production reporting and resolution processes.* A primary focus of this program priority will be to fund an intensive effort to systematically reconcile well data between MMS and BLM including well status information such as when a well is producing or not, or if it is temporarily abandoned, shut in, etc. Currently there are many well data discrepancies between MMS and BLM databases. These discrepancies result in increased research, and delays in verifying reported production data. This program priority will also examine

alternate collection and revised reporting methods to streamline production reporting and resolution processes to increase timeliness of available production data.

- *Increase Timeliness and Accuracy of Production Data.* This program priority will move system edits to the front of the production reporting process, requiring reporters to provide correct data prior to its acceptance by MRM. The current process allows operators to report data which fails MRM quality assurance edits and must then be corrected by MRM. The proposed enhancements prohibit companies from reporting incorrect data to MMS, thereby increasing timeliness and accuracy of production data upon receipt. Timely, accurate, and complete production data provides surface management agencies with critical data sooner, resulting in more efficient and effective on-site inspections and reservoir management processes, aiding both the Government and industry in managing the Nation's resources in a more efficient and effective manner.

Enhancements in MRM Gas Plant Compliance Processes are needed to:

- *Develop and Implement a Gas Plant Efficiencies Module in the MRMSS.* In many cases, natural gas producers must process a large portion of gas production to remove natural gas liquids before the residue gas can be sold. Gas plant processing is quite involved and has numerous steps, the costs of which are subject to audit. This program priority provides funds to collect, process, and store data in the MRMSS that is necessary to track gas plant efficiencies. This data will then be used to trend and identify gas plants with significant efficiency factor changes so that MMS can target plants and companies for audit as part of its compliance risk strategy.

Four additional FTE are needed in MRM to:

- *Provide compliance staff with the ability to calculate, monitor, and audit gas plant efficiencies (2 FTE, $290,000).* Two additional FTE in this area provide the necessary resources to allow MMS to process and analyze gas plant data for use as a component in MRM's compliance risk tool. The MMS relies on up-to-date efficiency data from natural gas processing plants to determine expected volumes of processed gas and natural gas liquids, and ultimately the royalties owed. Efficiency data may change over time for various reasons such as upgrades to the gas plant, a change in the makeup of the incoming gas stream from the wells, or a change in processing requirements. Thus, ongoing analysis of gas plant efficiency data is necessary.

- *Provide timely verification of gas production using third-party data (2 FTE, $290,000).* The RPC Subcommittee and GAO's March 11, 2008 testimony both recommend additional staffing for the offshore Gas Verification System (GVS) process to increase discrepancy reviews and address the current backlog. GVS allows for data from a third party (i.e., pipeline companies) to be used to verify production data reported to MMS by the operator at a lease or property level using royalty meter "source" documents such as gas volume statements.

BENEFITS

An improved and streamlined production process, with adequate human resources and capability to collect gas plant reporting data for Federal and Indian properties will enhance the Department's production verification capabilities resulting in:

- Fewer discrepancies between BLM and MMS data,
- The ability to quickly identify missing production data needed to verify the receipt of royalties,
- Complete and timely production data for use in BLM and MMS inspections and resource evaluation,
- The ability to ensure that all royalties are paid once production commences,
- Complete analysis of gas plant efficiency data, necessary for use in targeting compliance reviews and audits, and
- More timely and thorough verification of production data to ensure that the correct royalties have been received.

Impacts of Not Funding: The following will occur if funding for the needed system enhancements and additional FTE described above do not occur:

- *Inaccurate and inefficient exchange of well data*. Currently, too many resources are used to resolve production exceptions related to well data discrepancies between MMS and BLM databases. The staff resources devoted to resolving these exceptions could better be utilized on additional compliance activities to assure the American public that the Federal Government is collecting every dollar owed.

- *Untimely distribution of critical production information to surface management agencies for their use in on-site inspections of Federal and Indian leases.* Surface management agencies need the production data for inspections and resource management. Without this funding, MRM would not be able to increase the timeliness of providing this data. Currently, MRM provides the surface management agencies production data within 90 days of the production reporting due date; however, with the funding, MMS could improve performance to within 30 days of the production reporting due date.

- *GVS exception backlogs will not be resolved in a timely manner.* Presently, MMS has over 5,000 GVS exceptions outstanding (many of these are minor discrepancies) from the production period of January 2004 through February 2008. With the currently assigned FTE, we are only able to resolve approximately 20 to 25 per month, while an average of 140 new exceptions are identified each month.

- *Inability to collect and utilize gas plant efficiency data in MRM's compliance and audit strategies.* Without this funding, MMS will not have the system capabilities or analysis and staff resources to effectively monitor gas plant efficiency exceptions and use that information in its compliance risk strategy.

Program Change Statement:

Timely, accurate, and complete production data provides surface management agencies with critical data sooner, resulting in more efficient and effective on-site inspections and reservoir management processes, aiding both the Government and industry in managing the Nation's resources in a more efficient and effective manner.

Currently, companies' production reporting accuracy averages about 95 percent, but implementing this project would increase that to 100 percent. More accurate production reporting "up-front" leads to more timely availability of production data.

Increased production reporting accuracy would allow MRM to provide surface management agencies with 95 percent of production data within 30 days of the production reporting due date, rather than the current 90 days.

This project would also allow MRM to redirect approximately 6 staff resources toward analyzing production data to identify other company compliance errors. This would include identifying repetitive errors, such as operators reporting the exact same volume every month, or anomalies, such as large spikes or drops in volumes. Identifying these errors in a more timely manner will enable MRM to promptly contact companies to resolve issues, resulting in more accurate production data.

Two FTE for the GVS program, as recommended by the RPC Subcommittee report, will help MMS ensure it is collecting the correct amount of royalties from operators by allowing us to compare differences between production data reported to MMS by operators and information from pipeline companies and resolve any differences. Timely third-party verification of production data provides capability to ensure that the accurate royalties have been collected.

Two additional FTE will provide compliance staff with more timely, accurate, and complete gas plant efficiency data for use in audits and compliance reviews to increase assurance that all royalties are paid.

MRM Reduction Request

As a result of MRM's analysis of base resources, the budget request includes the following funding reductions within MRM for 2010:

Improved Automated Interest Billing to Companies (-$1,360,000; -0 FTE)

MRM requested funds in 2009 for systems enhancement as part of an effort to improve the timeliness and efficiency of the interest assessment to companies. Planned system enhancements and upgrades are fully funded in 2009 and further expenditures beyond ongoing operations costs are not required in 2010.

Interactive Payment Reconciliation and Billing (-$1,160,000; -0 FTE)

MRM requested funds in 2008 for a two-year initiative to enhance MMS's online reporting and verification system capabilities. Planned system enhancements and upgrades were fully funded in 2008 and 2009 and further expenditures beyond ongoing operations costs are not required in 2010.

PROGRAM OVERVIEW

The Federal Government has been collecting revenues from mineral production on Federal onshore lands since 1920, from American Indian lands since 1925, and from Federal offshore lands since 1953. In 1982, MMS was created, establishing a comprehensive, consolidated system for the collection, accounting, and disbursement of these revenues. Since that time, the MRM program has provided approximately $200 billion to Federal, State, and Indian recipients. In addition, MMS has delivered oil valued at an estimated $6.3 billion to the Department of Energy for the Strategic Petroleum Reserve.

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

Revenue and Operations: This subactivity funds the Financial Management business process, which achieves economic value by ensuring that all revenues, whether derived in-value or in-kind, from Federal and Indian leases are efficiently, effectively, and accurately collected and accounted for, and disbursed in a timely manner. The Revenue and Operations Subactivity includes two major components which provide significant benefits to the American people:

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

- *Collection and Invoicing* – The MMS receives and processes more than 8 million lines of royalty and production report data each year. In addition, MMS researches and resolves erroneous reporting so that associated dollars can be distributed in a timely manner to proper recipients. Using automated exception processes, MMS also detects unmet financial obligations established in the lease, interest due on late payments, and violations of Indian recoupment limitations. Invoices not paid by companies are subject to a comprehensive debt collection process.

Through the MRM Financial Management process, MMS's people and processes within the Revenue and Operations Subactivity support the MMS strategic goal to ensure that the Nation receives appropriate value for its mineral resources.

PERFORMANCE OVERVIEW

The primary financial management measure is to ensure timely disbursement of revenues to ultimate recipients. When disbursements are not timely, MMS must pay late-disbursement interest. One of MMS's performance goals is to reduce interest payments related to late disbursements to states by 90 percent over five years. The MMS pays late disbursement interest to states in large part because of problems tracking how industry payments should match their reports. Late disbursement interest costs during FY 2007 were about $1.7 million. However, in FY 2008, MRM significantly decreased late disbursement interest to $370,210 (80 percent less than the FY 2006 baseline).

DISBURSEMENT AND FINANCIAL REPORTING PROGRAM PERFORMANCE

The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA), as amended, requires monthly distribution and disbursement of payments to states and Indians for their share of mineral leasing revenues. Historically, the distribution and disbursement function within MRM has ensured that collections from Federal and Indian mineral leases are properly disbursed to the appropriate recipients including the U.S. Treasury, five Federal agencies, 38 states, and 41 Indian Tribes. Over the last five years, MMS has collected and distributed on average more than $13 billion in annual revenues for the Nation, states, and American Indians. These amounts are disbursed in accordance with legislated formulas.

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

- $125.1 billion to the U.S. Treasury and other Federal agencies
- $ 23.5 billion to the Land and Water Conservation Fund
- $ 25.0 billion to 38 states
- $ 16.6 billion to the Reclamation Fund
- $ 6.2 billion to 41 American Indian Tribes and 30,000 Individual Indian Mineral Owners (IIMOs)
- $ 3.6 billion to the National Historic Preservation Fund

Approximately 63 percent of all annual collections have gone to the General Fund of the U.S. Treasury, 22 percent to special purpose funds that are subject to appropriation, 12 percent to states, and three percent to the American Indian community.

[1] In addition, MMS has delivered oil valued at an estimated $6.3 billion to the Department of Energy for the Strategic Petroleum Reserve.

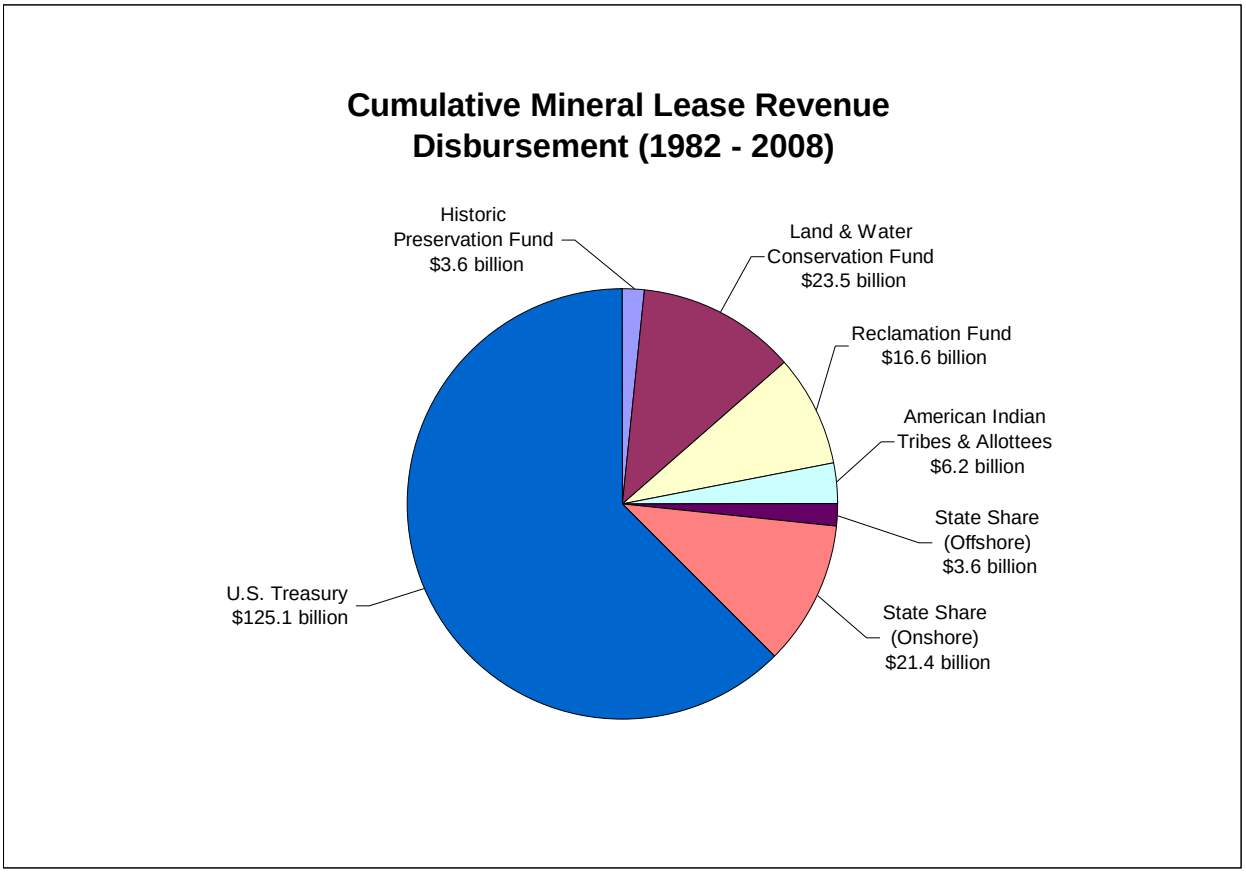


Figure 19: Cumulative Mineral Lease Revenue Disbursements (1982 – 2008)

Special purpose funds, including the Land and Water Conservation Fund (LWCF), the National Historic Preservation Fund, and the Reclamation Fund, have received $43.7 billion in MMS-collected mineral revenues since 1982.

Program Performance: Past Accomplishments & Future Goals

Timely Revenue Disbursement: The MMS ensures that funds are disbursed to recipients by the end of the month following the month received, per statute. In 2005, MMS disbursed 98 percent of its revenues on a timely basis, per statute, exceeding its target of 96 percent. This increase resulted from a three-pronged effort of working directly with companies to increase reporting accuracy, increasing the accuracy of the financial system's payment matching process, and enhancing the edits of the electronic reporting process to reduce the number of rejected report lines. In FY 2006, MRM focused on reducing Accounts Receivable and unapplied payments. This resulted in the processing of several older payments, which lowered our timely disbursements result to 94.5 percent, compared to the 96.5 percent target. Following MRM's completion of this work, timely disbursements increased to 99.2 percent during 2008, against a 98 percent target. The targets for both 2009 and 2010 are 98 percent for this measure.

Timely Service to American Indians: In 2008, MMS transferred 100 percent of American Indian revenues it received to the Office of the Special Trustee for American Indians (OST) within one

business day of identification, against a 100 percent target. To ensure prompt payment of mineral revenue payments to American Indian Tribes and IIMOs, MMS immediately deposits Indian revenues into accounts administered by OST where they are invested and subsequently distributed by BIA to American Indian Tribes and IIMOs. The target is 100 percent for 2009 and 2010. The BIA requires Financial Distribution Report (FDR) information in order to distribute funds to IIMOs. To better serve its American Indian constituents, MMS provides this lease distribution data to BIA twice each month. In 2008, MMS provided lease distribution data to BIA for 97.1 percent of royalties by the first semi-monthly distribution, against a 96 percent target. The target for 2009 is 96.5 percent, and in 2010, MMS has set the target at 97 percent.

Financial Accountability: The MMS's financial system has automated internal controls and accounting processes to reconcile subsidiary and control accounts and to ensure proper recording and reporting of revenues. The MMS records financial transactions with an account structure consistent with the U.S. Government Standard General Ledger (USSGL). The MMS uses the USSGL accounts to prepare external reports to OMB and the U.S. Treasury and to prepare financial statements and the Annual Financial Report.

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

Unqualified Audit Opinion on Mineral Revenue Custodial Accounts. To provide greater assurance on the integrity of financial operations and the accuracy of financial data, MMS undergoes annual Financial Statement audits, including a thorough review of mineral revenue custodial accounts. In November 2008, the Office of the Inspector General (OIG) released the Independent Auditors' Report on the Department of the Interior Financial Statements for FY 2007 and 2008. The Independent Auditors' Report concluded that "Interior's financial statements as of and for the years ended September 30, 2008 and 2007, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles." Their consideration of internal control over financial reporting resulted in the identification of one significant deficiency considered to be a material weakness and five significant deficiencies for the Department, none of which applied to MRM.

Company Reporting Accuracy = MMS Revenue Disbursement Timeliness

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

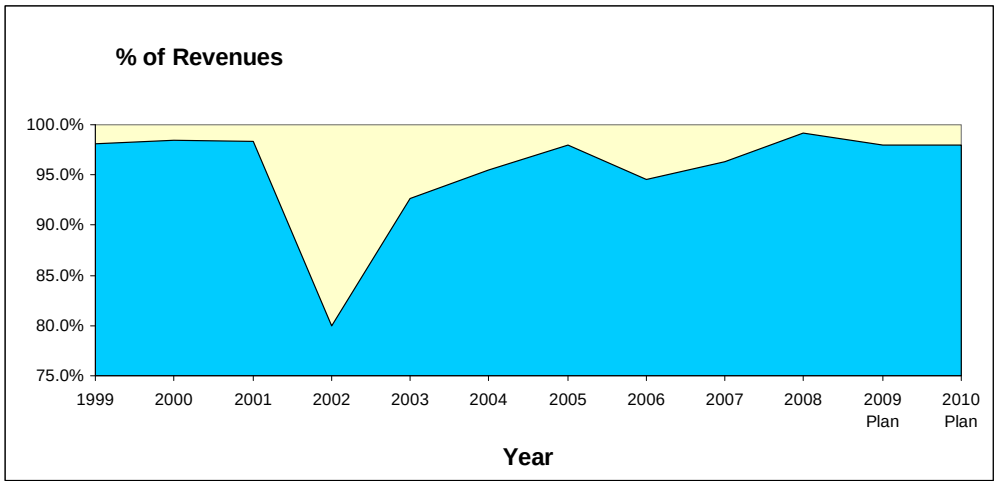


Figure 20: Percent of Revenues Disbursed On-Time

In 2002, after implementation of the new systems and a court-ordered internet shutdown, company reporting accuracy fell to 86 percent, and MMS disbursement timeliness dropped to 80 percent. Since that time, both metrics have improved due to MMS focusing its resources on error resolution, in consultation with companies, and providing additional training to companies. During 2006, MMS processed several older payments, which lowered our timely disbursements result to 94.5 percent, even though companies reported 97.4 percent accurately. MRM has completed the older processing work and timely disbursements increased during FY 2007 to 96.3 percent and to 99.2% during 2008. For 2009 and 2010, MMS is targeting 98 percent disbursement timeliness and 98 percent reporting accuracy.

