

MMS TODAY

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Taking Royalties "In-Kind": The Federal Perspective

by Bonn J. Macy

The concept of taking natural resource royalties in-kind (RIK) is not a new idea. In spite of its current cachet with industry and Congress, it is centuries old. It is the most primitive form of the royalty concept.

More than a thousand years ago when royal land-owners found indentured servitude was not meeting their needs for raw materials, they contracted with independent miners. The miners, who were probably the leading entrepreneurs of their day, found the arrangements attractive. The ancient Greeks, medieval Germans, Saxons, and Normans all took their royal share of mineral production from their lands. The contractual arrangement between royals and the miners was that the miners would be allowed to exploit the royal resources as long as they provided a share of the production to the Crown.

The concept of paying the royal owners with cash for mining their lands is a much more modern construction. As economies grew and progressed, minerals like gold, silver, and copper became more valuable to the crown for what they could buy rather than for their practical uses. Over time, shifting relative costs for labor, transportation, information, market access and financial transactions probably played a role in the move from in-kind to in-value

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Taking royalties in-kind is the most primitive form of the royalty concept. Here, medieval royals accept their payment in the form of live-stock.

Agency Prepares for Major Systems Overhaul

by Walter Bonora

The Mercedes Benz is considered by many to be an example of great automotive engineering. As stated in recent television commercials, "It is engineered like no other car in the world." But, like all cars, even a Mercedes needs a tune-up from time to time.

MMS's Royalty Management Program (RMP) operates like an efficient engine, but because of changing times and technology, it needs to be tuned.

Reengineering initiatives began in 1996. The principal objective was to design, develop, and implement new core processes for a more efficient way to do business.

"It is our number one priority," says RMP Associate Director, Lucy Querques Denett. "As we move into the 21st century, we will improve

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Message from the Director

“Reengineering,” continued from cover

This issue of *MMS Today* is an exciting one for me because it speaks of innovation. We live in a changing world, and we plan to keep pace with and, in some cases, move ahead of those changes. In keeping with the Clinton administration’s emphasis on reinventing government, we continue to look for new and better ways to do our job.



Reengineering innovations are underway for the Royalty Management Program, which should reap huge benefits in cost and time-savings for government and industry. The objective of this program-wide effort is to implement new royalty management business processes and automated computer support systems for the 21st century.

Changes are occurring in the offshore safety arena. As the agency responsible for managing America’s offshore resources, we place a high priority on the safety of personnel, and the environment. The nation’s record for safe and clean offshore natural gas and oil operations is excellent. To maintain and improve upon this excellent record, the agency continually seeks operational improvements.

And on the legal front, we are looking at ways where in-kind

payments could be appropriate in the right circumstances. However, current legislation before Congress is calling for an exclusive collection of in-kind royalties from oil and gas production on public lands that could be detrimental to the taxpayer.

Our agency is never one to rest on its laurels. From our environmental studies, to offshore safety innovation, to streamlining royalty management functions, we look for improvements in all of our endeavors. And I see improvement and renewal both big and small, today and tomorrow.

upon the way we do business to better serve industry and the American people.”

The agency will seek improvements in current regulatory reporting requirements which the reengineering team determined to be inefficient and overly burdensome to industry and the agency.

The reengineering team is currently steaming ahead to develop a system whereby RMP can determine, in real-time, if a company is in compliance with mineral lease provisions; namely, are these companies paying the correct amount of royalties.

“Innovations are underway to make our system more accessible for the user,” says Milt Dial, reengineering project manager.

Current, mainframe-based systems did not escape the watchful eyes of the reengineering effort. “The systems are obsolete, and cannot support current and future changes in business processes,” said Dial. “Our present technological environment is complex, inefficient, difficult to change, and expensive to maintain.” Managers at RMP concluded that trying to change existing systems is not cost-effective. A new automated infrastructure is the more efficient approach.

Modernizing RMP’s computer system would ultimately save the government \$3.5 million annually in operating costs, and gain about \$10 million in annual revenue.

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royalty collection. That is to say, it became easier, more convenient and cheaper for the King to take ready cash over production.

