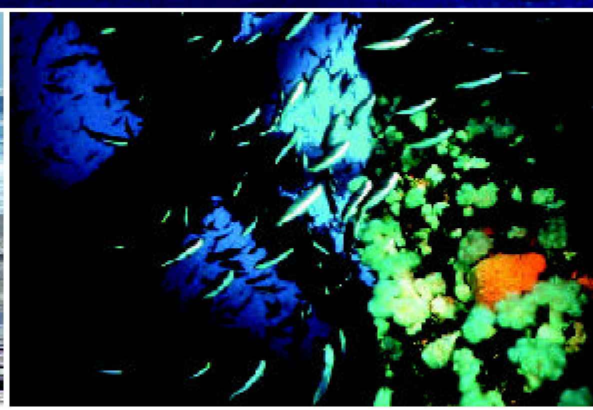
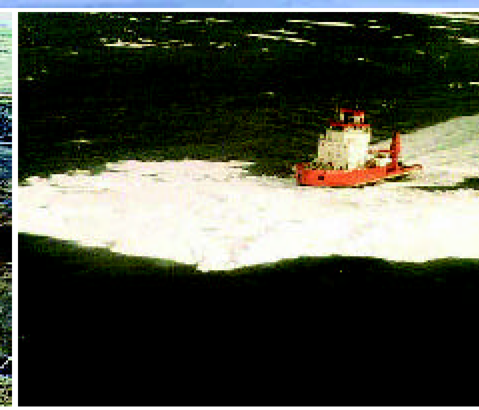
MMS

Facts and Figures 2003





MINERALS MANAGEMENT SERVICE

Conservation through Cooperation, Consultation, and Communication

Secretary of the Interior Gale Norton has described her vision for effective Interior program management as the "4 C's": Conservation through Cooperation, Consultation, and Communication. The "4 C's" reflect the Secretary's goal of involving others, including communities, partners, customers, contractors, volunteers, and stakeholders in carrying out our mission by actively working with them, and obtaining feedback and input on our program and business processes, plans, and practices. The "4 C's" effectively applies to all aspects of the Department's mission.

The Secretary's Four C's

- **Conservation:** We strive to conserve our Nation's land and its resources.
- **Cooperation:** We interact, collaborate and partner with others on matters of mutual interest to reach understanding and agreement and to work toward common goals.
- **Consultation:** We confer with others to exchange observations and views so that all of us have the best and most complete information to support our decisions, including the best scientific information.
- **Communication:** We take the initiative to reach out to others to give and obtain information for our mutual benefit and understanding.

Table of Contents

What is the Minerals Management Service (MMS)?

MMS was formed in 1982 as an official agency within the United States Department of the Interior. The MMS shares the Secretary of the Interior's vision for managing public resources through her concept of the "4C's"—consultation, cooperation, and communication—all in the service of conservation. The MMS manages two very important programs that provide major economic and energy benefits to the Nation, taxpayers, States, and the Indian community—benefits that have both national and local significance.

MMS – The Mission

The MMS manages the minerals resources on the Outer Continental Shelf and Federal and Indian minerals revenues to enhance public and trust benefits, promote responsible use, and realize fair value.

MMS – The Programs

The MMS carries out its mission through two programs - the

- Minerals Revenue Management (MRM) Program; and
- Offshore Minerals Management (OMM) Program

This booklet describes the benefits derived from MMS programs, provides information on these programs, and highlights some of the agency's more recent accomplishments.

What does MMS do and why is it important?

The Federal government owns a vast amount of land onshore and exercises jurisdiction over certain offshore lands as well. These lands are managed for various purposes, including mineral production. Offshore lands are known as "OCS lands" and are located outside of State coastal waters. Generally speaking, OCS lands begin three geographical miles offshore coastal States.

Federal laws require that certain environmental standards be maintained and that the Federal government receive a fair monetary return for the public mineral resources it makes available. In addition, Federal law also requires that a portion of the monies received by the Federal government from mineral production be shared with affected States, and that—in the case of Indian lands—all monies collected from mineral production go back to the Indian Tribes or individual Indians who own the lands. Finally, Federal law provides that some of the monies generated from OCS leasing and development be set aside for special uses that benefit all 50 States.