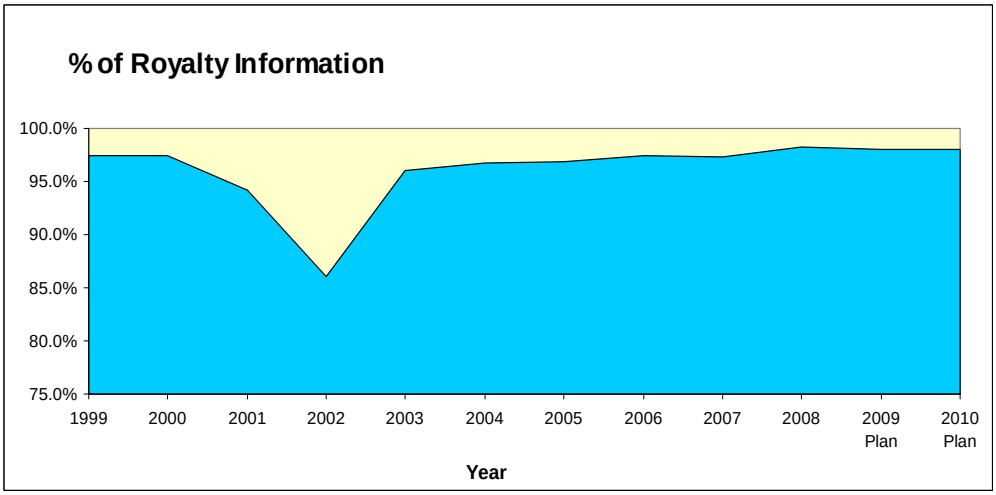


Figure 21: Percent of Royalty Information Reported Accurately

Energy Policy Act Implementation Project. The MRM program continues to move forward in implementing provisions of the Energy Policy Act of 2005 (EPAct). As of the end of FY 2008, MRM has completed the following:

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

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

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

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

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

- Completed work on the proposed rule Valuation of Federal Coal for Advance Royalty Purposes and an associated Information Collection Request applicable to all solid minerals. The proposed rule would establish alternative methods to determine the value of coal for advance royalty purposes, implementing Section 7(b) of the Mineral Leasing Act of 1920 as amended by the Energy Policy Act of 2005. The MMS and BLM have companion proposed regulations, which are both currently under review and consideration by the new Administration.

Information Technology: Information systems and electronic government infrastructure play a critical role in MMS's collection and disbursement of the Nation's mineral revenues. The

MRMSS is contractor-owned and operated and uses commercial off-the-shelf (COTS) software that has been modified for MRM requirements. The MMS continues to ensure that its systems remain secure, interactive, web-based, and compliant with latest mandated accounting requirements and technologies. While the Web-based paradigm creates efficiencies and conforms to industry best practices, this approach creates a strong dependency on access to the internet.

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

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

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

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

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

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

Projected 2009 MRMSS costs total $21.0 million, comprised of $2.8 million for initiatives, $18.2 million for operations and support costs, and an additional $0.3 million for FTE costs, as reported in the Exhibit 300; MMS-MRMSS (Revision 23). Budget year 2010 MRMSS projections total $20 million, including $1.2 million for initiatives.

COLLECTION AND INVOICING PROGRAM PERFORMANCE

The MMS collects annual rental revenues and reporting information on more than 37,000 non-producing leases and monthly royalty revenue and sales reports on more than 29,000 producing onshore and offshore Federal leases.

Generally, royalty payments are due from energy companies on the last day of the month following the month of production. Each month, MMS receives and processes approximately 41,000 reports containing more than 700,000 lines of data from over 2,100 energy companies. In the process, several forms of primary data are collected, electronically or by hard-copy transmission, and maintained by MMS:

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

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

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

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

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

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

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

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

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

Program Performance: Past Accomplishments & Future Goals

Company reporting accuracy is key to ensuring that MMS achieves timely disbursement. In 2008, Companies reported 98.3 percent of royalties accurately, thus, requiring MMS intervention to resolve royalty errors on only 1.7 percent of all royalties reported and paid. In 2009 and 2010, the target is 98 percent for this measure.

SUBACTIVITY SUMMARY

In summation, the MMS manages a substantial Federal monetary asset on behalf of the American public. Over the last five years, MMS has collected and distributed on average $13 billion in annual revenues for the Nation, States, and American Indians. As such, MMS is entrusted with performing an important fiduciary role for the Nation.

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

Table: 33: MRM Performance Overview – Revenue and Operations

Performance Overview - Revenue and Operations									
Note: Performance and Cost data may be attributable to multiple activities and subactivities. Therefore, measure costs may not equal totals shown in subactivity tables. n/a - Data not available									
End Outcome Goal: Manage or influence resource use to enhance public benefit, responsible development, and economic value.									
Measure	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
GPRA End Outcome Measures									
Percent of Federal and Indian revenues disbursed on a timely basis per statute (SP/PART/300)	98.4% ($1.978B / $2.011B)	94.5% ($2.505B / $2.650B)	96.3% ($2.251B / $2.336B)	98%	99.2% ($2.962B / $2.987B)	98%	98%	52%	99%
Total Actual/Projected Cost ($M)	42.3	43.7	45.8	45.2	45.2	47.9	48.5	0.5	--
Comments	*This measure reports the timely disbursement of revenues that are subject to late disbursement interest (LDI). The MMS is required by statute to disburse Federal funds to recipients by the end of the month following the month of receipt, per statute. The MMS is also required to deliver Indian lease data to BIA by the end of the month following the month of receipt so that OST can disburse revenues to Indian recipients. When not provided timely, these revenues are subject to late disbursement interest. MMS has recognized significant increases in disbursement timeliness between FY 2006 and 2008 by moving more "edits" up front, effectively placing more burden on companies to properly report, and by focusing on ensuring more timely payment reconciliation by companies, thus allowing more timely disbursement. Because the payment reconciliation process is very manually intensive, the targets for this measure remain at 98 percent for FY 2009 and 2010. However for FY 2011 forward, after full implementation in FY 2010 of the interactive payment and billing initiative, MMS anticipates that disbursement timeliness will maintain at 99 percent or above.*								
Intermediate Outcome Strategy 3: Appropriate value through effective lease and permit management									
GPRA Intermediate Outcome Measures, and Bureau and PART Outcome Measures									
Percent of companies' royalty information reported accurately the first time (PART/BUR)	96.9% (3.025M lines / 3.121M lines)	97.4% (3.084M lines / 3.167M lines)	97.3% (3.094M lines / 3.180M lines)	98%	98.3% (3.464M lines / 3.523M lines)	98%	98%	0%	98%
Comments	*This measure of royalty reporting accuracy is based on the number of accurate company-reported royalty lines compared to the total number of royalty lines. This measure is particularly important in meeting our goals of transferring State and Indian revenue dollars and lease royalty distribution data timely. The MRM influences this metric by providing reporter training free of charge to companies in various geographic locations; and the targeting of specific companies for additional assistance to ensure that royalty reporting accuracy remains high.*								
Late disbursement interest costs (PART)	N/A	Baseline $1.851M	- 9.5% - $0.176M	-40% (Cum) -$0.740M	-80% (Cum) -$1.481M	-60% (Cum) -$1.111M	-80% (Cum) -$1.482M	-20% $0.371M	-90% (Cum) -$1.666M
Comments	*MMS's goal is to decrease taxpayer dollars spent on late disbursement interest (LDI) by 90% from the baseline year of FY 2006. Per statute, revenue is due the states not later than the last business day of the month following the month of receipt, and interest is due for onshore revenues not disbursed timely to states. The year-over-year result may fluctuate, thus, the FY 2010 target remains 60%, though the ultimate reduction by FY 2012 is targeted at 90%.*								
Percent of late disbursements (SP)	0.34% ($0.033B / $9.939B)	1.13% ($0.145B / $12.831B)	0.74% ($0.086B / $11.671B)	1.0%	0.11% ($0.025B / $23.373B)	0.9%	0.8%	-0.1%	0.7%
Comments	*This measure reports the percent of Federal and Indian revenues not paid to States or allocated to BIA timely compared to total disbursements.*								

Performance Overview - Revenue and Operations (continued)									
Measure	**2005 Actual**	**2006 Actual**	**2007 Actual**	**2008 Plan**	**2008 Actual**	**2009 Plan**	**2010 President's Budget**	**Change from 2009 Plan to 2010**	**Long-term Target 2012**
Transfer X percent of revenue to OST within 1 business day of receipt (BUR)	100% ($113.4M/ $113.4M)	100% ($157.1M/ $157.1M)	100% ($124.3M/ $124.3M)	100%	100% ($139.8M/ $139.8M)	100%	100%	0%	100.0%
Comments	*This measures the percentage of all Indian revenue received on a daily basis that is transferred to OST within one business day of identification. The MMS monitors the timeliness of the data transfer to ensure fulfillment of MMS's Indian Trust responsibilities.*								
Percent of royalties for which lease data provided to BIA by first semi-monthly distribution (PART)	92% ($95.8M / $103.2M)	94.7% ($130.0M / $137.3M)	96% ($126.8M / $132.1M)	96.0%	97.1% ($121.5M / $125.1M)	96.5%	97.0%	0.5%	98%
Comments	*The MMS's goal is to provide BIA the lease data needed to disburse revenue to individual Indian mineral owners (no later than the first semi-monthly distribution following the month of receipt of the revenue). The BIA needs this lease data so that OST can disburse revenues to correct recipients.*								
Ensure systems availability (300)	100%	100% (553,729 min / 554,430 min)	100% (537,785 min / 537,884 min)	100%	100% (577,950 min / 578,040 min)	100%	100%	0%	100%
Comments	*This measures the overall, online availability of the Minerals Revenue Management Support System (MRMSS). The MRMSS is comprised of the MRM Financial System, the RIK (Nucleus) System, and the MRM Data Warehouse.*								
Outputs									
Federal Disbursements	12	12	12	12	12	12	12	0	12
Indian Revenue Distribution Transactions	24	24	24	24	24	24	24	0	24
Errors & Exceptions Resolved	2,978,743	3,973,267	3,136,895	2,800,000	3,650,168	3,250,000	2,710,000	-540,000	2,210,000
Comments	*The majority of the Missing OGOR project was conducted during FY08, resulting in a higher number of resolved exceptions. The remaining missing exceptions will be resolved in FY09 followed by a gradual drop in exceptions because of an ongoing effort to force industry to submit clean data. Projected workload reduced in FY 2010 because of movement of edits to MRM's electronic reporting provider, which will result in fewer errors.*								
Invoices processed	6,210	7,958	25,034	4500 *	12,110	11,000	11,000	0	11,000
Comments	*In FY 2007 a Corrective Action plan to catch-up the interest billing backlog was executed. This concerted effort resulted in the issuance of over 25,000 interest bills. The internal projected workload for FY 2008 forward has been revised to 11,000 to stay current with ongoing interest invoices as well as other types of invoices.* ** The planned workload level for FY 2008 should have been 10,000.*								
Lease & Well Agreement Actions Completed	104,564	120,478	132,174	120,000	145,671	130,000	130,000	0	130,000
Comments	*The increase in FY 2007 was the result of regaining access to the BLM Automated Fluid Minerals Support System (AFMSS) and an increased focus on well related exceptions.*								
Checks & Documents Processed	85,715	86,484	86,027	86,700	79,738	68,000	48,000	-20,000	42,000
Comments	*The implementation of Pay.gov, which will offer payors a free method of paying electronically online, is projected to occur during late FY 2009, reducing the number of checks received in FY2010 forward.*								
Account Reconciliation Actions	23,521	23,648	30,254	20,000	29,460	30,000	25,000	-5,000	20,000
Comments	*The reduction in account reconciliation actions in FY 2012 is anticipated with the implementation of the new process for collection of rents electronically. The process is expected to be implemented in FY 2010, with full achievement of efficiencies in FY 2012.*								

2010 PERFORMANCE BUDGET REQUEST
General Administration

Table 34: General Administration Summary of Budget Request

General Administration		2008 Enacted	2009 Enacted	FY 2010 Fixed Costs & Related Changes (+/-)	FY 2010 Program Changes (+/-)	FY 2010 Budget Request	Change from 2009 (+/-)
Executive Direction	($000)	2,590	2,741	+77	0	**2,818**	**+77**
	FTE	26	26	0	0	**26**	**0**
Policy and Management Improvement	($000)	4,165	4,236	+92	0	**4,328**	**+92**
	FTE	31	31	0	0	**31**	**0**
Administrative Operations	($000)	17,310	17,654	+450	+1,925	**20,029**	**+2,375**
	FTE	150	150	0	+7	**157**	**+7**
General Support Services	($000)	23,392	26,589	+1,835	+100	**28,524**	**+1,935**
	FTE	0	0	0	0	**0**	**0**
Total, General Administration	**($000)**	**47,457**	**51,220**	**+2,454**	**+2,025**	**55,699**	**+4,479**
	FTE	**207**	**207**	**0**	**+7**	**214**	**+7**

BUDGET OVERVIEW

The General Administration function provides the administrative, management and policy support, and services that the entire MMS organization needs to carry out its primary mission of resource and revenue management. The proposed changes to General Administration are in support of planned increases in the Offshore Energy and Minerals Management's Renewable Energy and Five-Year Plan initiatives as well as bureau wide issues relating to fixed costs increases such as Departmental Working Capital Fund, rent and other related fixed costs. A total $55,601,000 is requested for General Administration in FY 2010, an increase of $4,479,000 from the 2009 enacted budget.

Request Component	Subactivity	Amount	FTE
Program Changes			
	Total	**+1,925,000**	**+7**
• Renewable Energy Initiative	Administrative Operations	+1,780,000	+6
• New 5-Year Plan		+145,000	+1
	Total	**+100,000**	**+0**
• Renewable Energy Initiative	General Support Services	+100,000	+0
• Total, Program Changes		**+2,025,000**	**+7**

Fixed Costs and Related Changes

For 2010, an increase of $6,520,000 for fixed costs is requested for all of MMS, which covers anticipated increases in pay, benefits and other costs. If these increases are not funded, MMS's

mission critical programs may suffer since unfunded fixed costs must be absorbed and existing resources may have to be redirected from programmatic needs to pay for fixed costs.

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

January 2009 annual pay adjustments (3.9%)	+$1,598,000
January 2010 annual pay adjustments (2.0%)	+$2,459,000
Employer Share – Health Benefits	+$628,000
GSA/Non-GSA Space Rental	+$1,446,000
Unemployment compensation	+12,000
Workers' compensation	- $61,000
Increase – Department Working Capital Fund	+$438,000
Total requested Fixed Cost Increases	**+$6,520,000**

PROGRAM OVERVIEW

The MMS General Administration Activity consists of four subactivities:

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

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

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

Performance

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

2010 PERFORMANCE BUDGET REQUEST
General Administration
Executive Direction

Table 35: Executive Direction Subactivity Budget Request

General Administration		2008 Enacted	2009 Enacted	FY 2010 Fixed Costs & Related Changes (+/-)	FY 2010 Program Changes (+/-)	FY 2010 Budget Request	Change from 2009 (+/-)
Executive Direction	($000)	2,590	2,741	+77	0	**2,818**	**+77**
	FTE	26	26		0	**26**	**+0**

SUMMARY OF 2009 PROGRAM CHANGES

Program Change	Amount	FTE
Total Program Changes	**+$0**	**+0**

PROGRAM OVERVIEW

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

Office of the Director (OD)

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

Office of Public Affairs (OPA)

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

Office of Congressional Affairs (OCA)

The OCA serves as the primary point of contact with Congress, and is responsible for the coordination of all communication and outreach with Congressional offices, as well as ensuring a

consistent message and the effective exchange of information. The OCA serves as the liaison for MMS on all Congressional and legislative matters that affect MMS with Congress, the Department of the Interior, and other Federal executive agencies.

2010 PERFORMANCE BUDGET REQUEST
General Administration
Policy and Management Improvement Subactivity

Table 36: Policy and Management Improvement Subactivity Budget Request

General Administration		2008 Enacted	2009 Enacted	FY 2010 Fixed Costs & Related Changes (+/-)	FY 2010 Program Changes (+/-)	FY 2010 Budget Request	Change from 2009 (+/-)
Policy and Management Improvement	($000)	4,165	4,236	+92	0	**4,328**	**+92**
	FTE	31	31		0	**31**	**+0**

SUMMARY OF 2009 PROGRAM CHANGES

Program Change	Amount	FTE
Total Program Changes	**+0**	**+0**

PROGRAM OVERVIEW

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

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

POLICY, APPEALS AND REGULATION PROGRAMS

Policy Analysis

At the request of the Director and in support of Secretarial initiatives, PMI provides policy reviews and analysis on a broad range of complex and controversial matters. In addition, PMI

reviews legislation, regulations, and other documents for their policy content and provides analysis of proposals from outside MMS that affect Bureau programs.

Open and Nondiscriminatory Access Hotline

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

Royalty Policy Committee Subcommittee Report Recommendations

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

Administrative Appeals

MRM frequently determines that a company did not pay sufficient royalties or other monies and then orders that company to pay additional monies. Federal regulation, 30 CFR Part 290, Subpart B, establishes the right to appeal these orders, to the MMS Director and companies exercise this right by filing an appeal with MRM.

After an appeal is filed, PMI's appeals staff performs an independent review of the issue under appeal and the Associate Director for PMI, on the Director's behalf, renders MMS' final decision for federal leases and recommends final decision to the Director of Bureau of Indian Affairs for Indian leases.