Today, both systems can be found in all corners of the world. The United States has long recognized the RIK option. All Federal leases contain a provision that allows the Secretary of the Interior to take Federal royalties in-kind, though rarely done. Over the years it usually made good financial sense for the government to take a cash royalty payment.

Until now. Even the most casual observer will note the dramatic transformations in our economy over the last 25 years: computers, information, automation, telecommunications, financial services, deregulation, as well as the increasing complexity and sophistication of markets, and the commercial enterprises that operate in them. These transformations have also changed the way the oil and gas industry does business today. Transaction costs have declined, and assets can change hands several times a day. Real-time market information is readily available to everyone.

There is no doubt that changes in the economy have shifted the relative costs of activities associated with mineral production, sale and royalty collection. These economic changes suggest that it is worth taking another look at the way the

Federal government collects its royalties.

Indeed, other governments have rediscovered the possibility of in-kind royalties. The RIK programs of the Canadian Province of Alberta and the Texas General Land Office are two examples. So, has the royalty issue in the United States finally come full circle? Have all the economic factors realigned in such a way as to make taking royalties in-kind the efficient choice once again? Maybe.

the government does business and should be studied. Given the changes in the economy and our commercial structures, RIK might allow us to do our job more effectively and at lower cost to the taxpayer.

The agency is entering the next phase of its examination of the RIK concept. The MMS is developing three new pilot programs. Before discussion of these new pilots, let’s go back and examine what has been done and what

MMS has learned to date regarding RIK.

Earlier Pilot and Feasibility Study

The 1995 Royalty Gas Marketing Pilot was the first attempt to look at the potential benefits of an RIK system. The objectives of that pilot were to test RIK’s ability to streamline royalty collections, improve royalty management efficiencies, and provide greater certainty in royalty collections while achieving revenue neutrality. The pilot was essentially a voluntary collaboration with 14 participating producers that lasted one year. At the end of the pilot, MMS estimated the revenue loss at \$4.7 million, or 6.5 percent of revenues.

However, the pilot was a success for many other reasons. The agency’s purpose behind the pilot was to learn more about operating

Location of Upcoming MMS Royalty In-Kind Pilots



See sidebar on page 4 for more information .

Analytical Studies

Current conditions suggest that MMS examine this issue through analytical study and practical tests.

Since its inception in 1982, MMS has consistently sought to be an active and progressive steward of the Federal royalty interest. In keeping with the Administration’s goal of reinventing government, MMS thought that the RIK concept might be an effective way of changing and improving the way

MMS TO TEST RIK THROUGH ADDITIONAL PILOTS



The MMS is currently developing three pilot programs to determine the essentials of a successful RIK system. The pilots will begin later this year, and last for three years.

In Wyoming, the agency is looking at the potential for an onshore oil RIK program. This pilot, which is being developed in partnership with the state, would begin taking royalty production on October 1, 1998.

Also starting in October is a small offshore gas pilot off the coast of Texas in its “8(g)” zone. This pilot, a cooperative venture with the Texas General Land Office, will look for innovative approaches to marketing Federal gas.

Building on the Texas model is a much larger offshore gas pilot in the waters of the Gulf of Mexico. Beginning in 1999, this pilot, will market large volumes of gas to industrial and commercial purchasers.

By the end of the program, MMS will understand where and when RIK makes sense, and how it is best used to enhance royalty revenues for the taxpayers and states.

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an RIK program. The best way to do that is by practical experiment. By trying it, and taking the concept from a solely academic discourse, MMS learned a great deal first hand about what it takes to have a successful RIK program. Even though the pilot lost money, the agency still felt RIK had potential to improve royalty management. The MMS therefore continued to move forward and conducted a study looking at the feasibility of implementing RIK across all Federal oil and gas leases.

The *1997 RIK Feasibility Study* looked at the issue from a macro perspective, and focused on isolating the geographical, infra-structural, and commercial conditions that would control an RIK program’s success or failure. After extensive research, analysis and

discussion with industry participants, the most significant finding of the feasibility study was that RIK could be workable, increase royalty revenue, and be potentially more efficient under the right conditions. The study found that some of the benefits of an RIK program could come from a reduction in the audit and administrative burden. Reducing the costly appeals process and the litigation of royalty disputes is an important source of savings.