MMS' role is to help carry out these Federal laws by ensuring that all monies derived from mineral leasing and production activities on Federal and Indian lands are collected, properly accounted for, and distributed. In addition, MMS is both the resource manager **and** fiscal manager for the Nation's important OCS mineral program. In that role, MMS leases OCS lands; regulates development activities to protect the coastal and marine environments; collects and accounts for OCS revenues; and ensures that when operations are completed, the sites are properly abandoned.

NATIONAL BENEFITS

Federal Onshore and Offshore Mineral Leases Generate Almost $ 6 Billion Annually. These Revenues Are One of the Federal Government's Largest Sources of Non-Tax Income.

- Almost **$ 4.3 billion** per year, on average, is collected and distributed by MMS from bonuses, rents, and royalties from Federal **offshore** mineral leases.

This effort provides about—

- ✓ **$ 3.2 billion per year** to the United States Treasury and to the States.
- ✓ **$ 900 million per year** to the Land and Water Conservation Fund. (LWCF)
- ✓ **$ 150 million per year** to the National Historic Preservation Fund. (NHPF)

- Over **$ 1 billion per year**, on average, is collected and distributed by MMS from bonuses, rents, and royalties from Federal ***onshore*** mineral leases. Approximately $700 million is distributed to the affected States each year with the remainder disbursed to the United States Treasury and the Reclamation Fund.

- Over **$150 million per year**, on average, is collected and distributed from mineral rents and royalties to American Indian Tribes and individual mineral owners.

- **In Fiscal Year (FY) 2002, MMS disbursed a total of over $6.6 billion**—$5 billion from OCS activities and about $1.6 billion from Federal onshore and Indian activities.

- **From FY 1982 to FY 2002, MMS disbursed nearly $127 billion** to the United States Treasury, States, Tribes and Indian allottees from mineral activities on Federal and Indian lands. This $127 billion has been distributed to Federal, State, and Indian accounts as follows:

  - **$ 79.5 billion** to the U.S. Treasury **(62.6 %)**
  - **$ 18.1 billion** to the Land and Water Conservation Fund **(14.3 %)**
  - **$ 14.2 billion** to 38 States **(11.2 %) —**
    - **$ 11.1 billion** to Onshore States
    - **$ 3.1 billion** to Offshore States
  - **$ 8.6 billion** to the Reclamation Fund **(6.8 %)**
  - **$ 3.6 billion** to 41 Tribes and 20,000 individual Indian allottees **(2.8 %)**
  - **$ 2.9 billion** to the National Historic Preservation Fund **(2.3 %)**

NATIONAL BENEFITS

The OCS Has Played, and Will Continue To Play, A Significant Role In Our Nation's Energy Picture.

- The OCS makes a significant contribution to our national energy supply, providing more than 25 percent of the natural gas and 30 percent of the oil produced in the United States. MMS administers about 7,300 active leases on 40 million acres of the OCS.

- By the year 2005, MMS estimates that oil and gas production on the OCS will account for about 35% and 25%, respectively, of our Nation's domestic production.

- The OCS contains about 19% of the Nation's proven natural gas reserves and 18% of its proven oil reserves.

- On a per-day basis, the OCS currently produces about 14 billion cubic feet of natural gas and about 1.7 million barrels of oil.

- On a BTU basis, about 60 percent of the energy currently produced offshore is natural gas—an environmentally preferred fuel.

- The OCS is estimated to contain more than 60% of the Nation's remaining undiscovered oil and natural gas resources.

- To date, the OCS has produced about 150 trillion cubic feet of natural gas and about 14 billion barrels of oil.

Just About Everyone Benefits From MMS Programs.

The majority of OCS revenue goes into the United States Treasury, where it helps pay for a variety of Federal programs. Also, a portion of the revenue goes into two special-purpose accounts that benefit all Americans:

The Land and Water Conservation Fund.

- The Land and Water Conservation Act of 1965 created the LWCF which is administered by the National Park Service. It provides revenues for the Federal government, State governments, and local governments to purchase parks and recreation areas and to plan, acquire, and develop land and water resources for recreational use, habitat protection, scenic beauty, and biological diversity.

- During the past decade, about 90 percent of the $900 million that the LWCF receives every year is from revenues generated from offshore oil and gas activities. The remaining 10 percent is provided through revenues from surplus property sales and receipts from the motorboat fuels tax.