Regulatory Direction

PMI manages MMS's regulatory program and serves as liaison to the Department's regulatory office, the Federal Register and the Office of Management and Budget. PMI manages and organizes the rulemaking process to enable the Director to assure that rules are consistent with policy and legislation and meet all administrative requirements. PMI, working with the MMS Executive Committee, prioritizes all rulemakings, tracks status, and assures that OMB, Departmental and Congressional requirements are met.

PLANNING AND PERFORMANCE PROGRAMS

Strategic Planning and Performance Management

PMI is the organization responsible for strategic planning and ensuring a culture of accountability for results at MMS. PMI coordinates and guides the Bureau in developing and implementing strategic and annual implementation plans, developing performance metrics, and ensuring that metrics are comprehensive and consistent with MMS policy.

PMI works with the Bureau programs to integrate performance and activity based costing (ABC). The office leads efforts to strengthen bureau decision-making and improve results through corporate-level analysis and review of ABC costs of program outputs, performance and financial management metrics, and the results of internal and external assessments. PMI leads MMS's initiative to apply activity-based costing/management (ABC/M) methods to its operations.

Program Evaluation and Review of Internal Management Controls

PMI leads an integrated evaluation process to ensure that MMS programs operate as designed and that recommendations resulting from internal and external reviews are adequately addressed. All evaluations of MMS programs and activities are tracked, analyzed, and the status is provided quarterly to management. The evaluations include both internal and external reviews such as GAO and OIG audits, management control reviews, risk assessments, performance assessments, ABC data reviews, administrative reviews, financial management metrics, Program Assessment Rating Tool (PART), and other special ad hoc reviews of MMS programs and initiatives. PMI also conducts independent evaluations of MMS's program operations.

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2010 PERFORMANCE BUDGET REQUEST
General Administration
Administrative Operations Subactivity

Table 37: Administrative Operations Subactivity Budget Request

General Administration		2008 Enacted	2009 Enacted	FY 2010 Fixed Costs & Related Changes (+/-)	FY 2010 Program Changes (+/-)	FY 2010 Budget Request	Change from 2009 (+/-)
Administrative Operations	($000)	17,310	17,654	+450	+1,925	**20,029**	**+2,375**
	FTE	150	150		+7	**157**	**+7**

SUMMARY OF 2010 PROGRAM CHANGES

Request Component	Amount	FTE
Renewable Energy Initiative	+$1,780,000	+6
New 5-Year Plan	+$145,000	+1
Total Program Changes	+$1,925,000	+7

JUSTIFICATION OF 2010 PROGRAM CHANGES

The 2010 Budget Estimate for the Administrative Operations Subactivity is $20,029,000 and 158 FTE, with a program increase of $1,925,000 and 7 FTE to support the Renewable Energy Program and Five-Year Plan initiatives.

Renewable Energy Initiative (+$1,780,000; +6 FTE)

Justification: The OCS is a frontier area for renewable energy projects. In FY 2010, MMS anticipates a substantial increase in work required to conduct renewable studies and analyses in support of leasing OCS sites for the commercial generation of renewable energy. Substantial environmental reviews associated with lease sales and individual noncompetitive proposals will be necessary, and extensive consultation with affected coastal states and regulatory agencies will be required. The renewable energy studies would be a mix of both small and large studies that would last from one to three years. These studies would be procured by a variety of methods including simplified acquisition, negotiated contracting, interagency agreements, as well as potential cooperative efforts. The total effort would require a significant amount of time and expertise to successfully award and administer the actions. In addition, with a considerable expansion of the MMS workforce under this initiative there will be a need for increased administrative support functions including human resources, support services, and physical/personnel security.

Five-Year Plan ($145,000; +1 FTE)

Justification: The Alaska MMS environmental studies that are just underway or planned to begin will improve our information base for the management of the natural and biological resources found in the study areas. The studies to be conducted must support both the pre-sale and post-sale (exploration, development, and production) environmental analyses and therefore be designed to gather information over an extended period of time to make observations in advance of, and then during post sale operations. OEMM estimates an additional two to four new environmental studies for Alaska associated with this initiative. The Alaska studies would be large, complex, and last up to five years. These studies would involve a number of different procurement vehicles (i.e. contracts, interagency agreements, cooperative agreements) and possibly multiple research partners resulting in a more complex and lengthy procurement process.

PROGRAM OVERVIEW

The Administrative Operations Subactivity consists of the following functions: Administrative Direction and Coordination, Emergency Management, Budget, Finance, Equal Employment Opportunity, Human Resources, Procurement, and Information Management. All administrative operations are directed and carried out at the MMS Headquarters and nationwide through six divisions and two administrative service centers: the Western Administrative Service Center and the Southern Administrative Service Center.

Administrative Direction and Coordination: Administrative direction and coordination provides for oversight of all administrative activities within MMS. This oversight ensures compliance with laws relating to administrative activities; provides for the review, interpretation, and implementation of Federal executive branch administrative policies and procedures; and develops appropriate guidance to ensure compliance with DOI, OMB, GSA, and other executive branch administrative policies and regulations. This function also includes responsibility for the Bureau's management analysis functions, such as management studies and reviews, organizational reviews, delegations of authority and related activities, and special projects.

Emergency Management: The Emergency Management program is responsible for providing emergency management services and preparing continuity of operations plans. An Emergency Coordinator and associated staff oversee the operations of this program. MMS has a process in place for reporting critical emergency incidents to the appropriate officials in a timely manner. Our Continuity of Operations Program (COOP) includes training and exercises, providing for alternate relocation facilities, alternate interoperable communications, and alternate database/records access. Our goal is to have appropriate emergency management plans, and continuity of operations plans, in place for any unplanned event or unforeseen circumstance that can cause significant disruption of mission functions.

MMS continues to be in compliance with the Office of Homeland Security's National Incident Management System and Incident Command System, working closely with designated lead agencies such as the U.S. Coast Guard to safeguard our Nation's energy supply.

Budget Division: The Budget Division provides budget analysis and guidance for the formulation, Congressional and execution phases of the budget cycle. During the *budget formulation cycle,* the Budget Division develops and maintains all budgetary data to support MMS's budget requests to the Department with submission of the Budget Proposal, to the Office of Management & Budget with submission of the Budget Estimates and to the Congress with submission of the Budget Justifications. During the *Congressional phase,* the Budget Division prepares capability and effect statements, provides answers to House and Senate questions and drafts testimony and oral statements for Congressional hearings. Throughout the *execution phase,* the Budget Division tracks spending against line item budgets, analyzes budgetary and expense data and provides regular updates to MMS executives on the status of funds. The Budget Division works closely with the Planning & Management Division and program level performance staff to integrate performance data and information into all aspects of budget formulation and execution.

Finance Division: The Finance Division is responsible for the planning and effective utilization of financial system resources in support of the varied operating and support programs of the Bureau. The Finance Division serves as the focal point for the implementation of the provisions of the Chief Financial Officer's Act of 1990 including liaison responsibilities for the annual audit of the combined financial statements contained in the Annual Financial Report for the Bureau.

This Division is responsible for the administrative accounting operations of the Bureau. Finance manages the administrative accounting system; audits and schedules bills for payments; collects debts; develops financial data; prepares financial reports; provides advice and guidance on financial matters; and maintains liaison with Departmental offices and other Federal agencies. It is a long-term goal of MMS to ensure that timely and accurate financial data are readily available to assist MMS management in making sound and justified management decisions. In support of these priorities, MMS has moved aggressively to respond to recommendations made by OIG to improve financial performance.

Equal Employment Opportunity Division (EEOD): The EEOD develops, monitors, and operates the MMS Equal Employment Opportunity (EEO) program in compliance with the Civil Rights Act of 1964, the Equal Employment Opportunity Act of 1972, Executive Order 11478, departmental directives, and other related statutes and orders. Specifically, the responsibilities of MMS-EEOD include:

- Provide advice and guidance to managers, supervisors, and employees;
- Maintenance and operation of the discrimination complaint system;
- Implementation of Equal Employment Opportunity and Affirmative Employment Plans;
- Implementation of programs for diversity, higher education, and related partnerships;
- Administration of the Employee Assistance Program;
- Administration of programs for dispute resolution alternatives;
- Monitor, evaluate, and adjudicate civil rights compliance, enforcement functions covering EEO, and federally funded/assisted education and training programs with State and local governments. (Titles VI & IX to include Sections 504 & 508 of the Rehabilitation Act);
- Oversight of special initiative programs designed to involve more women, minorities and people with disabilities in the program areas and throughout all levels of management;

- Coordination of responses to Solicitors Office EEO issue requests; and
- Compliance with the Departmental Office for Equal Opportunity and EEO Commission directives.

Human Resources Division: The Human Resources (HR) Division develops and implements policies, procedures, guidelines, and standards relating to general personnel management, recruitment and employment, position management and classification, and employee development. The HR work includes preparing appropriate reports, performing all operational personnel services for Headquarters and client organizations, and providing assistance and guidance related to personnel matters for all regional and field installations. The work of this division focuses on employee relations and services, including personnel program evaluation, labor/management relations, advising employees about conflict of financial interest and standards of conduct, and administering incentive awards programs, family friendly programs, the Federal Equal Opportunity Recruitment Program, and Senior Executive Service program. In addition, the Division is responsible for the development of training policy and oversight of a bureau-wide Learning Management System that will serve as a valuable workforce planning and management tool. The HR Division will also coordinate all Departmental mandated employee development initiatives for implementation in MMS.

The Human Resources Division also leads all MMS workforce-planning initiatives, which include analyzing the current workforce, identifying future workforce needs and preparing plans for building the workforce needed in the future. The long-term benefits of workforce-planning initiatives include the ability of MMS to meet its mission and performance goals.

Procurement Division: The Procurement Division is responsible for the execution and administration of MMS contracts and financial assistance agreements. The Division provides acquisition and financial assistance policy guidance, cost and price analysis, and advice to procurement and program personnel. It conducts acquisition management and other internal control reviews of procurement activities. The Procurement Division also administers the purchase line of the MMS charge card program and manages the agency's competitive sourcing program. In addition, this division manages the Business and Economic Development Program to maximize opportunities for small, disadvantaged, and women-owned businesses, as well as historically black colleges and universities as both prime contractors and subcontractors. The Division also oversees all acquisition career management programs.

Support Services: Support Services includes facilities management for 27 leases in MMS locations throughout the country, space management, mail and courier activities, bureau wide physical security, the Safety and Health Management Program, voice and data communications, printing and publication activity, and property management and issuance of policy on these functions. The property management program maintains accountability records of all system-controlled property in the possession and control of custodial property officers and Bureau contractors and manages the vehicle fleet and the Bureau museum property including an Arts and Artifacts program.

Information Management Division: The Information Management Division (IMD) supports the Chief Information Officer (CIO) in his duties and responsibilities for ensuring the efficient and effective planning, management and acquisition of information technology and information

resources within MMS and ensuring compliance with all DOI and Federal information resources management policies and guidelines.

The IMD is engaged in an ongoing effort to establish, maintain, and support an IT investment analysis and decision-making environment to ensure that all bureau IT investments are well planned, implemented, cost effective, and aligned with the MMS and DOI enterprise architecture. This includes managing the Bureau capital asset planning program by performing IT investment portfolio analysis; managing the review and submission to OMB of MMS's Business Cases (Exhibit 300s); developing the Bureau Exhibit 53 (IT portfolio); and maintaining liaisons with the DOI regarding MMS information technology investments.

The IMD also implements and supports the Bureau's IT security program. The Bureau IT Security Manager works collaboratively with the MMS program areas IT Security Managers as well as with the DOI's Office of the CIO to review and improve security plans, policies, procedures, and standards to reflect technological changes. The IT security efforts also include participating in risk assessments and management reviews of the Bureau's systems and networks, identifying security issues, and recommending mitigation.

Field Administrative Service Centers*:* The Field Administrative Service Centers provide direct administrative support to various MMS program managers through two locations:

- **The Southern Administrative Service Center (SASC):** The SASC, located in New Orleans, Louisiana, provides direct administrative support, direction, and coordination to programs in the Gulf of Mexico Region (GOMR), the Information Technology Division and the OCS Connect Project Management Office. The SASC also provides full support to five outlying District GOMR offices.

- **The Western Administrative Service Center (WASC):** The WASC, located in Denver, Colorado, provides direct administrative support, direction, and coordination to the Minerals Revenue Management offices in Denver and its field entities, the Office of Policy and Management Improvement, the Offshore Energy and Minerals Management Mapping and Survey Staff in Denver, and the Alaska and Pacific OCS Regions.

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2010 PERFORMANCE BUDGET REQUEST
General Administration
General Support Services Subactivity

Table 38: General Support Services Subactivity Budget Request

General Administration		2008 Enacted	2009 Enacted	FY 2010 Fixed Costs & Related Changes (+/-)	FY 2010 Program Changes (+/-)	FY 2010 Budget Request	Change from 2009 (+/-)
General Support Services	($000)	23,392	26,589	+1,835	+100	**28,524**	**1,935**
	FTE	0	0		0	**0**	**0**

SUMMARY OF 2010 PROGRAM CHANGES

Request Component	Amount	FTE
Renewable Energy Initiative	+$100,000	+0
Total Program Changes	+$100,000	+0

JUSTIFICATION OF 2010 PROGRAM CHANGES

The 2010 Budget Estimate for the General Support Services Subactivity is $28,426,000 and zero FTE, with a program change of $100,000 to support the Renewable Energy Initiative with no change in FTE.

Renewable Energy Initiative (+$100,000; +0 FTE)

Justification: As the Renewable Energy Program progresses from development to implementation additional infrastructure will be required. MMS will require additional office space, voice and data communications as well as related support services for the new employees.

PROGRAM OVERVIEW

The General Support Services subactivity includes funding for shared activities and related support services for the entire Bureau. These include expenses such as:

- Rental and security of office space
- Workers' compensation and unemployment compensation
- Voice and Data Communications
- The Department's Working Capital Fund (WCF)
- Annual building maintenance contracts
- Mail services
- Printing costs

The two major program objectives are to provide safe and secure facilities that will contribute to the productivity and efficiency of the employees in achieving goals and objectives, and to provide appropriate services in support of MMS operating programs.

PERFORMANCE OVERVIEW

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

2010 PERFORMANCE BUDGET REQUEST
Mineral Leasing Receipts

The discussion under this tab is divided as follows:

Permanent Appropriations: This section refers specifically to those mineral leasing receipts which are permanently appropriated for making payments to States and local governments from revenues generated from onshore Federal lands and from certain offshore mineral leasing receipts. Funds are distributed into permanent accounts, and payments to states (and where appropriate, local political subdivisions) are made from those accounts. Permanent appropriations are a subset of the larger "Mineral Leasing Receipts" discussion.

Mineral Leasing Receipts: This section comprehensively discusses both onshore and offshore receipts, with charts explaining the distribution of receipts, and tables with detailed breakouts. In addition to permanent appropriations, funds are deposited in the General Fund of the U.S. Treasury and various special fund accounts, with spending from those accounts subject to subsequent appropriation.

PERMANENT APPROPRIATIONS

The permanent appropriations administered by MMS provide for the sharing of mineral leasing receipts collected from the sale, lease, or development of mineral resources located on onshore Federal lands and certain offshore areas. The revenues for these payments are derived from bonuses, rentals, and royalties collected from Federal mineral leases and late payment interest. The MMS distributes these funds in accordance with various laws that specify the basis for and timing of payments.

The MMS disburses all monthly mineral-leasing payments, including late disbursement interest, to the states (and to counties in the case of geothermal receipts). Grants provided under the Coastal Impact Assistance Program (CIAP) are subject to MMS oversight and verification that the funds are being spent in a manner consistent with the authorizing legislation for these payments (Section 384 of the Energy Policy Act of 2005). The Act provides for a direct appropriation of $250 million for CIAP grants in each of fiscal years 2007-2010.

The following table shows the breakout of permanent appropriations.

Table 39: Permanent Appropriations ($000)

Appropriation	States Share	FY 2008 Actual	FY 2009 Estimate	FY 2010 Estimate	Change from 2009
Mineral Leasing Associated Payments *(MLAP)*	50%	2,456,806	2,047,797	2,186,541	+138,744
National Forest Fund Payments to States *(Forest Fund)*	25%	13,853	8,621	9,014	+393
Payments to States from Lands Acquired for Flood Control, Navigation, and Allied Purposes *(Flood Control)*	75%	6,514	2,805	2,971	+166
Qualified OCS revenues to Gulf producing states (GOMESA)	38%	N/A	29,888	6,263	-23,625
National Petroleum Reserve - Alaska	50%	3,889	7,750	14,300	+6,550
Subtotal, Payments to States	--	**2,481,062**	**2,096,861**	**2,219,089**	**+122,228**
Geothermal, Payments to Counties	25%	9,154	10,075	0	-10,075
Coastal Impact Assistance Program	N/A	250,000	250,000	250,000	0
Total, Permanent Appropriations	--	**2,740,216**	**2,356,936**	**2,469,089**	**+112,153**

Note: Revenues subject to the Gulf of Mexico Energy Security Act of 2006 (GOMESA) are disbursed to the states in the year after receipt and deposit in the Treasury. MLAP include royalty payments to Oklahoma and late interest payments.

Distribution Statutes for Permanent Appropriations

Mineral leasing and associated payments are governed by the Mineral Leasing Act (MLA), 30 U.S.C. 181 et seq., which provides that all states receive 50 percent of the revenues resulting from the leasing of mineral resources on federal public domain lands within their borders. Additionally, 40 percent of onshore revenues are paid to the Reclamation Fund, which funds western water projects. The remaining ten percent is paid into the General Fund of the U.S. Treasury. By law, Alaska receives no payments from the Reclamation Fund, but receives a 90 percent share of receipts from Federal mineral leasing in that state. Mineral leasing revenues are derived from royalties, rents, bonuses, and other revenues, including minimum royalties, late payment interest, settlement payments, gas storage fees, estimated royalty payments, and recoupments.