The study also determined that producers would have to continue to place oil and gas production in “marketable condition” before the Federal royalty share was collected and MMS would need the ability to market aggregated production volumes to customers downstream of the royalty delivery point.

On Royalty In-Kind

by Anita Gonzales-Evans

Within the last three months, the House Subcommittee on Energy and Mineral Resources has held two legislative hearings on H.R. 3334, “The Royalty Enhancement Act of 1998.” This legislation would replace the traditional system of cash payments to the Federal government for oil and gas produced on Federal lands with a royalty in-kind (RIK) system.

MMS Director, Cynthia Quarterman, testified before the subcommittee that the bill is unnecessary because the Secretary of the Interior currently has the legal authority to choose to take royalty in-kind. She also made it clear that the Department of the Interior is prepared to recommend a presidential veto for any legislation that would require the government to take royalties in-kind.

On April 30, the Department submitted a detailed analysis of H.R. 3334 to the subcommittee on the projected annual revenue impacts. The Department found that several provisions in the bill associated with a mandatory RIK program would transfer and increase many of the costs and responsibilities historically borne by producers onto the government. This bill may result in a possible loss of hundreds of millions of dollars to the taxpayer.

At a second subcommittee hearing, industry representatives discounted the Department’s analysis of the legislation’s projected revenue impacts, and questioned the methods used by MMS to develop these estimates. Quarterman stated that the agency’s cost-analysis of the bill is very conservative, and does not include several negative provisions that could not be quantified when the analysis was made.

On April 2, S. 1930, “The Royalty Enhancement Act of 1998,” was introduced by Senator Nickles (R-AL). MMS anticipates a hearing before the Senate Energy and Natural Resources Committee sometime this summer. □

A Paperless Royalty Program Might Be Closer Than You Think

by Victoria Squires

That's right. The MMS's Royalty Management Program (RMP) might be one step closer to its goal of a paperless environment by the end of the year. The agency issued a proposed rule on April 8 that would require companies to submit electronically all monthly royalty and production reports to MMS by December 31.

The agency has been using electronic collection for years. In fact, about 80 percent of royalty data and 60 percent of production data is currently submitted electronically to the agency. Electronic payments and reports have realized a savings of nearly \$1 million in the last three years.

"This switch to electronic reporting has really helped to streamline the entire reporting process," said Mary Williams, chief of the agency's reports branch. "It's saved time and money for MMS and for companies since payments and corrections are received and processed more quickly than ever."

In addition to monetary savings, companies reporting production data electronically get the benefit of a 10-day extension on their due dates.

Various electronic reporting options and transmission methods are available, and a list of third-party reporting services can be provided to companies not using computers. The MMS continues to work closely with companies and other regulatory agencies to streamline and improve electronic reporting and payments. □

"RIK" continued from page 4

However, given the many adverse conditions associated with many Federal leases, such as tight pipeline capacity, lease geography, small volume leases, and transportation rates along non-jurisdictional lines, the study indicated that any program that mandated RIK across all Federal oil and gas leases was not in the best interest of the taxpayer.

The study suggested that an RIK program in certain areas could be successful if structured in a way that accounted for the potential pitfalls and allowed MMS the flexibility to market the production as necessary to maximize value to the taxpayer. Three new RIK pilot programs were recommended to test this concept. Which brings us to where we are today.

Pilot Programs

The three RIK pilots are: a small oil RIK pilot in Wyoming; an RIK pilot covering "8(g)" production offshore Texas; and a larger more complex pilot which would take natural gas from offshore leases in the Gulf of Mexico. Both Texas and Wyoming have actively expressed interest in pursuing an RIK program in their areas.

A task force consisting of several senior MMS experts was assembled to implement the pilots. Representatives from Texas and Wyoming are currently involved with the implementation of the pilots that concern their states. Specialists from the Bureau of Land Management will also participate and add their expertise to the effort.

Some of the challenges for all involved include: analyzing lease characteristics and transportation structure in each pilot area; defining the scale and scope of each pilot; analyzing markets and operational issues in detail; and, designing the terms, conditions and requirements of any necessary contracts.

The agency's objectives in the pilot program are simple and clear. Is RIK an effective and efficient method for collecting the nation's royalty revenue? If so, what is the best way to implement it?