- From FY 1982 through FY 2002, MMS disbursed about $18.1 billion to the LWCF.

- Through FY 2002, the LWCF State Grant Program has funded more than 38,000 park and recreation projects, with a total Federal investment of over $3.4 billion.

The National Historic Preservation Fund.

- The NHPF is administered by the National Park Service and is designed to expand and accelerate historic preservation plans and activities. The fund provides revenues for matching grants-in-aid to States and local governments, and funds the National Trust for Historic Preservation. Offshore mineral leasing receipts provide 100 percent of the $150 million transferred to the Fund annually.

- From FY 1982 through FY 2002, MMS disbursed about $2.9 billion to the NHPF.

- Since 1977, over $1 billion was spent to fund all NHPF grants – including both State and Federal projects.

STATE & LOCAL BENEFITS

Cumulative Totals to States from the LWCF and the NHPF (In Millions through FY 2002)

Alabama	$	109.7	Louisiana	$	194.8	Oklahoma	$	69.2
Alaska	$	109.3	Maine	$	106.6	Oregon	$	195.5
Arizona	$	173.8	Maryland	$	195.9	Pennsylvania	$	306.6
Arkansas	$	155.1	Massachusetts	$	190.3	Rhode Island	$	65.8
California	$	1,400.0	Michigan	$	280.3	South Carolina	$	187.2
Colorado	$	168.9	Minnesota	$	184.6	South Dakota	$	51.5
Connecticut	$	104.5	Mississippi	$	157.8	Tennessee	$	112.3
Delaware	$	45.5	Missouri	$	117.7	Texas	$	428.9
Florida	$	838.5	Montana	$	129.2	Utah	$	104.9
Georgia	$	265.5	Nevada	$	151.8	Vermont	$	88.5
Hawaii	$	109.3	New Hampshire	$	74.9	Virginia	$	273.3
Idaho	$	157.5	New Jersey	$	252.3	Washington	$	364.6
Illinois	$	188.4	New Mexico	$	254.7	West Virginia	$	186.3
Indiana	$	189.0	New York	$	309.9	Wisconsin	$	140.6
Iowa	$	68.3	North Carolina	$	195.0	Wyoming	$	96.1
Kansas	$	57.1	North Dakota	$	43.1			
Kentucky	$	88.4	Ohio	$	304.6			

Note -Totals include: 1) LWCF grants to States; 2) LWCF Federal acquisitions; and 3) NHPF grants.

States Benefit from Federal Mineral Activities and Share In the Revenues Generated From Those Activities.

Federal Onshore Mineral Leases

- Under the Mineral Leasing Act (MLA), States whose boundaries encompass Federal mineral leases are entitled to receive a portion of the revenues generated from those leases.
- The amount a State receives can vary by land category. Generally, States receive half of all bonuses, rents and royalties collected from public lands located within their respective borders. Under the MLA, the State of Alaska receives 90 percent of all such revenues. Further, the State of Alaska receives 50 percent of all mineral revenues generated from the National Petroleum Reserve – Alaska.
- MLA monies are used as the States deem necessary, without Federal restrictions. Oftentimes the monies are used for schools, roads, public buildings, or general operations.
- In FY 2002, MMS distributed to the 32 States over $ 690 million in shared onshore mineral receipts.
- In total, from FY 1982 through FY 2002, MMS has distributed over **$ 11.1 billion** in shared onshore mineral receipts to affected States.

Mineral Leasing Act distribution of revenues to States from Federal Onshore Leases - Fiscal Years 1982-2002 (In Millions)

Alabama	$ 9.8	Indiana*		Nevada	147.5	Tennessee*	
Alaska	272.0	Kansas	22.9	New Mexico	3,034.3	Texas	4.9
Arizona	14.2	Kentucky	0.9	North Carolina*		Utah	756.1
Arkansas	49.1	Louisiana	14.8	North Dakota	114.8	Virginia	0.9
California	552.3	Michigan	9.4	Ohio	1.6	Washington	13.8
Colorado	865.2	Minnesota	0.1	Oklahoma	38.3	West Virginia	2.0
Florida	1.3	Mississippi	15.8	Oregon	15.1	Wisconsin*	
Georgia*		Missouri	7.4	Pennsylvania	0.2	Wyoming	4,643.3
Idaho	54.5	Montana	460.3	South Carolina*			
Illinois	0.9	Nebraska	2.0	South Dakota	14.8	TOTAL	$ 11.1Billion

* Cumulative totals for these States ranged from under $ 500 to about $ 20,000.