The 2010 President's Budget proposes a new excise tax on certain offshore oil and gas production. According to the Government Accountability Office, the return to the taxpayer from OCS production is among the lowest in the world, despite other factors that make the U.S. a comparatively good place to invest in oil and gas development. In the interest of advancing important policy objectives, such as providing a more level playing field among producers, raising the return to the taxpayer, and encouraging sustainable domestic oil and gas production, the Administration is developing a proposal to impose an excise tax on certain oil and gas produced offshore in the future. This new tax will begin in 2011, after the economy has had time to recover. The Department of Treasury would administer this tax, so the revenue that would be generated by this tax is not displayed in this section.

As part of a broader initiative to encourage energy development, the Budget proposes a new fee on nonproducing Gulf of Mexico offshore leases. This new fee would provide a financial incentive for oil and gas companies to either get leases into production or relinquish them so that tracts can be re-leased and developed by new parties. It would require holders of Gulf of Mexico OCS oil and gas leases to pay a $4/acre per year fee (in 2009 dollars) for each lease in any year or portion of year when the lease is in a non-producing status.

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

The Budget also assumes increases in revenues from administrative royalty reforms. The Administration believes that American taxpayers should get a fair return on the development of the resources on their public lands. A recent GAO report suggests that taxpayers could be getting a better return from Federal oil and gas resources, at least in some areas. Secretary Salazar has ordered a comprehensive review of the royalty rates from energy development on Federal land (onshore and offshore), as recommended by GAO. Following the review, the Secretary will implement appropriate royalty reforms and rate adjustments. The Budget assumes these reforms will increase Federal oil and gas revenues by $1.5 billion over the next 10 years. These revenue assumptions are built into the royalty receipt estimates presented in the tables included in this section.

Under 16 U.S.C. 499, states receive a Forest Fund payment equal to 25 percent of all revenue as a result of activities occurring in each of the national forests situated in that state. The law requires a state's payment be based on national forest acreage. Where a national forest occurs in several states, an individual state's payment is proportionate to its area within that particular national forest. This payment is to be used for the benefit of the public schools and public roads of that county or counties in which the national forest resides.

Flood Control payments to states are shared according to the Flood Control Act of 1936 (33 U.S.C. 701 et seq.), which provides that 75 percent of revenue collected from leasing on lands acquired for flood control in a particular state be shared with that state. These funds are to be

expended as the state legislature may prescribe for the benefit of the public schools and roads in the county from which the revenue was collected or for defraying any of the expenses of county government. These types of expenses include public obligations of levee and drainage districts for flood control and drainage improvements.

The Energy Policy Act of 2005 (P.L. 109-58) amended section twenty of the Geothermal Steam Act of 1970 (30 U.S.C. 1019 et seq.). The amendment provides that for the revenues collected from geothermal leasing, 25 percent are to be paid to the County in which the leased lands or geothermal resources are located. In addition, from FY 2006 through FY 2010, 25 percent of geothermal revenues are to be deposited into a special fund for use in implementing the Geothermal Steam Act (GSA). These revenues are transferred to BLM. The President's Budget proposes to eliminate the provisions in the Energy Policy Act of 2005 to provide revenues to counties and to the GSA implementation fund. These provisions are inconsistent with the normal 50/50 revenue sharing arrangements under the MLA and set an undesirable precedent for future expansion of revenue sharing with local governments.

The Energy Policy Act of 2005 also amended section thirty-one of the Outer Continental Shelf (OCS) Lands Act (43 U.S.C. 1356 et seq.) and authorizes the Secretary of the Interior to distribute to producing states and Coastal Political Subdivisions (CPSs), $250 million for each of the fiscal years 2007 through 2010. This funding will be shared among six producing states (Alabama, Alaska, California, Louisiana, Mississippi, and Texas) and 67 eligible CPSs within those states, based upon allocation formulas prescribed by the Act. The 2009 Appropriation contained provisions for MMS to retain three percent of the amounts disbursed under section 31(b)(1) of the CIAP program for administrative costs. The Budget would increase this percentage to four percent for FY 2010 (the last year of payments).

Funds are awarded as grants for approved coastal impact assistance plans for the following purposes:

- Conservation, protection or restoration of coastal areas, including wetlands;
- Mitigation of damage to fish, wildlife or natural resources;
- Planning assistance and administrative costs;
- Implementation of a marine, coastal or comprehensive conservation management plan; and,
- Mitigation of the impact of OCS activities through funding of onshore infrastructure projects and public service needs.

The distribution formula is based on the amount of qualified OCS revenues generated in each producing state related to the total OCS revenues. Of each state's allocable share, 35 percent is to be distributed to coastal political subdivisions based on population, coastline, and distance to applicable OCS leases. These annual payments from *Account 5572* were to be made starting in FY 2007 with the last payment to be made in FY 2010. However, key milestones established to implement the CIAP program have been missed due to the delay in receiving administration funds. Steady progress has been made to posture the MMS to disburse State grant funding in a timely manner. Please refer to the CIAP section for additional information.

The Gulf of Mexico Energy Security Act of 2006 (P.L. 109-432) opens additional areas in the Gulf of Mexico for offshore oil and gas leasing. The Act provides that 50 percent of revenues from these open areas (termed "qualified OCS revenues") be disbursed to Gulf producing states *(Accounts 5535.1 and 5535.2)* and to the Land and Water Conservation Fund *(Accounts 5005.9 and 5005.9)*, with specific provisions for allocation during FY 2007 – 2016. Beginning in 2017, the Act would share additional revenue from any new leases signed after enactment in the current program areas of the Gulf. The revenue would be shared in the same percentages (37.5 percent to Gulf States and 12.5 percent to LWCF) as for the newly opened areas. However, this additional revenue sharing is subject to a cap of $500 million per year (through 2055); revenues in excess of this cap would be deposited in the Treasury. The National Park Service (NPS) currently administers and disburses payments for the Land and Water Conservation Fund.

The funding to Gulf producing states is intended to be used primarily for coastal protection and restoration and is available in the year following the year in which the revenues are collected. The first payments under the Act are not expected to take place until FY 2009.

Calculation of States' Payments

Each permanent appropriation has a respective account in the United States Treasury. The FY 2008 actual payments are taken directly from year-end Treasury Statements. The amount on these statements represents the revenue that was paid out of each of the Treasury accounts that correspond to the permanent appropriations. Fiscal year estimates for payments to states are based on revenue estimates for each source type (oil, gas, coal, etc.), the appropriate distribution for each land category, as specified in the distribution statutes, and the amount of mineral receipts disbursed to that state (which is a percentage of the total mineral receipts disbursed to all states) for the prior year. Table 40, Mineral Revenue Payments to States, outlines the actual and estimated onshore mineral leasing revenue payments to states for FY 2008, FY 2009, and FY 2010.

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

States:	FY 2008 Actual Payments	FY 2009 Estimated Payments	FY 2010 Estimated Payments
Alabama	845	610	646
Alaska	20,742	21,798	29,299
Arizona	267	222	237
Arkansas	13,189	10,096	10,746
California	87,387	72,838	77,774
Colorado	178,378	148,679	158,752
Florida	6	5	6
Idaho	1,720	1,434	1,531
Illinois	287	124	131
Kansas	2,605	2,162	2,308
Kentucky	508	306	321
Louisiana	3,703	2,306	2,452
Michigan	1,171	909	966
Minnesota	13	8	9
Mississippi	1,008	640	670
Missouri	4,561	2,839	2,969
Montana	48,944	40,796	43,560
Nebraska	41	34	36
Nevada	13,826	11,525	12,305
New Mexico	614,827	512,471	547,193
N. Dakota	23,392	19,492	20,812
Ohio	575	264	279
Oklahoma	7,249	5,580	5,950
Oregon	257	215	229
Pennsylvania	69	30	32
S. Dakota	1,201	1,001	1,069
Texas	8,327	5,659	5,983
Utah	173,765	144,837	154,650
Virginia	227	114	120
Washington	203	169	181
West Virginia	776	416	437
Wyoming	1,270,987	1,059,395	1,131,173
Total	**2,481,062**	**2,066,973**	**2,212,826**

Notes:
- Figures exclude payments to counties under the Energy Policy Act of 2005. They also exclude payments made to coastal states under the Section 8(g) of the OCS Lands Act since they are direct, unappropriated transfers; these amounts are presented in Table 41.
- Amounts include receipts for sales in the National Petroleum Reserve-Alaska, royalty payments to Oklahoma and late interest payments.
- 2008 and 2009 payments are reduced by the Net Receipts Sharing provision enacted in the 2008 and 2009 Appropriations. This provision is not assumed to continue in 2010, so the 2010 estimated payments shown above are not reduced. Columns may not add due to rounding.

MINERAL LEASING RECEIPTS

Mineral leasing receipts are derived from royalties, rents, bonuses, and other revenues, including minimum royalties, late payment interest, settlement payments, gas storage fees, estimated royalty payments, and recoupments. The MMS is responsible for the collection of all mineral leasing receipts from all OCS lands, approximately 97 percent of Federal onshore lands, and most Indian lands.

The remaining Federal onshore mineral leasing collections include those payments that are made semi-annually or annually, including the payment made to Alaska for NPRA and payments made for leasing activities on acquired national grasslands. National grassland collections, which are shared between the General Fund of the U.S. Treasury and counties, are administered by the BLM and by the U.S. Department of Agriculture (USDA). All monies collected on Indian lands by MMS are deposited in the Treasury accounts controlled by the Office of Special Trustee (OST). MMS notifies OST of these deposits on a daily basis. Based on information received from MMS and the Bureau of Indian Affairs, OST instructs Treasury to make payments to Tribal and Indian allottee accounts.

The disposition of these collections between the General Fund of the U.S. Treasury, other Federal funds, and the states and counties is determined by statute. Legislation also determines how receipts are classified for budgetary purposes. Mineral leasing receipts are classified as offsetting receipts because they arise from business-type transactions with the public versus governmental receipts that arise from the Government's power to tax or fine. Offsetting receipts are further defined as: 1) Proprietary receipts, which offset Department of the Interior budget authority and outlays (most onshore receipts); and 2) Undistributed proprietary receipts, which offset total Federal budget authority and outlays as a bottom-line adjustment (all OCS receipts).

Distribution of Mineral Leasing Receipts

The distribution of mineral leasing receipts is broken down into two broad categories, onshore and offshore lands. In both cases, prior to distribution, the receipts or payments received are deposited into a holding or suspense account until the accounting system has identified the payments by the following three criteria:

- Source type (oil and gas, coal, other mineral royalties, etc);
- Land category (acquired forest, public domain, OCS, etc.); and
- Location (state or county to determine applicable share).

This identification process takes approximately one month if payors have filed their reports correctly.

Onshore Mineral Leasing Receipts

After the payments are identified by the above three criteria, they are redirected immediately into all accounts based on land category and source type (see Figure 22 for a visual representation of

the distribution of onshore mineral leasing receipts). In addition, detailed state information is necessary to disburse state revenue shares to each state's Treasury.

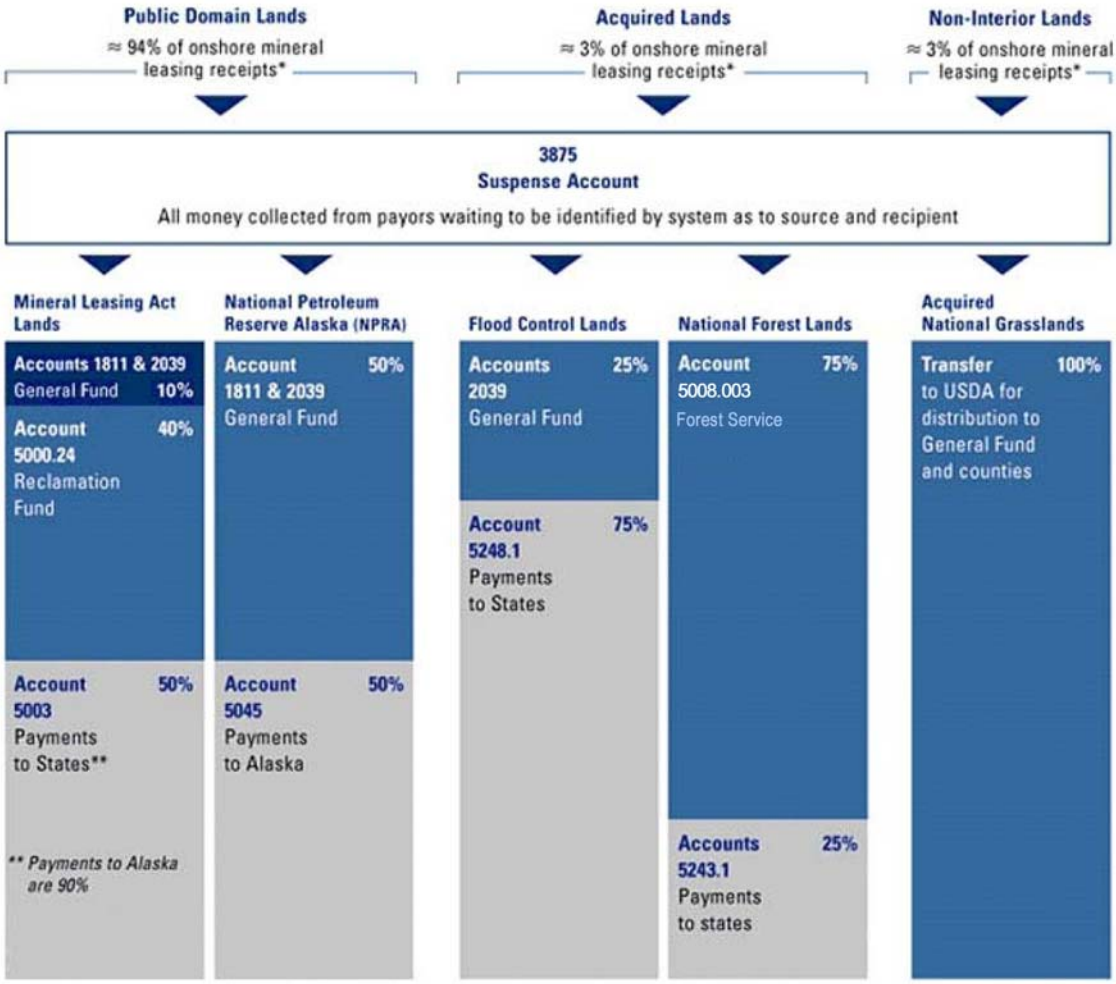
The collections from public domain lands leased under the Mineral Leasing Act (MLA) authority are shared fifty percent with the states (*Account 5003*), forty percent with the Reclamation Fund (*Account 5000.24*) for western water projects, and ten percent with the General Fund of the U.S. Treasury. For 2008 and 2009, state share payments reflect a 2 percent "net receipts sharing" deduction which is not assumed to continue in 2010. The General Fund share is deposited into two accounts depending on whether the collections are from rents and bonuses (*Account 1811*) or from royalties (*Account 2039*). Alaska receives the fifty percent state share and the forty percent Reclamation Fund share of mineral leasing receipts for Mineral Leasing Act lands.

Collections from the National Petroleum Reserve-Alaska lands (NPRA) are made to Alaska for its fifty percent share of the NPRA receipts. Since there is currently no production on the NPRA, the entire General Fund share, fifty percent, is derived from rents and bonuses (*Account 1811*).

The Energy Policy Act of 1992, *P.L. 102-486*, requires the Secretary of the Interior to disburse monthly to States all mineral leasing payments authorized by Section 6 of the Mineral Leasing Act for Acquired Lands. Therefore, MMS distributes the revenue collections from lands acquired for flood control, navigation and allied purposes, giving twenty-five percent of the total to the General Fund of the U.S. Treasury (either *Account 1811 or 2039*) and seventy-five percent to the States (*Account 5248.1*). The MMS distributes revenue collections from National Forest Lands, depositing seventy-five percent in the General Fund of the U.S. Treasury (*Account 5008.1*) and providing twenty-five percent to the States (*Account 5243.1*).

The Energy Policy Act of 2005 amended section 20 of the Geothermal Steam Act of 1970 (30 U.S.C. 1019 et seq.). The amendment provides that for the revenues collected from geothermal leasing, 25 percent are to be paid to the County (*Account 5574*) in which the leased lands or geothermal resources are located. In addition, during the first five fiscal years following enactment of the Energy Policy Act, the remaining 25 percent of revenues are deposited into a separate Treasury account (*Account 5575*) for DOI use in the implementation of the Geothermal Steam Act of 1970 and the Energy Policy Act of 2005.

Figure 22: Distribution of Onshore Mineral Leasing Receipts



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

Offshore (OCS Lands) Mineral Leasing Receipts

After distinguishing payments by source type, land category, and location, the receipts derived from OCS lands are deposited into accounts according to revenue source: rent, bonus, or royalty. Figure 23 provides a visual representation of the distribution of offshore mineral leasing receipts.

In order to bid on an OCS lease tract offered for sale, a bidder must submit an upfront cash deposit equal to one-fifth of the entire proposed bid. The deposit flows into *Escrow Account 6705* and accrues interest until MMS determines that the proposed bonus is at least equal to the fair market value of the tract. The interest earned on collections held in Escrow is deposited into a separate account that is not listed on the receipt tables contained in this document *(Account 1493).*

If the bid is rejected, the one-fifth upfront deposit, plus interest, is returned to the bidder. If accepted, the one-fifth upfront deposit, the remaining four-fifths of the bonus, along with the first year's rent are deposited into *Account 1820* for OCS rents and bonuses. Future OCS rents, due yearly until production begins, are also deposited into *Account 1820.* The OCS royalties, due from payors at the end of the month following each month of production, are deposited into *Account 2020*.

Under Section 8(g) of the OCS Lands Act, payments made to coastal states for their 27 percent share of OCS collections within the 8(g) zone, which is the area approximately three miles seaward from the State/Federal boundary, flow through *Account 6707*. Table 41 provides information on the 8(g) payments to coastal States.