As a way to reinvent government, RIK holds great potential. If it can live up to that potential, then MMS will have lived up to its reputation as one of the most progressive, innovative and effective agencies in the Federal government. □

"Reengineering" continued from page 2

Other expected benefits from the proposed reengineering include a change in the business cycle from six to three years, increased confidence that royalties have been paid correctly, an overall reduction in paper flow, and a significant reduction in cost of royalty administration.

"The world is changing, government is changing, industry is changing, and our organization is changing with them," said Querques Denett. □

MMS Simplifies Its Royalty Processes

by Jan Therkildsen

President Clinton signed the Federal Oil and Gas Royalty Simplification and Fairness Act (RSFA) into law on August 13, 1996, to improve the management of royalties from Federal and Outer Continental Shelf oil and gas leases.

This legislation has significantly changed many of MMS's operating and revenue processing methods. The following is a brief overview of how MMS is implementing these new RSFA requirements.

Interest on Overpayments - The RSFA authorizes MMS to pay interest on Federal oil and gas royalty overpayments. Additionally, RSFA allows the royalty reporter to calculate the interest on their overpayment and to report this interest to the agency.

This new provision was implemented in two phases. In April of last year, the agency began calculating and paying interest. In September, computer software was modified to allow companies to calculate and report interest owed them to MMS.

The MMS has provided interest calculation and reporting guidance to companies, and plans to publish an interim final rulemaking on interest in July 1998.

Payment Liability - Before RSFA enactment, a "payor" was defined as anyone who reported and paid royalties and other payments on a Federal oil and gas lease. These self-declared "payors" then became legally liable for their leases.

The RSFA provides a statutory explanation of who is liable for payments on Federal oil and gas leases for production after September 1, 1996. The owner of the operating rights and/or record title of a Federal oil and gas lease is now legally defined as the liable party. While these lessees can designate a third party to pay royalties on their behalf, they are still responsible for those payments.

The RSFA also allows MMS to commence legal proceedings or demands against liable parties during a new seven-year timeframe that begins the date an obligation becomes due.

The MMS has begun collecting payment designation information from payors, and in 1999, plans to publish two rulemakings that will clarify liable parties for both RSFA (Federal oil and gas) and non-RSFA (solid minerals and Indian) leases.

Delegation to States - Prior to RSFA enactment, audits, inspections, and investigations were the only activities permitted to be delegated to states. RSFA allows states to request delegation of other Federal royalty management functions for federal oil and gas onshore leases. In August 1997, MMS published a final rulemaking that expanded the list of delegable royalty management functions to states, and provided standards for delegation.

Additional royalty management functions that states may now request include receiving and processing production and royalty reports, correcting report data, performing automated verification, and issuing demands, subpoenas, orders to perform restructured accounting, and other related agreements and notices to lessors.

Thus far, no states have requested delegation of those functions.

Other RSFA Activities - The agency is working on implementing several other RSFA provisions, such as appeals processing timeframes and self-bonding, chronic erroneous reporting, accounting relief and reporting exceptions for marginal properties, and prepayment of revenues.

Additional information on RSFA is available on the MMS website at www.rmp.mms.gov/rsfa/mmsrmp.htm. □

MMS Places a Premium on Safety

MMS staff article

About 3,800 oil and natural gas platforms are operating in U.S. offshore waters. These platforms produce about 20 percent of our country's oil and 27 percent of its natural gas. As the steward of the Nation's offshore lands, some 1.4 billion acres in all, MMS regards the safety of offshore personnel and the protection of the environment as a core responsibility.

"The number one priority for the offshore program is ensuring safe and clean operations. We are concerned about both the safety of offshore workers as well as protection of the offshore environment," says Carolita Kallaur, associate director for offshore operations. "We also want to have an efficient and rational regulatory system that can respond to the rapid advances in technology while providing the right incentives for industry to excel in the area of safety and environmental performance."

The current spate of deep water successes has increased the volume of offshore oil and natural gas production, and pushed the oil and gas industry into new technological and environmental frontiers. As this occurs, safety issues are on everyone's mind. The agency's safety program includes a combination of required plans, permits, training requirements, and inspections, as well as a number of cooperative efforts with industry to improve performance. Fortunately, most offshore oil and gas companies share the same commitment to a continued safe environment.