Offshore Section 8(g) Natural Gas and Oil Leases

- 1986 amendments to section 8(g) of the OCS Lands Act mandated the Federal government to share with affected coastal States 27% of future revenues generated from the leasing and development of oil and natural gas resources located in the Federal "8(g)" zone. This zone is three-miles wide and is located directly adjacent to a State's seaward boundary. The amendments also mandated that a one-time payment be made to certain coastal States from funds held in escrow and that another specified payment be made to these same coastal States in installments over 15 years beginning in FY 1987.

  Note: The specified payment made by installments is no longer in effect since the amounts have been fully paid.

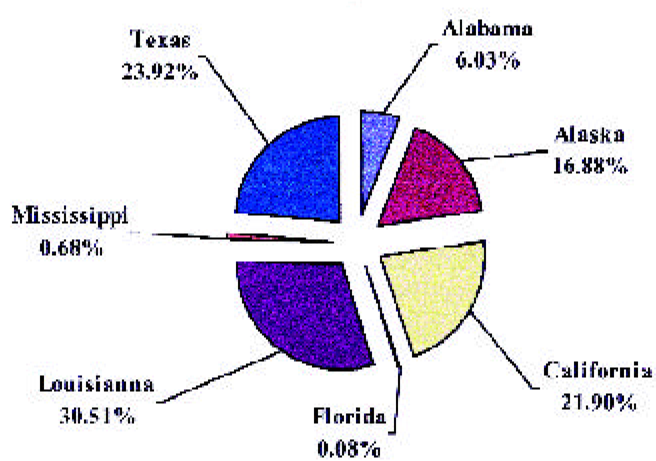
- Currently, seven coastal States receive monies under section 8(g) of the OCS Lands Act.

- **In FY 2002, these seven States received about $30.4 million in section 8(g) funds.**

  - Through FY 2002, these States have received a total of **$3.08 billion** in section 8(g) funds. The monies are used by States as they deem necessary, without Federal restrictions.

Total Disbursement to States of Federal Offshore Section 8(g) Revenues for Fiscal Years 1986 – 2002 (in millions)

Alabama	$ 185.76
Alaska	$ 520.08
California	$ 674.58
Florida	$ 2.42
Louisiana	$ 939.70
Mississippi	$ 21.02
Texas	$ 736.66
TOTAL	$3.08 Billion



Indian Tribes and Individual Indian Mineral Owners Benefit From A Range Of MMS Programs.

All of the mineral revenues generated from the leasing and production of Indian lands go directly to Tribes or individual Indian mineral owners. MMS, along with the Bureau of Indian Affairs (BIA), the Office of the Special Trustee (OST), and the Bureau of Land Management (BLM), provides services that help fulfill the Secretary's trust responsibility to the Indian minerals community—

- The MMS collects and verifies mineral revenues from about 3,800 Indian leases and distributes these revenues and supporting data to the BIA for distribution to Native American lessors

- From FY 1982 through FY 2002, MMS distributed to BIA and the OST about **$3.6 billion** for 41 Indian tribes and over 20,000 individual Indian mineral owners. In FY 2002, these tribes and individual Indian owners received an estimated $198.8 million in disbursements from Indian mineral lease revenues.

- MMS staffs three service-oriented offices that are located near Indian tribes and allottees in order to better serve their needs. The offices are located in Farmington, New Mexico; Oklahoma City, Oklahoma; and Lakewood, Colorado. In addition, the Federal Indian Minerals Office (FIMO) in Farmington, NM serves our Navajo constituents by uniting employees from the BIA, BLM, and MMS, under one director for outreach, inspection, enforcement, and mineral revenue compliance services.

- Indian Tribes are actively involved in MMS royalty compliance activities. Currently, MMS contracts with eight Tribes to help them audit their own Indian mineral leases. Participating Indian Tribes include: Blackfeet, Crow, Jicarilla Apache, Navajo Nation, Shoshone/Arapaho, Southern Ute, Ute (Northern), and Ute Mountain Ute. In FY 2002, MMS spent over $2.7 million to fund these cooperative audit efforts.