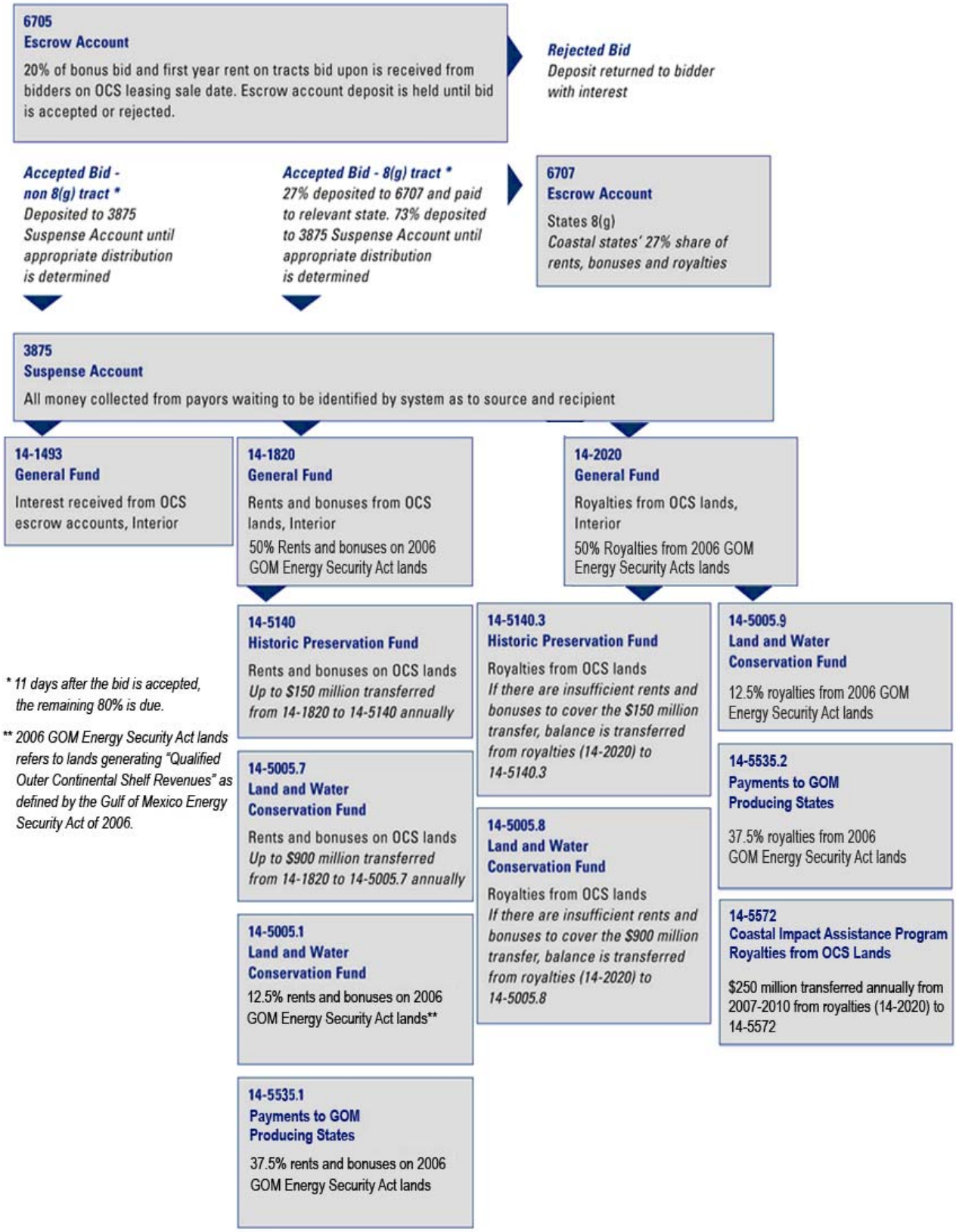
Table 41: Payments to Coastal States under OCSLA Section 8(g) ($000)

	FY 2008 Actual Payments	FY 2009 Estimated Payments	FY 2010 Estimated Payments
Alabama	14,991	5,242	6,373
Alaska	17,815	6,230	7,573
California	11,072	3,872	4,707
Florida	2	2	2
Louisiana	45,763	16,002	19,454
Mississippi	564	197	240
Texas	13,347	4,667	5,674
Total	**103,554**	**36,212**	**44,023**

The OCS receipts are the main funding source of the mandated $900 million required for the Land and Water Conservation Fund (LWCF). Each year, a portion of OCS receipts are distributed to the LWCF (*Accounts 5000.7 and 5000.8*), which is administered by the National Park Service. Also, $150 million is deposited annually into the Historic Preservation Fund (*Accounts 5140 and 5140.3*). For both funds, accounting procedures require payments to be made from OCS rents and bonuses, and then any further needed payments to be made from OCS royalties.

Payments to the Gulf producing states under the Gulf of Mexico Energy Security Act of 2006 (37.5 percent of receipts from certain leases) flow through Accounts 5535.1 and 5535.2; an additional 12.5 percent of funds from these leases are deposited into the LWCF (*5005.1 and 5005.9)* and are available for expenditure without further appropriation.

Figure 23: Distribution of Offshore (OCS Lands) Mineral Leasing Receipts



Alaska Escrow Account and the Environmental Improvement Fund

On June 19, 2000, the U.S. Supreme Court issued a final decree regarding the State/Federal boundary of areas leased for oil and gas exploration in the Beaufort Sea between 1979 and 1991. Prior to resolution of this dispute, sale bonuses collected during this time, and associated rental payments, were deposited into *Account 6704*. The resolution permitted the release of the funds that had been held in the Treasury Escrow Account.

As required by the Department of the Interior and Related Agencies Appropriations Act, *P.L. 105-83*, as amended, one-half of the principal and one-half of the interest were deposited into the Environmental Improvement and Restoration Fund. The Law requires that the corpus of the Fund be invested. 20 percent of the interest earned by the Fund is permanently appropriated to the Department of Commerce. Congress can appropriate the remaining 80 percent of the interest earned through annual appropriations for the specific purposes outlined in the law. The remaining one-half principal and one-half interest were deposited into the General Funds of the U.S. Treasury.

Receipts Charts for Onshore and Offshore Mineral Leasing

Information regarding the estimated onshore and offshore mineral leasing receipts is included in the following charts:

- Table 42: Mineral Leasing Receipts by Commodity Source;
- Table 43: Mineral Leasing Receipts by Account;
- Table 44: Onshore Mineral Receipts;
- Table 45: Onshore Rents and Bonuses;
- Table 46: Federal Onshore Royalty Estimates;
- Table 47: Outer Continental Shelf Mineral Receipts;
- Table 48: OCS Rents and Bonuses; and
- Table 49: Federal Offshore Royalty Estimates.

Table 42: Mineral Leasing Receipts by Commodity Source ($000) 1/

	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Onshore Mineral Leasing						
Onshore Rents and Bonuses						
Oil and Gas	216,149	227,023	213,924	231,634	224,651	243,579
Coal 2/	372,008	274,292	700,713	902,174	1,007,628	1,098,825
Geothermal	25,714	25,914	21,927	21,927	21,927	21,927
Oil Shale	0	0	0	0	2	2
All Other	20	20	20	20	20	20
Subtotal, Rents and Bonuses	**613,891**	**527,249**	**936,584**	**1,155,755**	**1,254,228**	**1,364,353**
Onshore Royalties						
Oil and Gas	2,745,644	3,020,396	3,181,074	3,253,279	3,374,198	3,543,262
Coal	727,172	746,200	799,939	831,680	855,753	877,958
Geothermal	14,403	14,403	13,906	13,906	13,906	13,906
All Other (including oil shale)	106,412	106,412	106,412	106,412	106,412	106,412
Subtotal, Royalties	**3,593,631**	**3,887,411**	**4,101,331**	**4,205,277**	**4,350,269**	**4,541,538**
Total, Onshore Receipts	**4,207,522**	**4,414,660**	**5,037,915**	**5,361,032**	**5,604,497**	**5,905,891**
Other Receipts						
Royalty-in-Kind fees	20	20	20	20	20	20
Sale of publications	110	110	110	110	110	110
Total, Other Receipts	**130**	**130**	**130**	**130**	**130**	**130**
Outer Continental Shelf (OCS)						
OCS Rents and Bonuses	1,270,615	627,709	555,829	526,811	390,268	201,975
OCS Royalties	4,989,335	6,382,549	8,150,907	9,408,245	9,768,858	9,671,392
Fee on nonproducing Gulf of Mexico leases 2/	-	121,850	121,400	114,890	107,090	109,340
Total, OCS Receipts	**6,259,950**	**7,132,108**	**8,828,136**	**10,049,946**	**10,266,216**	**9,982,707**
TOTAL, MINERAL RECEIPTS 3/	**10,467,602**	**11,546,898**	**13,866,181**	**15,411,108**	**15,870,843**	**15,888,728**

1/ Onshore receipts for oil and natural gas include a reduction for Acquired Natural Grasslands. OCS receipts include reductions for MMS's Offsetting Collections, SPR, 8(g) Payments to States, and Ultra-Deepwater and Unconventional Natural Gas Research Fund.

2/ Estimates reflect revenues anticipated from the 2010 Budget proposal to impose a $4/acre fee on nonproducing Gulf of Mexico OCS leases.

3/ Projections may change pending upcoming developments with the Kerr-McGee Decision that ruled that price thresholds may not be applied to deepwater royalty relief included in leases issued from 1996 to 2000; small discrepancies may occur due to rounding.

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

		FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Onshore Mineral Leasing Receipts							
1811.00	Rents and Bonuses	60,127	63,878	99,007	127,620	131,193	149,399
2039.00	MLR Royalties 2/	399,688	388,717	410,108	420,502	439,095	470,980
5000.24	Reclamation Fund	1,637,354	1,749,217	2,004,153	2,126,619	2,226,025	2,326,473
5003.02	Payments to States 2/	2,047,777	2,186,521	2,505,191	2,658,274	2,782,531	2,908,091
5045.00	Payments to Alaska from Oil & Gas Leases (NPRA)	7,750	14,300	7,050	15,425	12,700	37,650
5134.00	Payment to Oklahoma (Royalties)	20	20	20	20	20	20
5243.10	Forest Fund, States share	8,621	9,014	9,254	9,367	9,589	9,794
5248.10	Flood Control, States shares	2,805	2,971	3,078	3,128	3,245	3,334
5573.10	Rent from mineral leases (Permit Processing Fund)	22,726					
5574.10	Geothermal Lease Revenues, County share	10,075					
5575.10	Geothermal Lease Revenues, DOI share	10,075					
5576.10	Leases from Naval Petroleum Reserve #2	505	25	54	78	102	150
Subtotal, Onshore Receipts		**4,207,523**	**4,414,663**	**5,037,915**	**5,361,033**	**5,604,500**	**5,905,891**
Other Receipts							
2419.10	Royalty-in-Kind fees	20	20	20	20	20	20
2259.00	Sale of publications	110	110	110	110	110	110
Subtotal, Other Receipts		**130**	**130**	**130**	**130**	**130**	**130**
Outer Continental Shelf (OCS) Receipts							
1820.00	OCS Rents and Bonuses 3/	193,728	-	-	-	-	-
5535.1	OCS Rents and Bonuses, State share from qualified leases 5/	29,888	6,263	4,845	4,133	3,746	4,841
5005.9	OCS Rents and Bonuses, LWCF share from qualified leases 4/	9,963	2,088	1,615	1,378	1,249	1,614
2020.00	OCS Royalties	4,739,335	5,706,995	7,654,891	8,883,924	9,108,192	8,820,850
5535.2	OCS royalties, State share from qualified leases 5/	-	-	-	-	188	675
5005.1	OCS royalties, LWCF share from qualified leases 4/	-	-	-	-	63	225
5005.70	Land & Water Conservation Fund (OCS R & B)	887,038	468,760	398,110	367,130	229,065	39,465
5005.80	Land & Water Conservation Fund (OCS royalties)	-	426,153	497,275	528,493	666,624	855,696
5140.00	Historic Preservation Fund (OCS R & B)	150,000	150,000	150,000	150,000	150,000	150,000
5572.10	OCS Revenues, Coastal Impact Assistance	250,000	250,000	-	-	-	-
2025.00	OCS Production Incentive Fees	0	121,850	121,400	114,890	107,090	109,340
Subtotal, OCS Receipts		**6,259,952**	**7,132,109**	**8,828,136**	**10,049,948**	**10,266,217**	**9,982,706**
TOTAL, MINERAL RECEIPTS 6/		**10,467,605**	**11,546,902**	**13,866,181**	**15,411,111**	**15,870,847**	**15,888,727**

1/ Accounts 5573, 5575, and 5576 are administered by the Bureau of Land Management; however, MMS provides the estimates for these accounts as part of the overall mineral revenue estimates. Accounts 5535.1, 5535.2, 5005.9, 5005.1 are formed from the Energy Security Act of 2006.

2/ Accounts 2039 and 5003 reflect "net receipts sharing" deduction in 2009, which is not assumed to continue in subsequent years.

3/ 2009 estimate is affected by current market conditions. This amount is the remaining after all transfers to LWCF and the Historic Preservation Fund.

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

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

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

Table 44: Onshore Mineral Receipts, FY 2009 - FY 2010 ($000)

	FY 2009 Estimate	FY 2010 Estimate	Change	Explanation
Rents & Bonuses				
Oil & Gas	216,149	227,023	+10,874	Increase in bonuses, rents remain constant
Coal	372,008	274,292	-97,716	Decrease in bonuses resulting from the repeal of DOI's Initiative
Geothermal	25,714	25,914	+200	Increase in bonuses, rents remain constant
All Other (including oil shale)	20	20	0	Assumption of consistent rents & bonuses
Subtotal, Rents & Bonuses	**613,891**	**527,249**	**-86,642**	
Royalties				
Oil & Gas	2,745,644	3,020,396	+274,752	Increase in oil price estimates
Coal	727,172	746,200	+19,028	Increase in production
Geothermal	14,403	14,403	0	Assumption of consistent royalties
All Other (including oil shale)	106,412	106,412	0	Assumption of consistent royalties
Subtotal, Royalties	**3,593,631**	**3,887,411**	**+293,780**	
Total Onshore Mineral Receipts 1/	**4,207,522**	**4,414,660**	**+207,138**	

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

Table 45: Onshore Rents and Bonuses ($000) [1/]

	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Oil and Gas						
Rents Lower 48	44,130	44,246	44,362	44,478	44,594	44,710
Bonuses Lower 48	153,000	151,800	153,000	153,750	162,478	163,170
Subtotal, Oil and Gas	**197,130**	**196,046**	**197,362**	**198,228**	**207,072**	**207,880**
Coal						
Rents	1,300	1,300	1,300	1,300	1,300	1,300
Bonuses	370,709	272,993	699,415	900,877	1,006,331	1,097,528
Subtotal, Coal	**372,009**	**274,293**	**700,715**	**902,177**	**1,007,631**	**1,098,828**
Geothermal						
Rents and Bonuses	25,800	26,000	22,000	22,000	22,000	22,000
Oil Shale						
Rents and Bonuses	0	0	0	0	2	2
Other Minerals						
Rents and Bonuses	21	21	21	21	21	21
TOTAL, Rents & Bonuses 2/	**594,960**	**496,360**	**920,098**	**1,122,426**	**1,236,726**	**1,328,731**

1/ Amounts differ from the "Mineral Leasing Receipts by Source" table. The oil and gas estimates in this table do not reflect Naval Petroleum Reserve and Negotiated Settlement estimates.

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

Table 46: Federal Onshore Royalty Estimates *(in millions of volume and dollars) 1/*

	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Oil						
Oil Volume (MMBbl)	104.62	104.03	103.43	102.84	100.37	97.12
OMB Price/Bbl (in whole $s)	$48.31	$54.75	$59.94	$62.49	$64.30	$65.96
Royalty Rate	0.111	0.111	0.111	0.111	0.111	0.111
Oil Royalties ($M)	$560.428	$631.629	$687.488	$712.596	$715.763	$710.375
Royalty Rate Initiative 2/	$0.000	$0.000	$0.000	$0.000	$22.978	$57.274
Subtotal Oil Royalties ($M)	**$560.428**	**$631.629**	**$687.488**	**$712.596**	**$738.741**	**$767.649**
Gas						
Natural Gas Volume (bcf)	3.090	3.160	3.230	3.280	3.200	3.070
OMB Price/Mcf (in whole $s)	$5.12	$5.57	$5.72	$5.70	$5.67	$5.66
Royalty Rate	0.118	0.118	0.118	0.118	0.118	0.118
Gas Royalties ($M)	$1,860.808	$2,070.534	$2,170.761	$2,201.851	$2,134.919	$2,041.734
Royalty Rate Initiative 2/	0.000	0.000	0.000	0.000	138.778	329.682
Subtotal Natural Gas Royalties ($M)	$1,860.808	$2,070.534	$2,170.761	$2,201.851	$2,273.697	$2,371.416
CO2 Royalties	$44.854	$44.815	$46.077	$48.771	$51.024	$52.986
Gas Plant Products	$275.895	$272.607	$277.603	$291.667	$303.290	$313.288
Subtotal Gas Royalties ($M)	**$2,181.557**	**$2,387.956**	**$2,494.441**	**$2,542.289**	**$2,628.011**	**$2,737.690**
Total, Oil & Gas Royalties ($M)	**$2,741.985**	**$3,019.585**	**$3,181.929**	**$3,254.885**	**$3,366.752**	**$3,505.339**
Coal Royalties	$727.505	$746.542	$800.305	$832.061	$856.145	$878.360
Geothermal Royalties	$14.500	$14.500	$14.000	$14.000	$14.000	$14.000
All Other Royalties	$111.691	$111.691	$111.691	$111.691	$111.691	$111.691
TOTAL ONSHORE ROYALTIES ($M) 3/	**$3,595.681**	**$3,892.318**	**$4,107.926**	**$4,212.636**	**$4,348.588**	**$4,509.390**

1/ Amounts differ from the "Mineral Leasing Receipts by Source" table. The oil and gas estimates in the "Mineral Leasing Receipts by Source" table include a reduction for Acquired National Grasslands.

2/ Estimates incorporated FY 2010's Budget proposal to increase onshore royalty rates.