The safety of offshore personnel and our environment is a top priority for MMS. (Photo by Miekko Mahi)

"Since the late 1960s, a series of detailed regulations have been issued to govern all phases of offshore exploration, development, and production activities," said Kallaur.

Today, MMS is shifting its regulatory requirements to better reflect the agency's increased emphasis on performance.

"Accidents happen for a reason," says Bud Danenberger, chief of engineering and operations for the agency. "They're not matters of mere chance. By better understanding the causes and taking appropriate action, we can prevent their recurrence and reduce the overall risks to offshore operations."

In 1991, the agency introduced the concept of a safety and environmental management program to industry. The basic concept behind the program is that industry would voluntarily implement a structured, systems-level safety management program.

Safe and clean operations make good business sense. Responsible companies will see savings in lower property damage, lower employer compensation, and a reduction in insurance costs. The agency will also work cooperatively with good performers by sponsoring workshops and research designed to enhance performance. □



(Photo by Miekko Mahi)

(Editor's Note: A more in-depth safety feature will appear in the next issue of MMS Today.)

In the Wake of El Nino, California Biologists Revisit One of Their Favorite Communities

by *Walter Bonora*

El Nino's relentless winter rains had pounded the area, spreading chaos to nearly every part of Ventura County. Mud slides and widespread flooding washed away bridges, forced highway closures and sent people fleeing from their homes. The county was in the grip of yet another bashing from nature at its most powerful. But in the sunny and windy aftermath, undaunted, as though El Nino were but a gentle breeze, a group of biologists made their semi-annual trek over rough terrain to check on the health of one of their favorite communities—the rocky intertidal beds of central California.

E-mail and fax machine realities disappeared quickly as they entered a pristine environment that was being punished by El Nino's face smashing winds and twenty-foot surf. Their destination was four coastal sites off Vandenburg Airforce Base, shoreward of some of the Pacific region's largest offshore oil fields. At first, I thought I must be crazy to go with them into an area of strong winds. How would I ever keep my camera steady, much less take notes? But their enthusiasm for their work became so contagious that I found myself happily sliding down a sandy cliff, eager to observe mussels and abalone in their rocky intertidal habitats.

Working for the Minerals Management Service, these biologists, along with their partners from the University of California, Santa Cruz, had hiked two and a half miles from the nearest road, carrying field gear and camera equipment, worked their way down a precarious, muddy slope, then carefully moved over slippery shale and rocks to monitor abalone and mussel abundance. The strong winds brought the wind chill down to finger-numbing discomfort, yet the team enthusiastically pushed onward.



Herb Leedy (left) and Melissa Wilson (right) photograph and record data at an intertidal plot in central California. (MMS photo)



A section of rock sheered away by the force of El Nino. (MMS photo)



A rocky intertidal shoreline in central California. (MMS photo)

But their enthusiasm would soon be checked. "I'm always fascinated by nature," said team leader and California native Mary Elaine Dunaway. "I'm always in awe when something unexpected happens."

And the unexpected was finding one of their monitoring sites sheered away by El Nino. Gone. Vanished. Where there was once a large section of rock with its abalone inhabitants, now stood a flat surface looking much like a long, smooth, piece of slate.

"Nature continually reveals something new to us," said Dunaway.

Instead of being angry or frustrated that seven years of studies had been washed away in a matter of moments, the biologists proceeded as though contending with nature's tricks and fancies were all in a day's work. "We look at this occurrence as another data point," added fisheries biologist and team member Herb Leedy. "It's all part of the natural flow of things, even though this was a particularly hard El Nino."

Environmental studies funded by MMS, like the monitoring of intertidal beds, are necessary to determine the effects of offshore oil development on these communities. Several species depend on mussels and abalone for their existence -- female lobsters spawn in mussel beds and abalone are a favorite food of sea otters. Data collected from these studies is used to monitor changes in habitat, and to determine what measures are needed to protect these species and their environment if they are found to be in jeopardy.

Though Dunaway and her colleagues are very fond and protective of their creatures, they also realize that nature must do its thing. Biologist, and marine mammal specialist, Mark Pierson, commented that El Nino has been here for a long time. The weather pattern brings benefits to some, and destruction to others. Not just the homes of people get washed away. Other creatures also lose their homes.