- In 1997, MMS instituted an Indian Royalty Internship Program under the Intergovernmental Personnel Act (IPA). The goal of this program and other efforts is to help the Tribes better prepare to assume minerals revenue management services. In FY 2002, MMS had IPA agreements with the Shoshone and Arapaho Tribes and the Chippewa Cree Tribe of the Rocky Boys Indian reservation in Montana. MMS is currently pursuing similar IPA Fellowship Agreements with the Hopi and Alabama Coushatta Tribes for FY 2004.

Principal Indian Tribes Served by the Minerals Management Service

- Alabama-Coushatta
- Arapaho
- Assiniboine Sioux
- Blackfeet
- Caddo
- Cherokee
- Cheyenne-Arapaho
- Chickasaw
- Chilocco Indian School
- Chippewa-Cree
- Choctaw
- Colorado River
- Cook Inlet Region, Inc.
- Creek
- Creek-Thlopthlocco
- Crow
- Delaware
- Ft. Mohave
- Gila River Indian Community
- Hopi
- Jicarilla Apache
- Kiowa
- Morongo Band Mission Indians
- Navajo
- Otoe Missouri
- Pala Band Mission Indians
- Pawnee
- Ponca
- Pueblo of Sandia
- Pueblo of San Ildefonso
- Pueblo of Zia
- Pyramid Lake Paiute
- Quechan
- Sac and Fox
- Salt River-Pima Maricopa
- Santa Ana Pueblo
- Seminole
- Shoshone
- Shoshone Bannock
- Soboba Band Mission Indians
- Southern Ute
- Tohono O'Odham
- Ute
- Ute Mountain Ute
- Wichita

The Minerals Revenue Management (MRM) Program

Producing and Non-producing Oil, Gas, Geothermal and Mining Leases Administered by MRM in FY 2001

	Producing	Non-producing	Total
Federal Onshore	20,645	52,202	72,847
Federal Offshore	2,147	5,552	7,699
American Indian	3,647	66	3,713
Total	**26,439**	**57,820**	**84,259**

Calendar Years 2000 and 2001 Revenues Collected by Land Category by MRM

	2000 Revenues		2001 Revenues	
Offshore:	$4,485,349,778	71.0 %	$7,500,418,220	74.9 %
Onshore:	1,577,185,453	25.0 %	2,167,642,144	21.7 %
Indian:	253,724,267	4.0 %	340,615,771	3.4 %
	$6,316,259,498	**100 %**	**$10,008,676,135**	**100 %**

The MRM Program is headquartered in Washington, D.C., but has its primary operations located in Lakewood, Colorado, and has compliance offices located in or near the major centers of the minerals industry in Texas, Oklahoma, and New Mexico. The organization comprises about 550 Federal and 300 contract employees—mostly accountants and computer experts—but also auditors, geologists, economists, administrators and more. With its computerized accounting systems, MRM processes more than 250,000 transactions each month from more than 26,000 producing Federal and Indian leases.

MRM's role, however, goes well beyond simply receiving and distributing funds. To administer its minerals revenue functions fairly and efficiently and to ensure the American people a fair return on the minerals produced on public lands, MRM—

Conducts an extensive compliance program that has collected more than $2.5 billion since its inception in 1982 through Fiscal Year 2002. In addition to its own audit staff, including permanent audit sites at 11 major oil companies, MRM has contracts—under authority provided in sections 202 and 205 of the Federal Oil and Gas Royalty Management Act (FOGRMA) of 1982—with ten States and eight Indian Tribes, which conduct Federally-funded audits.

The States and Indian Tribes are 100 % funded by MMS for these audits. (State audit funding was about $ 6.6 million in FY 2002; Indian audit funding was over $2.7 million for FY 2002.)

- **Indian Tribes Participating in Section 202 Audit Agreements**

Arapaho/Shoshone	Jicarilla Apache	Southern Ute
Blackfeet	Navajo Nation	Ute Mountain Ute
Crow Tribe	Northern Ute	

Tribal audit collections totaled about $3.7 million **in FY 2001.**

- States Participating in Section 205 Audit Agreements

California	New Mexico	Texas
Colorado	North Dakota	Utah
Louisiana	Oklahoma	Wyoming
Montana		

State audit collections totaled over $33.8 million **in FY 2001.**

Develops, through extensive public processes, regulations necessary to implement royalty management legislation, **such as -**

- the Indian Mineral Development Act;
- the Mineral Leasing Act;
- the Federal Oil and Gas Royalty Management Act; and
- the Federal Oil and Gas Royalty Simplification and Fairness Act.