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

Table 47: OCS Mineral Receipts, FY 2009 – FY 2010 ($000) [1/]

	FY 2009 Estimate	FY 2010 Estimate	Change	Explanation
Rents & Bonuses				
Rents	86,920	86,110	-810	Decrease in price estimates
Bonuses	1,183,350	541,000	-642,350	Significant decrease due to current market conditions
Rents & Bonuses - Renewable Energy	345	599	+254	Increase in acres estimates
Subtotal, Rents & Bonuses	**1,270,615**	**627,709**	**-643,160**	
Royalties				
Oil	2,970,650	3,875,325	+904,675	Increase in production estimates
Gas	2,340,001	2,683,829	+343,828	Increase in production and price estimates
SPR and 8(g) Reductions	-271,315	-176,605	+94,710	Major decrease due to SPR reductions
Subtotal, Royalties 2/	**5,039,336**	**6,382,549**	**+1,343,213**	
Fee on nonproducing Gulf of Mexico OCS leases	-	121,850	+121,850	New Initiative
Total OCS Mineral Receipts 3/	**6,309,951**	**7,132,108**	**821,903**	

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

2/ Projections may change pending upcoming developments with the Kerr-McGee Decision that ruled that price thresholds may not be applied to deepwater royalty relief included in leases issued from 1996 to 2000

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

Table 48: OCS Rents and Bonuses *(in millions of dollars)*

Sale Number	Sale Date (FY)	Sale Area	High Bids	% in FY	8(g) to States	Receipt Estimate 1/
FY 2009 Estimate						
207	late 08	Western Gulf of Mexico	484	100%	4	480
208	mid 09	Central Gulf of Mexico	630	100%	5	625
210	late 09	Western Gulf of Mexico	129	0%	0	0
208	mid 09	Central GOM - ESA	78	100%	0	78
			Bonuses Subtotal			**1,183**
			Rents			**86**
			Rents - subject to ESA			1
			Rents & Bonues - Renewable Energy 2/			0
			FY 2009 TOTAL			**1,270**
FY 2010 Estimate						
210	late 09	Western Gulf of Mexico	129	100%	1	128
211	mid 10	Beaufort	39	100%	0	38
213	mid 10	Central Gulf of Mexico	328	100%	3	325
212	mid 10	Chukchi	36	100%	1	35
215	late 10	Western Gulf of Mexico	116	0%	0	0
213	mid 10	Central GOM - ESA	15	100%	0	15
			Bonuses Subtotal			**541**
			Rents			**84**
			Rents - subject to ESA			2
			Rents & Bonues - Renewable Energy 2/			1
			FY 2010 TOTAL			**627**
FY 2011 Estimate						
215	late 10	Western Gulf of Mexico	116	100%	1	115
220	mid 11	Atlantic	54	100%	0	54
217	mid 11	Central Gulf of Mexico	294	100%	2	291
216	late 11	Western Gulf of Mexico	108	0%	0	0
217	mid 11	Central GOM - ESA	11	100%	0	11
			Bonuses Subtotal			**471**
			Rents			**83**
			Rents - subject to ESA			2
			Rents & Bonues - Renewable Energy 2/			1
			FY 2011 TOTAL			**557**
FY 2012 Estimate						
216	late 11	Western Gulf of Mexico	108	100%	1	107
218	ear 12	Cook Inlet	3	100%	0	3
219	ear 12	North Aleutian Basin	58	100%	0	58
214	mid 12	Beaufort	21	100%	0	21
221	mid 12	Chukchi	23	100%	0	23
222	mid 12	Central Gulf of Mexico	217	100%	2	215
	mid 12	Central GOM - ESA	9	100%	0	9
			Bonuses Subtotal			**435**
			Rents			**82**
			Rents - subject to ESA			2
			Rents & Bonues - Renewable Energy 2/			4
			FY 2012 TOTAL			**524**
FY 2013 Estimate						
	late 12	Western Gulf of Mexico	101	100%	1	100
	mid 13	Central Gulf of Mexico	201	100%	2	199
	late 13	Western Gulf of Mexico	95	0%	1	0
	mid 13	Central GOM - ESA	8	100%	0	8
			Bonuses Subtotal			**307**
			Rents			**73**
			Rents - subject to ESA			2
			Rents & Bonues - Renewable Energy 2/			6
			FY 2013 TOTAL			**388**
FY 2014 Estimate						
	late 14	Western Gulf of Mexico	95	100%	1	94
	late 15	Beaufort	22	100%	0	22
	late 15	Central GOM - ESA	11	100%	0	11
			Bonuses Subtotal			**127**
			Rents			**67**
			Rents - subject to ESA			2
			Rents & Bonues - Renewable Energy			6
			FY 2014 TOTAL			**202**

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

Table 49: Federal Offshore Royalty Estimates (in millions of dollars)

	FY 2009 Estimate	FY 2010 Estimate	FY 2011 Estimate	FY 2012 Estimate	FY 2013 Estimate	FY 2014 Estimate
Oil (Million Barrels)						
Alaska 1/	2	1	17	31	39	34
POCS	24	23	23	22	21	21
Total GOM	489	570	712	814	825	800
Royalty Free Production (Deep Water) 2/	37	41	56	54	42	43
GOM Royalty Production	453	529	656	760	783	757
Total Royalty Production	478	553	696	813	844	812
Royalty Rate	0.12	0.12	0.12	0.12	0.12	0.12
OMB Price/Bbl (in whole $s)	$49.91	$56.57	$61.93	$64.56	$66.44	$68.15
Subtotal Oil Royalties	**$2,970.65**	**$3,875.32**	**$5,315.50**	**$6,445.28**	**$6,866.58**	**$6,772.77**
Adjustments to Federal Royalty Receipts from Energy Security Act of 2006						
Royalties subject to ESA	0	0	0	0	0	1.39
Revised Federal Royalty Receipts	**$2,970.65**	**$3,875.32**	**$5,315.50**	**$6,445.32**	**$6,866.92**	**$6,774.16**
Gas (Billion Cubic Feet)						
POCS	48	47	46	45	45	44
Total GOM	2,807	2,937	3,181	3,392	3,347	3,305
Royalty Free Production (Deep Gas) 2/	141	117	84	57	32	6
Royalty Free Production (Deep Water) 2/	146	149	291	378	388	364
GOM Royalty Production	2,520	2,671	2,806	2,957	2,927	2,935
Total Royalty Production	2568	2719	2852	3003	2971	2979
Royalty Rate	0.15	0.15	0.15	0.15	0.15	0.15
OMB Price/Mcf (in whole $s)	$6.00	$6.52	$6.70	$6.68	$6.64	$6.63
Subtotal Gas Royalties	**$2,340.00**	**$2,683.83**	**$2,886.84**	**$3,023.54**	**$2,965.07**	**$2,959.02**
Adjustments to Federal Royalty Receipts from Energy Security Act of 2006						
Royalties subject to ESA	0	0	0	0	0	0.46
Revised Federal Royalty Receipts	**$2,340.00**	**$2,683.83**	**$2,886.84**	**$3,023.55**	**$2,965.18**	**$2,959.47**
Total Oil and Gas Royalties	**$5,310.65**	**$6,559.15**	**$8,202.34**	**$9,468.88**	**$9,832.10**	**$9,733.64**
Adjustments						
8(g) Payments to States	-36.25	-44.09	-54.75	-63.90	-66.61	-65.51
SPR 3/	-238.00	-136.00				
Settlements	3.32	3.32	3.32	3.32	3.32	3.32
NET FEDERAL OCS ROYALTIES 4/	**$5,039.72**	**$6,382.38**	**$8,150.91**	**$9,408.30**	**$9,768.81**	**$9,671.44**

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

2/ Royalty Free Production is GOM production which is not subject to royalties because of the deep water royalty relief and deep gas royalty relief. Royalty relief price thresholds are expected to be exceeded.

3/ No SPR estimates in 2011 - 2014 due to construction of the new capacity.

4/ Projections may change pending upcoming developments with the Kerr-McGee Decision that ruled that price thresholds may not be applied to deepwater royalty relief included in leases issued from 1996 to 2000; small discrepancies may occur due to rounding.

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

Additional Operational Costs from 2009 and 2010 January Pay Raises:

	FY 2009 Budget Change	FY 2009 Revised Change	FY 2010 Change
1. FY 2009 Pay Raise, 3 Qtrs. in FY 2009 Budget	+2,782	+2,782	n/a
Amount of Pay Raise Absorbed	*[696]*	*[2,095]*	*n/a*
2. FY 2009 Pay Raise, 1 Qtr. in FY 2010 (3.9%)	n/a	n/a	+1,598
Amount of Pay Raise Absorbed	*[0]*	*[0]*	*[0]*
3. 2010 Pay Raise (Assumed 2.0%)	n/a	n/a	+2,459
Amount of Pay Raise Absorbed	*[0]*	*[0]*	*[0]*

Reflects additional operational costs from 2009 and 2010 January pay raises as explained below.

Line 1. Update of the FY 2009 budget change estimate, based upon the enacted 3.9% versus the 2.9% request.

Line 2. Amount needed in FY 2010 to fund the enacted 3.9% January 2009 pay raise from October through December 2009.

Line 3. Amount needed in FY 2010 to fund the estimated 2.0% January 2010 pay raise from January through September 2010.

Other Fixed Cost Changes:

	FY 2009 Budget Change	FY 2009 Revised Change	FY 2010 Change
More or Less Pay Days Than Previous Year	-610	-610	n/a
(-1 pay days in FY 2009, 0 days in FY 2010)	*[0]*	*[0]*	

For FY 2009, the number of pay days is one less than in the previous FY 2008. For FY 2010, the number of paid days is the same as in the previous FY 2009.

	FY 2009 Budget Change	FY 2009 Revised Change	FY 2010 Change
Employer Share of Federal Health Benefit Plans	+213	+213	+628
Amount Absorbed	*[53]*	*[53]*	*[0]*

Reflects changes in the Federal government's share of the cost of health insurance coverage for Federal employees. For 2010, the increase is estimated at 6.5%.

	FY 2009 Budget Change	FY 2009 Revised Change	FY 2010 Change
Workers Compensation Payments	+49	+49	-61
Amount Absorbed	*[0]*	*[0]*	*[0]*

Reflects changes in the costs of compensating injured employees and dependents of employees who suffer accidental deaths while on duty. Costs for 2010 will reimburse the Department of Labor, Federal Employees Compensation Fund, pursuant to 5 U.S.C. 8147(b) as amended by Public Law 94-273.

	FY 2009 Budget Change	FY 2009 Revised Change	FY 2010 Change
Unemployment Compensation Payments	+0	0	+12
Amount Absorbed	*[0]*	*[0]*	*[0]*

Reflects changes in the costs of unemployment compensation claims to be paid to the Department of Labor, Federal Employees Compensation Account, in the Unemployment Trust Fund, pursuant to Public Law 96-499.

	FY 2009 Budget Change	FY 2009 Revised Change	FY 2010 Change
Working Capital Fund	+5,427	+5,501	+438
Amount Absorbed	*[0]*	*[74]*	*[0]*

For FY 2009, revised absorption reflects changes in the working capital fund bill since the FY 2009 President’s Budget Request. The 2009 revised change plus the 2009 absorbed excess of 74 subtracted from the 2010 estimate, gives a net change of +$438, which reflects expected changes in the charges for Department services and other services through the Working Capital Fund.

	FY 2009 Budget Change	FY 2009 Revised Change	FY 2010 Change
Rental Payments to GSA and Others	+2,728	+2,728	+1,446
Amount Absorbed	*[0]*	*[30]*	*[0]*

Reflects changes in the costs payable to General Services Administration and others resulting from changes in rates for office and non-office space as estimated by GSA, as well as the rental costs of other currently occupied space. These costs include building security and may also include costs of mandatory, disaster-related office relocations.

Total, Fixed Costs and Related Changes – Budgeted in FY 2010 +6,520

Total, Fixed Costs and Related Changes – Absorbed in FY 2010 [0]

For FY 2010, an increase of $6,520,000 for fixed costs is requested, which covers 100 percent of pay and benefits and 100 percent of other costs. If the requested fixed cost increase is not funded, MMS's mission critical programs may begin to suffer since unfunded fixed costs must be absorbed and existing resources have to be redirected from programmatic needs to pay for fixed costs.

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2010 Appropriations Language

Minerals Management Service

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

Royalty and Offshore Minerals Management

For expenses necessary for minerals leasing and environmental studies, regulation of industry operations, and collection of royalties, as authorized by law; for enforcing laws and regulations applicable to oil, gas, and other minerals leases, permits, licenses and operating contracts; for energy-related or other authorized marine-related purposes on the Outer Continental Shelf; and for matching grants or cooperative agreements, [$157,373,000] *$174,317,000*, to remain available until September 30, [2010] *2011*, of which [$86,684,000] *$89,374,000* shall be available for royalty management activities; and an amount not to exceed [$146,730,000] *$156,730,000*, to be credited to this appropriation and to remain available until expended, from additions to receipts resulting from increases to rates in effect on August 5, 1993, and from cost recovery fees: [*Provided*: That in fiscal year 2009 and each fiscal year thereafter, fees and charges authorized by 31 U.S.C. 9701 may be collected only to the extent provided in advance in appropriations Acts:] *Provided [further]*, That notwithstanding 31 U.S.C. 3302, in fiscal year [2009] *2010*, such amounts as are assessed under 31 U.S.C. 9701 shall be collected and credited to this account and shall be available until expended for necessary expenses: Provided further, That to the extent [$146,730,000] *$156,730,000* in addition to receipts are not realized from the sources of receipts stated above, the amount needed to reach [$146,730,000] *$156,730,000* shall be credited to this appropriation from receipts resulting from rental rates for Outer Continental Shelf leases in effect before August 5, 1993: [Provided further, that the term "qualified Outer Continental Shelf revenues", as defined in section 102(9)(A) of the Gulf of Mexico Energy Security Act, Division C of Public Law 109-432, shall include only the portion of rental revenues that would have been collected at the rental rates in effect before August 5, 1993:] *Provided further*, That not to exceed $3,000 shall be available for reasonable expenses related to promoting volunteer beach and marine cleanup activities: Provided further, That notwithstanding any other provision of law, $15,000 under this heading shall be available for refunds of overpayments in connection with certain Indian leases in which the Director of MMS concurred with the claimed refund due, to pay amounts owed to Indian allottees or tribes, or to correct prior unrecoverable erroneous payments: *Provided further, that for the costs of administration of the Coastal Impact Assistance Program authorized by section 31 of the Outer Continental Shelf Lands Act, as amended (43 U.S.C. 1456a), MMS in fiscal year 2010 may retain up to 4 percent of the amounts which are disbursed under section 31(b)(1), such retained amounts to remain available until expended.*

For an additional amount, $10,000,000, to remain available until expended, which shall be derived from non-refundable inspection fees collected in fiscal year 2010, as provided in this Act: Provided, That to the extent that such amounts are not realized from such fees, the amount needed to reach $10,000,000 shall be credited to this appropriation from receipts resulting from rental rates for Outer Continental Shelf leases in effect before August 5, 1993. (Department of the Interior, Environment, and Related Agencies Appropriations Act, 2009.)

Oil Spill Research

For necessary expenses to carry out title I, section 1016, title IV, sections 4202 and 4303, title VII, and title VIII, section 8201 of the Oil Pollution Act of 1990, [$6,303,000] *$6,303,000*, which shall be derived from the Oil Spill Liability Trust Fund, to remain available until expended. *(Department of the Interior, Environment, and Related Agencies Appropriations Act, 2009.)*

Justification for Proposed 2010 Appropriations Language Changes

Increase for Administration of the Coastal Impact Assistance Program (CIAP).
Section 384 of the Energy Policy Act of 2005 established the Coastal Impact Assistance Program (CIAP), a four-year mandatory program funded from OCS revenues. CIAP is funded at $250 million per year for each of fiscal years 2007 through 2010. Six coastal producing states and their eligible coastal political subdivisions receive funding through the program. MMS is currently authorized to retain up to 3 percent of the mandatory CIAP funds to cover its costs of administering this grant program. In order to properly administer this large-scale grants program in future years, MMS is requesting authorizing language that would increase the amount MMS may retain from three percent to four percent of the fiscal year 2010 allocation only.

During the first two years of administering the CIAP program, MMS found the 3% funding level adequate. In the beginning of fiscal year FY 2009, an analysis of projected CIAP-related obligations was performed, revealing an anticipated out-year funding shortage by the year 2014. The year 2014 is expected to be the final year with significant CIAP-related administrative obligations. To avoid this funding shortfall it is necessary to increase the amount of funds retained for administrative expenses in FY 2010. It should be noted that this is the final year any CIAP funding will be received and there will be a continued need in the out-years to continue program activity.

The need for additional resources is due in large part to an increase in the scope of MMS involvement in reviewing state-wide plans and individual projects submitted by participating states. Costs of MMS personnel reviewing state plans and projects were initially estimated using the concept of reviewing each state plan and individual project once, thereby enabling the states and coastal sub-divisions to begin work. MMS is now receiving multiple submissions and modifications from the states which significantly increases review time, as a state plan or project cannot be approved by MMS without sufficient review. MMS has also been required to provide greater grant preparation assistance than was revealed as being necessary in early scoping efforts. Given the increased workload associated with reviewing state plans and projects and grant preparation assistance, there is also potential for increased costs associated with project monitoring and auditing, once more state projects get underway.

Implement New OCS Inspection Fee

The MMS Royalty and Offshore Minerals Management account has traditionally been credited with offsetting collections to help defray the cost of MMS operations. These include certain rental receipts and cost recovery fees. The 2010 budget includes a new inspection fee on each OCS above-water oil and gas facility that is subject to inspection. The MMS developed the fee structure to defray increasing inspection costs. The fee amount is based on the complexity of the facility, as determined by the number of wells. The new fees will require OCS energy developers to fund roughly 25 percent of MMS compliance inspection costs. MMS believes this represents a reasonable contribution on the part of the energy developers, who are the primary beneficiaries of the OCS development program.

MMS Administrative Provisions

[Notwithstanding the provisions of section 35(b) of the Mineral Leasing Act, as amended (30 U.S.C. 191(b)), the Secretary shall deduct 2 percent from the amount payable to each State in fiscal year 2009 and deposit the amount deducted to miscellaneous receipts of the Treasury.] *(Department of the Interior, Environment, and Related Agencies Appropriations Act, 2009.)*

Other Accounting Changes (does not impact appropriations language)

New Renewable Energy Subactivity

The Energy Policy Act of 2005 provided the Department of the Interior with discretionary authority to grant leases, easements, or rights-of-way for activities on the Outer Continental Shelf (OCS) that produce and/or support production, transportation, or transmission of energy from sources other than oil and natural gas. Additionally, the Department was given the authority to grant leases, easements, or rights-of-way for other OCS activities that make alternate use of existing OCS facilities. On March 20, 2006, the Department delegated the authority to implement these new programs to the Minerals Management Service (MMS).