Like gardeners carefully tending to their plots, Dunaway and her team—Mark Pierson, Lynette Vesco, Mike McCrary, Herb Leedy, along with Pete Raimondi and Melissa Wilson of UC Santa Cruz—video taped, mapped, counted, charted, and recorded the numbers of abalone, mussels, sea stars, owl limpets, sea grass and other life forms that make up the gentle ecosystem living along the rocky intertidal beds of California. □

The YOTO Corner

"The future of civilization depends on water. You all now have the duty... to convince people."

--Jacques Cousteau



(Photo by Dick Zimmerman)

The oceans are the world's largest biomes, covering nearly 70 percent of the Earth's surface. But the oceans are not evenly populated. Marine life is more dense and diverse along the coast, and less so in deeper waters.

The biologically richest marine habitats are estuaries. The Chesapeake Bay, for example, is an estuary and one of the world's richest marine habitats, producing millions of pounds of crabs, oysters, and fish each year.

Coastal waters support rich communities of plants, animals and microbial life. In tropical waters, coral reefs are the most biologically diverse communities.

In the deepest waters, perpetual darkness reigns, but still there are communities adapted to life in these depths, feeding on organic matter that sinks from the sunnier areas above.

The MMS is committed to managing the development of offshore energy resources while protecting America's coastal and marine environments. □

Oceans are frontiers for exploration and discovery



The International Year of the Ocean provides governments, organizations and individuals a chance to raise public awareness of the role the ocean plays in our lives, and to initiate changes needed to sustain marine resources. The MMS takes this opportunity seriously.

As we head into the 21st century, the MMS continues to ensure the safe exploration of our ocean's marine resources in order to improve our understanding of the human, marine and biological environments we all depend upon.

Did you know...

- MMS-funded research provides new information on the distribution and abundance of marine mammals in Alaska, California, and the Gulf of Mexico in relationship to their environment.
- The agency's research in the Gulf of Mexico provided new information on marine mammal inhabitants previously thought to be uncommon in the Gulf, like beaked whales, pygmy and dwarf sperm whales, melon-head whales and Fraser's dolphins.
- MMS-funded marine studies also discovered chemosynthetic communities in the deep waters of the Gulf. "Chemos," as we call them, are dense assemblages of large tube worms and mussels found at natural hydrocarbon seeps.
- Sand and gravel deposits in federal waters can be used for beach nourishment and restoration projects. MMS is working with coastal states, such as Louisiana, Maryland, New Jersey, South Carolina, and Virginia, to identify Federal offshore sand resource sites for future use. □

For additional information on most of the following stories, visit our website at: <http://www.mms.gov>.

Russia Visits Denver

RMP staff article

The Royalty Management Program hosted a 16-member delegation from the Russian Far East in early March.

The delegation met in Denver for a one-week orientation session designed to provide an overview of the U.S. mining industry including state and federal regulations,

environmental, health and safety regulations, and existing technologies and applications.

This training program was part of the State Department's U.S.- Russia Regional Investment Initiative to help stimulate economic growth and development in select regions of Russia, while promoting trade and investment opportunities for American business there. □



(MMS Photo)

Record Amount Received by States

RMP staff article

MMS distributed more than \$617 million to 36 states during 1997, more than in any previous year.

The money represents the states' cumulative share of revenues collected for mineral production on federal lands located within their borders and from federal offshore oil and gas tracts adjacent to their shores. Disbursements are made to states on a monthly basis, as bonuses, rents, royalties, and other revenues and collected.

A state is entitled to a share of the mineral revenues collected from federal lands located within the state's boundaries. For the majority of federal lands, states and the

federal government share the revenues; 50 percent to the state, 40 percent to the Reclamation Fund for water projects, and 10 percent to the U.S. Treasury. Alaska is one exception, which receives a 90 percent share, as prescribed by the Alaska Statehood Act.