Coordinates its mineral revenue collection activities with the relevant agencies responsible for oversight and regulation of mineral development and production. These include the BLM and the U.S. Forest Service, as well as States, the BIA, Indian Tribes and allottees, and the MMS Offshore Program.

Establishes standards and procedures for determining the fair market value of minerals. These include natural gas, crude oil, coal, uranium, phosphate, potash, and zinc, as well as geothermal resources.

Trains payors to ensure that they know how to calculate their royalty payments and remit the amounts owed with correctly completed royalty payment forms. In FY 2002, over 95 percent of royalty payors paid correctly the first time.

Processes financial and production data submitted by companies through computer systems that contain automated edits to assure the data's reasonableness and its internal consistency with information on file.

Disburses monies collected on a monthly basis to various U.S. Treasury accounts and State and county governments. For Indian Tribes and allottees, disbursements are handled on an even more expedited basis to BIA and the Office of Special Trustee (OST).

Highlights of Recent MRM Accomplishments

- **Reengineering MRM**

On November 1, 2001, MRM implemented its new financial system. The reengineering effort, which began in 1996, was undertaken to modernize our systems, to provide for faster resolution of compliance issues, and to allow for quicker distribution of monies collected. The system also allows for flexibility in making in-kind or in-value decisions; simplified and streamlined reporting, including electronic reporting; and Internet access to information by industry and other stakeholders.

The reengineering initiative is guided by two primary goals: (1) to provide revenue recipients with access to their funds within 24 hours of when a payment is made by a lessee; and (2) to determine compliance with mineral laws and regulations within three years.

In 2001, MRM made improvements to the regulatory information reporting requirements of payors and operators to increase efficiency and reduce errors. MRM eliminated the Payor Information Form; modified the Report of Sales and Royalty Remittance Form; used the simplified Oil and Gas Operations Report for both onshore and offshore production reporting; and streamlined the solids reporting process by combining production and royalty information into the Solid Minerals Production and Royalty Report, thus eliminating eight separate reports.

- **Managing MRM's Core Business Processes**

The MRM is now aligned to support two end-to-end core business processes – Financial Management and Compliance and Asset Management. The MRM ensures that we meet our Indian Trust responsibilities throughout both business processes.

The MRM **Financial Management** process ensures that revenues generated from Federal and Indian mineral leases are received and processed in a timely manner and that mineral revenue recipients have access to their monies and related information in a timely fashion. The goal of the Financial Management process is to give recipients access to their revenues within one business day of MRM receipt.

The MRM **Compliance and Asset Management** process ensures that all Federal and Indian mineral revenues, whether received through in-kind or in-value royalties, are accurately reported and paid and that the compliance status of all leases is known. Integral to this process is the asset analysis decision to take royalties in-kind or in-value.

The two business processes are integrated through effective use of the new MRM systems. Royalty and production information received from reporters is entered into a program-wide data warehouse. This information, combined with industry, government and market data, is exchanged extensively within MRM, facilitating informed asset analysis; financial management; compliance; and Indian Trust decisions.

- **Conducting a Comprehensive Royalty-in-Kind (RIK) Pilot Program**

Under the terms of standard Federal oil and gas leases, the government is entitled to a share (known as a "royalty"), of production removed or sold from the lease. Historically, the government has received its royalty share "in-value," i.e., as a percentage of the sales proceeds received by the mineral lessee. But the government may also take its royalty share "in-kind" instead of "in-value"—that is, it can take volumes of oil or gas equaling the percentage of the royalty share.

MRM has three ongoing RIK pilots: crude oil production in Wyoming; OCS Lands Act section 8(g) natural gas production offshore Texas; and natural gas production in the Gulf of Mexico (GOM)-wide. These pilots continually examine the conditions under which RIK would be feasible without reducing revenue for the U.S. Treasury and for any State entitled to a share of those revenues. Pilot activities have been integrated into MRM's operations. The MRM is pursuing development of one additional RIK pilot with the State of Louisiana. We also continue to do scoping work in other areas to identify potential areas for additional RIK pilots. From January 1995 through September 2001, MMS took 178 million barrels of oil and 213 Bcf of gas in-kind, or about 32% of the Federal government's royalty share of oil and 3% of all gas produced on Federal lands. The estimated value of the oil and gas taken in-kind grew from $462 million in 1995 to about $1.1 billion in 2001.