Given this new authority, MMS has responded by revising its organization. To more accurately reflect the OCS energy-related components of our missions, the former name of Offshore Minerals Management (OMM) has been changed to Offshore Energy and Minerals Management (OEMM). In addition, a new Office of Offshore Alternative Energy Programs has been established. This office will develop and implement policy, analysis, and overall management of the OCS renewable energy leasing and operations program while ensuring compliance with departmental goals and philosophy. Preliminary findings indicate wind resources from U.S. offshore areas have the potential to generate over 1000 gigawatts of energy. Development of renewable energy projects on the OCS is an important step in meeting our Nation's increasing energy demands while simultaneously diversifying our energy portfolio and possibly stabilizing energy prices in the long term.

The new Office of Offshore Alternative Energy Programs raises the renewable energy program’s profile and best allows OEMM to meet the new statutory mandates and respond to the unique needs of the regulated community.

To further reflect this new authority and responsibility, OEMM is requesting the establishment of a new subactivity, Renewable Energy, in its budget structure beginning in FY 2010. Funding for this program is currently reflected primarily in the Leasing and Environmental (LE) subactivity. Renewable energy environmental studies will continue to be funded from the LE subactivity as these studies may benefit both the Oil & Gas and renewable energy programs.

Appendix C: MMS Authorizing Statutes

Outer Continental Shelf (OCS) Lands Program

43 U.S.C. 1331, et seq.	The Outer Continental Shelf (OCS) Lands Act of 1953, as amended, extended the jurisdiction of the United States to the OCS and provided for granting of leases to develop offshore energy and minerals.
P.L. 109-432	The Gulf of Mexico Energy Security Act of 2006 required leasing certain areas in the Central and Eastern Gulf of Mexico Planning Areas within one year of enactment (December 20, 2006); and established a moratoria on leasing in remaining areas in the eastern planning area and a portion of the central planning area until 2022.
P.L. 109-58	The Energy Policy Act of 2005 amended the OCS Lands Act to give authority to the Department of the Interior to coordinate the development of an alternative energy program on the OCS and also to coordinate the energy and non-energy related uses in areas of the OCS where traditional oil and natural gas development already occur.
43 U.S.C. 4321, 4331-4335, 4341-4347	The National Environmental Policy Act of 1969 required that federal agencies consider in their decisions the environmental effects of proposed activities and that Agencies prepare environmental impact statements for Federal actions having a significant effect on the environment.
16 U.S.C. 1451, et seq.	The Coastal Zone Management Act of 1972, as amended, established goals for ensuring that Federal and industry activity in the coastal zone be consistent with coastal zone plans set by the States.
16 U.S.C. 1531-1543	The Endangered Species Act of 1973 established procedures to ensure interagency cooperation and consultations to protect endangered and threatened species.
42 U.S.C. 7401, et seq.	The Clean Air Act, as amended, was applied to all areas of the OCS except the central and western Gulf of Mexico. OCS activities in those non-excepted areas will require pollutant emission permits administered by the EPA or the States.

16 U.S.C. 470-470W6	The National Historic Preservation Act established procedures to ensure protection of significant archaeological resources.
30 U.S.C. 21(a)	The Mining and Minerals Policy Act of 1970 set forth the continuing policy of the Federal Government to foster and encourage private enterprise in the orderly and economic development of domestic mineral resources and reserves.
30 U.S.C. 1601	The Policy, Research and Development Act of 1970 set forth the continuing policy et seq. of the Federal Government to foster and encourage private enterprise in the orderly and economic development of domestic mineral resources and reserves.
33 U.S.C. 2701, et seq.	The Oil Pollution Act of 1990 established a fund for compensation of damages resulting from oil pollution and provided for interagency coordination and for the performance of oil spill prevention and response research. It also expanded coverage of Federal requirements for oil spill response planning to include State waters and the transportation of oil. The Act also addressed other related regulatory issues.
43 U.S.C. 1301	The Marine Protection, Research, and Sanctuaries Act of 1972 provided that the Secretary of Commerce must consult with the Secretary of the Interior prior to designating marine sanctuaries. The MMS provides information and comments regarding the mineral resource potential in areas being considered for designation as marine sanctuaries.
16 U.S.C. 1361-1362, 1371-1384, 1401-1407	The Marine Mammal Protection Act of 1972 provides for the protection and welfare of marine mammals.
P.L. 104-58	The Deepwater Royalty Relief Act provides royalty rate relief for offshore drilling in deepwater of the Gulf of Mexico (GOM).

Minerals Revenue Management Program

25 U.S.C. 397, et seq.	The Indian Mineral Leasing Act of 1891, as amended, authorizes mineral leasing on land bought and paid for by American Indians.

25 U.S.C. 396, et seq.	The Indian Minerals Leasing Act of 1909 authorizes oil and gas leases on American Indian allotted lands.
25 U.S.C. 396-396(g), et seq.	The Indian Mineral Leasing Act of 1938 authorizes oil and gas lease on American Indian Tribal lands and provides uniformity with respect to leasing of Tribal lands for mining purposes.
30 U.S.C. 181, et seq.	The Mineral Leasing Act of 1920 (MLA) provides for classification and leasing of coal, oil, oil shale, natural gas, phosphate, potassium, sulfur, and sodium and the payment of bonuses, rents, and royalties on such leases.
43 U.S.C. 1331, et seq.	The Outer Continental Shelf Lands Act of 1953 provides for granting of leases to develop offshore energy and minerals; provides for bonuses, rents, and royalties to be paid in connection with such leases; and calls for sharing certain revenues with coastal states.
30 U.S.C. 1001, et seq.	The Geothermal Stream Act of 1979 authorizes the Secretary to issue leases for the development of geothermal energy and provides for receipt sharing with the States.
30 U.S.C. 181, et seq.	The Combined Hydrocarbon Leasing Act of 1981 provides for combined hydrocarbon leases and receipt sharing with the States for such leases within their boundaries.
25 U.S.C. 2101, et seq.	The Indian Minerals Development Act of 1982 provides that any American Indian Tribe may enter into lease agreements for minerals resources within their boundaries with the approval of the Secretary. Allotted landowners may join Tribal mineral agreements.
30 U.S.C. 1701, et seq.	The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) provides for comprehensive fiscal and production accounting and auditing systems to provide the capability of accurately determining oil and gas royalties, interest, fines, penalties, fees, deposits, and other payments owed and to collect for such amounts in a timely manner.
110 Stat. 1700	The Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (P.L. 104-185) changes the royalty collection program by establishing a 7-year statute of limitations, limits of appeals, requires the government to pay interest on royalty overpayments, changes definitions, and allows for delegation of certain functions.

P.L. 105-277	Omnibus Act of 1999 General Provisions Department of the Interior Sec. 130 Oil Valuation Rider Sec. 139 - Small Refiner Ratification of Payments.
P.L. 102-486	The Energy Policy Act of 1992 requires the Secretary of the Interior to disburse monthly to States all mineral leasing payments authorized by Section 6 of the MLA.
P.L. 106-393	The Mineral Revenue Payments Clarification Act of 2000, Title V of the Secure Rural Schools and Community Self-Determination Act of 2000, repealed Net Receipts Sharing whereby States no longer paid for a portion of the Federal cost to administer the Federal Onshore mineral leasing program.
P.L. 108-447	The Consolidated Appropriations Act of 2005 provided that late disbursement interest owed to states be made from current receipts from bonuses, royalties, interest collected from lessees and designees, and rentals of the public lands and outer continental shelf which are not payable to a state or the Reclamation Fund.
P.L. 109-54	The Department of the Interior, Environment and Related Agencies Appropriations Act of 2006 provided that MMS may under the royalty-in-kind program, or under its authority to transfer oil to the Strategic Petroleum Reserve, use a portion of the revenues from royalty-in-kind sales to pay for transportation to wholesale market centers or upstream pooling points, to process or otherwise dispose of royalty production taken in kind, and to recover MMS transportation costs, salaries, and other administrative costs directly related to the royalty-in-kind program.
P.L. 109-432	Gulf of Mexico Energy Security Act of 2006 requires sharing with Gulf producing states revenues generated from leases entered into after the date of enactment of the Act in certain Gulf OCS areas.

Permanent Appropriations Distribution

16 U.S.C. 499	Provides for forest fund payments to a state of 25 percent of all monies received during any fiscal year from each national forest be paid at the end of that year to the state in which that forest is situated.

33 U.S.C. 701, et seq.	The Flood Control Act of 1936 provides that 75 percent of flood control revenue collected be shared with the State in which it was collected.

General Administration

31 U.S.C. 65	Budget and Accounting Procedures Act of 1950
31 U.S.C. 3901-3906	Prompt Payment Act of 1982
31 U.S.C. 3512	Federal Managers Financial Integrity Act of 1982
5 U.S.C. 552	Freedom of Information Act of 1966, as amended
31 U.S.C. 7501-7507	Single Audit Act of 1984
41 U.S.C. 35045	Walsh Healy Public Contracts Act of 1936
41 U.S.C. 351-357	Service Contract Act of 1965
41 U.S.C. 601-613	Contract Disputes Act of 1978
44 U.S.C. 35	Paperwork Reduction Act of 1980
44 U.S.C. 2101	Federal Records Act 1950
40 U.S.C. 4868	Federal Acquisition Regulation of 1984
31 U.S.C. 3501	Privacy Act of 1974
31 U.S.C. 3501	Accounting and Collection
31 U.S.C. 3711, 3716-19	Claims
31 U.S.C. 1501-1557	Appropriation Accounting
5 U.S.C. 1104 et seq.	Delegation of Personnel Management Authority
31 U.S.C. 665-665(a)	Anti-Deficiency Act of 1905, as amended
41 U.S.C. 252	Competition in Contracting Act of 1984
18 U.S.C. 1001	False Claims Act of 1982
18 U.S.C. 287	False Statements Act of 1962

41 U.S.C. 501-509	Federal Grant and Cooperative Agreement Act of 1977
41 U.S.C. 253	Federal Property and Administrative Services Act of 1949
41 U.S.C. 401	Office of Federal Procurement Policy Act of 1974, as amended
15 U.S.C. 631	Small Business Act of 1953, as amended
15 U.S.C. 637	Small Business Act Amendments of 1978
10 U.S.C. 137	Small Business and Federal Competition Enhancement Act of 1984
15 U.S.C. 638	Small Business Innovation Research Program of 1983
10 U.S.C. 2306(f)	Truth in Negotiations Act of 1962 Authorization
Secretarial Order No. 3071	Established the Minerals Management Service in January 1982, under authority provided by Section 2 of Reorganization Plan No. 3 of 1950 (64 Stat. 1262).

Oil Spill Research

33 U.S.C. 2701, et seq.	Title VII of the Oil Pollution Act of 1990 authorizes the use of the Oil Spill Liability Trust fund, established by Section 9505 of the Internal Revenue Code of 1986, for oil spill research.
33 U.S.C. 2701, et seq.	Title I, Section 1016, of the Oil Pollution Act of 1990 requires a certification process which ensures that each responsible company, with respect to an offshore facility, has established, and maintains, evidence of financial responsibility in the amount of at least $150,000,000 to meet potential pollution liability.
43 U.S.C. 1331, et seq.	Section 21(b) of the Outer Continental Shelf Lands Act, as amended, requires the use of the best available and safety technologies (BAST) and assurance that the use of up-to-date technology is incorporated into the regulatory process.
Executive Order 12777	Signed October 18, 1991, assigned the responsibility to ensure oil spill financial responsibility for OCS facilities to the Secretary of the Interior (Minerals Management Service).

Minerals Management Service
Royalty and Offshore Minerals Management (ROMM)
Program and Financing
(dollars in millions)

Treasury Account ID: 14-1917		FY 2008 Actual	FY 2009 Estimate	FY 2010 Estimate
Obligations by program activity				
Direct program				
00.01	OCS Lands	80	77	81
00.02	Minerals Revenue Management	43	45	45
00.03	General Administration	31	35	38
01.92	Total direct program	154	157	164
Obligations by program activity				
Reimbursable program				
09.01	OCS Revenue Receipts	152	173	176
09.02	Reimbursable (RIK)	39	46	46
09.03	Reimbursable (from other agencies)	8	8	8
09.99	Total reimbursable program	199	227	230
10.00	Total new obligations	353	384	394
Budgetary resources available for obligation				
21.40	Unobligated balance, start of year	50	52	40
22.00	New budget authority (gross)	336	365	382
22.10	Resources available from recoveries	19	7	7
23.90	Total budgetary resources available for obligation	405	424	429
23.95	Total new obligations	-353	-384	-394
24.40	Unobligated balance carried forward, end of year	52	40	35
New budget authority (gross), Discretionary				
40.00	Appropriation	157	157	174
40.35	Appropriation permanently reduced	-2	0	0
43.00	Appropriation (total discretionary)	155	157	174
Net budget authority and outlays				
89.00	Budget authority	155	157	174
90.00	Outlays	135	151	171

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

(dollars in millions)

Treasury Account ID: 14-1917

		FY 2008 Actual	FY 2009 Estimate	FY 2010 Estimate
ROMM (Annual Appropriation & Offsetting Collections)				
11.1	Personnel Compensation: Full-time permanent	123	126	129
12.1	Civilian personnel benefits	31	31	35
21.0	Travel and transportation of persons	3	3	3
23.1	Rental Payments to GSA	14	14	14
23.3	Communications, utilities, and misc. charges	1	1	1
25.2	Other services	112	123	153
26.0	Supplies and materials	2	2	2
31.0	Equipment	4	4	4
99.0	**Total ROMM ***	**290**	**304**	**341**

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

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

(dollars in millions)

Treasury Account ID: 14-1917

	FY 2009 Estimate Amount		Fixed Costs and Related Changes		Programmatic Changes		FY 2010 Budget Request	
Object Class	**FTE**	**AMT**	**FTE**	**AMT**	**FTE**	**AMT**	**FTE**	**AMT**
Total Appropriation And Offsetting Collections	****1444**	***$304**	**---**	**+$7**	**+63**	**+$30**	****1507**	***$341**
Total personnel compensation and personnel benefits	---	$157	---	+$2	---	+$5	---	$164
Travel and transportation of persons	---	$3	---	0	---	0	---	$3
Rents	---	$14	---	+$0	---	0	---	$14
Communications utilities, and misc. charges	---	$1	---	0	---	0	---	$1
Other services	---	$123	---	+$0	---	+$30	---	$153
Supplies and materials	---	$2	---	0	---	0	---	$2
Equipment	---	$4	---	0	---	0	---	$4

**FY 2009Enacted - $157,373,000 Annual Appropriation and $146,730,000 Offsetting Collections*
**FY 2010 Request - $174,317,000 Annual Appropriation and $156,730,000 Offsetting Collection and $10,000,000 (the Department proposes to implement an inspection fee through legislation in FY 2010)*
***FY 2009 Total FTE is 1614 (1444 for ROMM +130 Reimbursable +22 for CIAP + 18 for Oil Spill)*
***FY 2010 Total FTE is 1677 (1507 for ROMM +130 Reimbursable +22 for CIAP + 18 for Oil Spill)*

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

Treasury Account ID: 14-8370		FY 2008 Actual	FY 2009 Estimate	FY 2010 Estimate
Obligations by Program activity				
00.01	Direct program activity	7	6	6
10.00	Total new obligations	7	6	6
Budgetary resources available for obligation				
22.00	New budget authority (gross)	7	6	6
23.95	Total new obligations	-7	-6	-6
New budget authority (gross), detail, Discretionary				
40.26	Appropriation (trust fund)	6	6	6
Net budget authority and outlays				
89.00	Budget authority	6	6	6
90.00	Outlays	6	6	6

Minerals Management Service
Oil Spill Research (OCS)
Object Classification
(dollars in millions)

Treasury Account ID: 14-8370

		FY 2008 Actual	FY 2009 Estimate	FY 2010 Estimate
Direct obligations				
11.1	Full-time permanent	2	2	2
25.2	Other services	5	4	4
99.9	Total new obligations	7	6	6

Minerals Management Service
Oil Spill Research (OSR)
Account Object Class Information
(dollars in millions)

Treasury Account ID: 14-8370

	FY 2009 Estimate Amount		Uncontrollable & Related Changes		Programmatic Changes		FY 2010 Budget Request	
Object Class	**FTE**	**AMT**	**FTE**	**AMT**	**FTE**	**AMT**	**FTE**	**AMT**
Total Appropriation	18	$6	---	0	---	0	18	$6
Total personnel compensation	---	$2	---	0	---	0	---	$2
Other services	---	$4	---	0	---	0	---	$4

Appendix E: Employee Count by Grade

	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
Executive Level	16	16	17
Subtotal	**16**	**16**	**17**
GS-15	66	66	69
GS-14	231	233	242
GS-13	441	444	461
GS-12	385	388	403
GS-11	141	143	149
GS-10	7	7	7
GS-9	76	76	79
GS-8	65	65	68
GS-7	84	84	87
GS-6	51	51	53
GS-5	35	35	36
GS-4	12	12	12
GS-3	2	2	2
GS-2	1	1	1
GS-1	0	0	0
Subtotal	**1,597**	**1,607**	**1669**
Total	**1,613**	**1,623**	**1686**

Note: The numbers in this table represent the actual number of Full-Time employees by grade level as of the end of the prior fiscal year and projected for the current and the budget fiscal years. These numbers differ from FTE calculations, because by definition, FTE numbers represent Full-Time Equivalent employees. FTE calculations are based on hours worked, not the number of employees.

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Appendix F: Use of Research and Development (R&D) Criteria

The current R&D investment criteria were developed in response to limited financial resources and the multitude of R&D opportunities that exist government-wide. The criteria, which evaluate the relevance, quality, and performance for all R&D programs, are used to rigorously justify new programs and to reevaluate existing programs for modification, redirection, termination, and in keeping with national priorities and needs.