Certain coastal states with federal offshore tracts adjacent to their seaward boundaries receive 27 percent of those mineral royalties as well. Remaining offshore revenues are deposited in special accounts of the U.S. Treasury, including the General Fund, the Land and Water Conservation Fund, and the Historic Preservation Fund. □

Gulf of Mexico's Deep Waters Continue to Shine as America's New Frontier

GOMR staff article



In 1994, Shell's tension-leg platform, *Auger*, was installed at a water-depth of 2,861 feet, and is currently producing over 100,000 barrels of oil per day. (MMS photo)

Led by over 10 new deepwater discoveries and 4 major projects, the deep water Gulf of Mexico (GOM) area continued as one of the world's hottest exploration and production regions in 1997.

"The focus of activity in the deep water Gulf of Mexico in 1997 was truly exciting," said GOM Regional Director, Chris Oynes. Activity in the region reached an all-time high in October and December of 1997 with 31 rigs drilling for natural gas and oil in waters deeper than 1,000 feet. A record eight deepwater projects are expected to come online in 1998. In total, 17 fields were in production from January through July 1997 in waters over 1,000 feet in depth.

From January through July 1997, deep water activity in the Gulf produced approximately 53.9 million barrels of oil and 174.5 billion cubic feet of natural gas.

"The deep waters in the Gulf are truly America's new frontier of energy production," said Oynes. □

Agency Presents Stewardship Awards To Top Mineral Resource Companies

RMP staff article

MMS recently honored four mineral resource companies for their superior records in electronic royalty reporting and production reporting during 1997.

The Secretary of the Interior's Mineral Revenues Stewardship Awards were presented to O&G Professionals of El Paso, Texas; Chieftain International, U.S., of Edmonton, Canada; Devon Energy Corporation of Oklahoma City, Oklahoma; and Caulkins Oil Company of Bloomfield, New Mexico. The awards ceremony was held at the 1998 North American Petroleum Accounting Conference in Dallas, Texas.

"With sincere appreciation, we applaud these companies for their achievements," said Assistant Secretary for Land and Minerals Management Bob Armstrong. "Their professionalism has not only contributed to a continuing, successful partnership between the federal government and industry, but has enhanced our Nation's energy program."

In presenting the awards Armstrong said, "While many companies maintain especially good records to meet their responsibilities for payment and reporting, these four were the best in the business last year. In fact, both O&G Professionals and Caulkins Oil Company are receiving this award for a second time. They are genuine examples of performance excellence.

"Their continued dedication to perfection saves taxpayers' money and assists us in meeting our obligation to responsibly manage the revenues from the mineral resources of our Nation's public lands," he said.

Since 1987, the Interior Department has been commending exceptional performances by companies that report production and pay royalties for federal and Indian minerals leases to MMS. More than 1,600 companies submit reports of mineral sales and production and pay royalties for minerals that are sold or removed from these leases.

The awards are given to one large (25,000 or more lines of data reported) and one small (between 2,500 and 24,999 lines) company in each of two categories: royalty reporting and production reporting.

While consideration is now given only to companies who report electronically, selections are based on the accuracy of submissions to MMS.

During Fiscal Year 1997, O&G Professionals, with 92,178 lines of royalty data and an error rate of 0.10 percent, and Chieftain International, U.S., with 2,822 lines of royalty data and an error rate of 0.71 percent, recorded the lowest error rates among royalty reporters in their size categories.

Among production reporters, Devon Energy Corporation, with 32,186 lines of production data and an error rate of 0.89 percent, and Caulkins Oil Company, with 5,322 lines of production data and a 0 percent error rate had the lowest error rates. □



Assistant Secretary Bob Armstrong recently presented the 1997 Mineral Revenues Stewardship Awards to four companies at a ceremony in Dallas.

Past Stewardship Award recipients include:

- 1996:** Conoco, Inc.
KN Gas Gathering
MacPherson Oil Company
Yates Petroleum Corporation
- 1995:** Dugan Production Company
El Paso Natural Gas Company
Hallador Production Company
Western Production Company
- 1994:** Caulkins Oil Company
CIG Exploration, Inc.
Marathon Oil Company
- 1993:** Columbia Gas Development Corporation
Dugan Production Company
El Paso Natural Gas Company
Jerome P. McHugh & Associates
- 1992:** Anadarko Petroleum Corporation
El Paso Natural Gas Company
Linmar Petroleum Corporation
Zia Data Search Corporation

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