The MMS R&D portfolio requested for FY 2010 totals $44 million and comprises four main elements: the Environmental Studies Program (ESP), Resource Evaluation (RE), Technology Assessment & Research (TA&R), and Oil Spill Research (OSR).

- The ESP funds applied research through environmental and socioeconomic studies to predict potential impacts of oil and gas and renewable energy development and to develop mitigating measures where needed. The ESP funding request for FY 2010 reflects an increase of $4.810 million over the FY 2009 enacted. This increase is for environmental studies needed to support the Secretary's OCS Oil and Gas Leasing Program 2007-2012, which was approved in June 2007 and became effective in July 2007 ($1.31 million), the Marine Minerals Program ($0.5 million), and the Renewable Energy Program ($3.0 million). In addition, a funding increase of $0.450 million is requested in Renewable Energy for three new FTE to assist in managing additional environmental studies that will be undertaken in FY 2010 in support of the Alternative Energy/Alternative Use Program, and an increase of $0.290 million is requested in Leasing and Environmental for two new FTE to assist in managing studies that will be undertaken in the Alaska OCS Region.

- The FY 2009 appropriation included a Congressional add of $900,000 in the MMS Resource Evaluation subactivity for the Center for Marine Resources and Environmental Technology (CMRET). The mission of the CMRET is to conduct research on the exploration and extraction of gas hydrates from the seabeds of the Gulf of Mexico. The MMS recognizes the importance of the investigations and technological development that this center pursues, particularly the longer-term research. However, due to higher research priorities for conventional oil and gas exploration and extraction, MMS is proposing to eliminate CMRET funding in FY 2010.

- The TA&R program funds operational safety and engineering research to address technological issues associated with the complete spectrum of offshore operations, ranging from the drilling of exploratory wells to the removal and decommissioning of platforms and related production facilities. No additional funds are requested for the TA&R program in FY 2010.

- The R&D funding in the OSR program is focused on the effective response to pollution events by assessing risks and evaluating technologies associated with the detection, containment, recovery, and clean up of oil spills in the marine environment. No additional funds are requested for the OSR program in FY 2010.

All MMS research is considered applied research in that it is specifically conducted to collect information needed to support the Outer Continental Shelf (OCS) oil and gas program and the Alternative Energy/Alternate Use Program. In order to ensure relevance, MMS integrates advice from a wide range of sources when formulating its research plans. The MMS also actively seeks partnerships with stakeholders who are involved with, or affected by, OCS activities. The performance of MMS's research efforts were reviewed in its FY 2004 OMB ESP Performance Assessment Rating Tool (PART). OMB found that the program is "very effective in providing timely and peer-reviewed environmental research to decision makers," and the program received a score of "Moderately Effective".

In response to the PART, MMS quantitatively measures the value of environmental studies information. The MMS Environmental Studies Program Performance Assessment Tool (ESP-PAT) measures the effectiveness of the Program in delivering targeted information to its MMS customers in a timely manner for discrete decision-making purposes.

MMS Research and Development Funding (FY 2008-FY 2010)

Budget Activity	FY 2008 Actual	FY 2009 Enacted	FY 2010 Request
OEMM Renewable Energy Subactivity			
Engineering & Technology Studies	**0**	**0**	**650**
These funds will be used for technological and engineering studies related to renewable energy, and associated staff.			
Environmental Studies Management	**0**	**0**	**450**
Three new FTE ($450,000) are needed in the Renewable Energy Program to manage study contracts. Environmental studies funding is included in the Environmental Studies Program below.			
OEMM Leasing & Environmental Subactivity			
Leasing & Environmental Assessment	**5,388**	**5,780**	**6,185**
The Leasing & Environmental Assessment Program includes funding for staff associated with the Environmental Studies Program.			
Environmental Studies Program (ESP)	**19,179**	**24,693**	**29,503**
The ESP gathers and synthesizes the environmental and social and economic science information necessary to support environmentally sound decision-making concerning the offshore oil and gas program, the marine minerals program, and the renewable energy program.			
OEMM Resource Evaluation Subactivity			
Center for Marine Resources and Environmental Technology (CMRET)	**886**	**900**	**0**
The CMRET is located at the University of Mississippi at Oxford. While funding is appropriated to the Resource Evaluation Program, the funds to support this program are not considered part of OEMM base funding but have been added to our appropriation by Congress for many of the past several years. Funding of $886,000 was provided in FY 2008 and $900,000 was provided in 2009. No funding is shown for FY 2010 as this project is classified as an earmark and is proposed for termination in FY 2010.			
OEMM Regulatory Subactivity			
Regulation of Operations	**1,034**	**1,113**	**931**
The Regulation of Operations Program includes funding for the staff associated with the TA&R Program as well as base funding for the Offshore Technology Research Center (OTRC) located at Texas A&M University in College Station, TX. OTRC research is focused on operational safety and engineering.			
Technology, Assessment & Research (TA&R)	**1,500**	**1,500**	**1,500**
The TA&R Program supports research associated with operational safety, engineering research and pollution prevention.			
OEMM Oil Spill Research Appropriation			
Oil Spill Research	**4,849**	**4,795**	**4,905**
MMS is the principal U.S. Government bureau funding offshore oil spill response technology research. This research addresses outstanding gaps in information and technology concerning the cleanup of oil spills.			
TOTAL R&D	**32,836**	**38,781**	**44,124**

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Appendix G	
Minerals Management Service FY 2010 Mandatory Accounts and Offsetting Collections	
Appropriations Proposals	
Inspection Fees (General Statement)	The FY 2010 President's Request is proposing appropriations language to impose and retain an inspection fee from the offshore oil and gas industry a portion of the costs associated with production safety inspections conducted on operator facilities. The amount of the inspection fees to be retained is $10.0 million.
Coastal Impact Assistance Program (see CIAP tab)	The FY 2010 President's Request proposes that the Minerals Management Service may retain up to 4 percent of the amounts disbursed under section 31(b)(1) of the Coastal Impact Assistance Program, authorized by Section 31 of the Outer Continental Lands Act, as amended (43 U.S.C. 1456(a)), for administrative costs, to remain available until expended.
Authorizing Proposals	
Geothermal Payments (see BLM Budget Justifications)	The President's Budget proposes to repeal the provision in the Energy Policy Act that provides revenues to counties and the implementation of permit processing fund. The provision directs 25 percent of the revenues collected from geothermal leasing to be paid to the County in which the leased lands or geothermal resources are located. MMS, in conjunction with BLM, published final geothermal valuation regulations in May 2007.
Excise Tax on Certain Production	The Budget also proposes a new excise tax on certain offshore oil and gas production. According to the Government Accountability Office, the return to the taxpayer from OCS production is among the lowest in the world, despite other factors that make the U.S. a comparatively good place to invest in oil and gas development. In the interest of advancing important policy objectives, such as providing a more level playing field among producers, raising the return to the taxpayer, and encouraging sustainable domestic oil and gas production, the Administration is developing a proposal to impose an excise tax on certain oil and gas produced offshore in the future.
Fee on Nonproducing Leases	Interior is committed to ensuring that industry diligently pursues production of leased oil and gas resources. As part of a broader campaign initiative to encourage energy development, a new fee on nonproducing Gulf of Mexico offshore leases would provide a financial incentive for oil and gas companies to either get leases into production or relinquish them so that tracts can be re-leased and developed by new parties. It would require holders of Gulf of Mexico OCS oil and gas leases to pay a $4/acre fee (in 2009 dollars) when leases are in non-producing status.
Deep Gas and Deep Water Incentives	The 2010 budget proposes to repeal Section 344 of the Energy Policy Act of 2005, which extended existing deep gas incentives in two ways. First, it mandated an increase in the royalty suspension volumes from 25 to 35 billion cubic feet of natural gas in a third drilling depth category (greater than 20,000 feet subsea). Second, it directed that incentives for all three drilling depth categories also be applied to leases in 200-400 meters of water. The 2010 budget also proposes to repeal Section 345 of the Energy Policy Act, which provided additional mandatory royalty relief for certain deep water oil and gas production.

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Minerals Management Service
2010 Working Capital Fund Direct Bill
(Dollars in thousands)

Account	2008	2009	2010
Adaptive Management Guides	0.1	0.0	0.0
Single Audit Clearinghouse	0.0	0.0	0.0
FBMS Change Orders	25.0	25.0	25.0
Federal Assistance Award Data Systems	2.4	2.4	2.5
DOI Learn	0.0	9.3	9.3
HSPD-12	0.0	167.6	154.3
Departmental Medals	0.0	0.0	0.0
ER/LR/OWCP Training	5.9	0.0	0.0
EEO Training	1.4	1.0	1.0
ATC Services	0.0	0.0	0.0
Security Conference	0.0	0.0	0.0
Oracle Licenses and Support	221.5	228.1	228.1
Microsoft Enterprise Licenses	328.3	356.8	427.9
Anti-Virus Software3 Licenses	41.0	41.0	41.0
System Architecture Licenses	4.1	0.0	0.0
Enterprises Services Network	261.0	306.0	313.0
Federal Relay Service	0.0	1.9	1.9
Data-at-Rest Initiative	90.4	0.0	0.0
Active Directory Optimization	13.7	0.0	0.0
e-Mail Archiving (Cobell Litigation)	0.0	553.0	327.2
Tape Restoration (Cobell Litigation)	0.1	0.0	0.0
Live e-Mail Capture (Cobell Litigation	138.3	0.0	0.0
Message Journaling (Cobell Litigation)	3.1	0.0	0.0
Historical Tape Storage (Cobell Litigation)	132.7	0.0	0.0
Legacy Tape Storage (Cobell Litigation)	12.1	0.0	0.0
Zantaz Professional Services (Cobell Litigation)	2.5	0.0	0.0
FY 2008 CFO Audit	67.0	0.0	0.0
FY 2007 CFO Audit	14.7	0.0	0.0
FY 2009 CFO Audit	0.0	2.7	84.9
FY 2010 CFO Audit	0.0	0.0	2.8
Hurricane Response and Recovery Oversight	70.2	0.0	0.0
Federal FSA Program	49.9	56.5	63.0
International Renewable Energy Conference	100.0	0.0	0.0
Marine Debris Campaign	50.0	0.0	0.0
Facilities Reimbursable Services	36.8	37.9	38.2
Creative Communications	88.1	89.9	91.2
Mail and Messenger Services	2.4	2.4	2.4
IDEAS	5.0	0.0	0.0
Client Liaison and Product Development Division	5.5	3.8	3.9
Personnel & Payroll Systems Division	69.1	65.8	1.8
HR Management Systems Division	0.0	11.9	30.6
Quicktime Services	0.0	0.0	69.6

Minerals Management Service
2010 Working Capital Fund Direct Bill
(Dollars in thousands)

Account	2008	2009	2010
Technology Services Division	4.6	6.8	7.0
Financial Management Intern Program V	25.0	0.0	0.0
DOI University Learning & Performance Centers	9.1	9.3	9.6
Anchorage Learning & Performance Center	1.4	1.4	1.7
Denver Learning & Performance Center	4.0	4.1	4.3
Government-Wide Forums	9.0	9.0	0.0
On-Line Learning	23.0	24.1	25.3
TOTAL	**1,918.2**	**2,017.8**	**1,976.6**

Minerals Management Service
2010 Working Capital Fund Centralized Bill
(Dollars in thousands)

Account	2008	2009	2010
Invasive Species Council	34.4	36.5	37.8
Invasive Species Coordinator	5.8	5.9	6.4
Document Management Office	22.2	0.0	0.0
Alaska Field Office	11.8	13.3	12.4
Alaska Resource Library and Information Services	73.1	73.1	73.1
Departmental Communications Office	17.9	18.9	19.7
Conservation Partnerships and Management Policy	6.2	6.2	6.3
FedCenter	0.0	2.7	2.7
CPIC	4.2	4.0	4.6
Activity Based Costing/Management	25.5	25.3	24.6
Travel Management Center	12.8	13.4	2.0
e-Gov Travel	14.2	28.5	8.6
Interior Collections Management System	2.5	2.5	2.5
Space Management Initiative	6.6	7.6	8.1
Renewable Energy Certificates	4.7	4.7	0.0
SBA Certifications	11.2	11.2	11.2
Planning and Performance Management	30.5	28.2	30.3
Alternative Dispute Resolution Training	0.0	2.5	1.2
Center for Competition, Efficiency, and Analysis	12.1	12.3	10.5
HSPD-12	32.9	21.9	4.9
Department-wide OWCP Coordination	1.8	5.4	7.6
Accountability Team	0.0	10.7	12.0
DOI Learn	4.5	16.8	8.1
CLC - Human Resources	0.9	0.0	0.0
OPM Federal Employment Services	10.1	13.3	11.9
EEO Complaints Tracking System	3.0	0.7	0.0
Special Emphasis Program	4.9	1.2	1.2
Accessible Technology Center	7.4	7.5	7.6
Occupational Health and Safety	21.2	22.1	35.7
Health and Safety Training Initiatives	4.8	4.9	4.8
Safety Management Information System	14.8	15.5	0.0
Security (Classified Information Facility)	7.9	8.2	10.9
Interior Operations Center (Watch Office)	29.4	38.3	46.7
Emergency Preparedness	32.5	14.2	16.7
Law enforcement Coordination and Training	13.7	14.0	20.9
Emergency Response	0.0	18.6	20.9
Enterprise Services Network	288.2	465.8	478.9
Web & Internal/External Comm	14.5	14.5	10.9
Enterprise Architecture	88.8	116.0	106.5
FOIA Tracking & Reporting System	31.7	23.4	45.4
Threat Management	0.0	0.0	18.2
IT Security	69.6	63.6	65.1

Minerals Management Service
2010 Working Capital Fund Centralized Bill
(Dollars in thousands)

Account	2008	2009	2010
Capital Planning	51.0	71.0	54.2
Information Management Support	47.8	6.6	6.8
Data Resource Management Program	5.8	5.6	5.6
IT Security Certification & Accreditation	125.3	125.3	125.3
Electronic Records Management	23.4	27.1	27.7
Active Directory	32.0	40.9	35.9
Enterprise Resource Management	9.8	10.6	12.5
e-Authentication	0.0	7.9	8.5
IOS Collaboration	0.0	0.0	24.3
Chief Technology Officer Support	0.0	0.0	0.0
Networx	0.0	32.1	34.6
Trusted Internet Connection	0.0	10.4	28.4
Data-at-Rest	0.0	11.4	1.0
Logging Extracts	0.0	4.3	9.0
OCIO Project Management Office	0.0	6.6	25.9
IT Asset Management	0.0	0.0	4.4
Continuous Monitoring	0.0	0.0	4.4
Two-Factor Authentication	0.0	15.1	1.8
Active Directory Optimization	0.0	21.4	19.0
Contingency Reserve	3.8	3.7	3.7
CFO Financial Statement Audit	1,198.1	1,269.8	1,325.7
Enterprise Geospatial Information Management	13.3	13.3	15.7
e-Government Initiatives (WCF Contributions Only)	87.8	109.2	107.1
Ethics Training	1.2	6.0	14.4
ALLEX Database	3.6	3.6	3.6
FOIA Appeals	35.2	30.2	33.9
Cultural Resources & Events Management	11.6	0.0	0.0
Financial Management Training	31.7	33.2	33.9
Learning and Performance Center Management	16.1	16.5	16.4
SESCDP & Other Leadership Programs	4.8	4.8	4.7
Albuquerque Learning & Performance Center	2.2	2.8	3.6
Anchorage Learning & Performance Center	13.4	14.8	15.6
Denver Learning & Performance Center	83.4	63.5	70.8
Online Learning	9.8	12.8	12.8
Washington Learning & Performance Center	21.6	48.1	54.8
ADP Operations	0.0	0.0	0.0
EEO Complaints Tracking System	0.0	0.0	0.8
DOI Learn	0.0	0.0	13.9
NBC 106 Mainframe Replacement	0.0	20.6	0.0
Safety Management Information System	0.0	0.0	38.0
Labor Relations/OWCP Tracking System	0.0	0.0	1.4
NBC IT Security Improvement Plan	15.3	15.4	21.7

Minerals Management Service
2010 Working Capital Fund Centralized Bill
(Dollars in thousands)

Account	2008	2009	2010
Voice/Data Switching	21.0	21.7	21.7
Information Mgmt. - FOIA and Records Management	41.1	12.2	12.3
Telecommunications Services	84.7	91.9	95.2
Audio Visual Services	0.0	16.9	15.4
Integrated Digital Voice Communications System	63.8	78.4	80.3
SIB Cabling	0.0	24.4	2.7
Desktop Services	10.8	0.0	11.7
FPPS/Employee Express - O&M	349.7	352.9	366.3
HR LoB W-2 Surcharge	20.4	22.2	15.1
DOI Executive Forums	0.0	2.9	2.9
Interior Complex Management & Services	36.5	39.3	53.7
Family Support Room	1.3	1.4	1.4
Property Accountability Services	4.3	4.4	26.1
Vehicle Fleet	4.1	4.6	4.6
Moving Services	7.8	8.6	8.8
Shipping and Receiving	18.1	19.6	20.2
Safety and Environmental Services	0.0	0.0	23.2
Space Management	12.0	13.1	13.4
Security	250.6	276.6	288.5
Federal Executive Board	6.5	6.7	6.8
Health Unit	12.3	13.1	13.7
Transportation Services (Household Goods)	4.7	4.8	5.0
Passport & Visa Services	20.1	20.9	21.5
Mail and Messenger Services	71.5	73.5	80.3
Blue Pages	19.5	21.0	21.0
Mail Policy	8.3	8.5	8.6
Special Events Services	2.5	2.8	2.9
Cultural Resources & Events Management	0.0	8.9	8.9
Partnership Schools & Commemorative Programs	3.8	3.9	3.9
Departmental Museum	37.7	38.0	44.5
Departmental Library	71.2	74.9	77.7
FBMS Hosting	477.0	477.0	477.0
FBMS Master Data Management	0.0	0.0	1.6
Financial Systems (including Hyperion)	18.0	19.8	18.9
IDEAS	85.7	88.3	89.1
NBC FBMS Conversion	0.0	0.0	9.6
Aviation Management	434.8	389.9	492.3
TOTAL	**5,026.3**	**5,501.3**	**5,865.8**

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