- **Providing Relief to Small Refiners**

The Small Refiner Program is designed to help assure adequate supplies of crude oil at equitable prices are available to eligible refiners. Offshore RIK crude oil sales under the Small Refiner Program are expected to continue at approximately 55,000 barrels per day.

- **Using Federal Royalty Oil to Refill the Nation's Strategic Petroleum Reserve (SPR)**

In response to a Presidential directive issued in November 2001, the MMS, in partnership with the Department of Energy (DOE), launched the SPR Fill Initiative. This initiative provides public benefit by filling the remaining capacity of the SPR utilizing Federal Gulf of Mexico RIK oil. Under this initiative, MMS takes barrels of RIK oil from selected Federal leases in the GOM and directs them to the DOE for use in filling the SPR. The initiative will take about three years to complete and will involve some 120 million barrels of royalty crude oil.

Oil RIK deliveries to the DOE commenced at a rate of 60,000 barrels per day on April 1, 2002.

On October 1, 2002, the MMS increased the delivery rate of GOM RIK oil to the DOE from the 60,000 barrels per day to approximately 100,000 barrels per day. To accomplish the fill rate increase, the MMS increased significantly the number of properties and meters involved in the initiative and the associated workload. The next scheduled increase in the fill rate is April 1, 2003, when the fill rate will increase to 130,000 barrels per day. We expect to complete this multiyear initiative in 2005.

- **Improving Its Valuation Methodology**

MRM is continuing to evaluate its regulations in response to changing minerals markets to better ensure that royalties are based on fair market value for Federal and Indian lease production. Further, MRM is simplifying procedures and improving on ways to comply with unique lease terms of Indian leases to further fulfill its trust responsibility to the Indian community. These efforts have been reflected in MMS regulations.

- **Improving on Its E-Commerce Initiative: Electronic Reporting**

One of MMS's goals is to have 100 percent electronic reporting. In the mid-1990s' MMS started an initiative to convert reporters to electronic formats because of the accuracy and cost effectiveness. Currently, nearly 99% of production and royalty data is reported electronically.

Also, MRM established one of the first electronic Freedom of Information Act systems in the Department, with the ability to scan, fax, store and retrieve documents electronically. Frequently requested data are published on the MMS's Internet web page to provide external customers access to MRM information.

MMS VISION STATEMENT

TO BE RECOGNIZED AS THE BEST MINERALS RESOURCE MANAGER.

Several agencies both within and outside of the Department of the Interior manage minerals resources. We want to set the standard for others to follow. Already recognized as a progressive and effective agency, we want to be recognized as "the best in business." We intend to realize our vision through high quality service and information, reduced costs, automation, and innovation.

The Offshore Minerals Management (OMM) Program

The OMM Program is headquartered in Washington, D.C., and Herndon, Virginia. It also has regional offices located in Louisiana, California, and Alaska. The program is responsible for all phases of OCS mineral resource management—from the initial offering of OCS lands for lease through the regulation of mineral development and lease abandonment activities. To properly manage OCS mineral resources (oil, natural gas, and hard minerals such as sand and gravel), OMM—

Conducts research specific to issues associated with OCS mineral leasing and development.

- The *Environmental Studies Program (ESP)* assesses the potential environmental risks of offshore development and provides information necessary to minimize any adverse risks;
- The *Oil Spill Research Program* provides information on oil spill response capabilities and conducts studies on spilled oil and its effect on the marine environment; and
- The *Technology Assessment and Research Program* investigates and assesses new technologies for worker and operational safety. The results support the technology basis for MMS's permitting of drilling and production operations as well as other regulatory requirements.
- In addition the MMS manages, OHMSETT, a state-of-the-art oil spill testing facility. This unique facility is located in Leonardo, Nee Jersey. This one-of-a-kind test tank measures over two football fields in length and allows users to test innovative oil spill clean-up technology, as well as train oil spill clean-up personnel in both proven and new technologies.

Develops and implements natural gas and oil leasing programs to achieve national economic and energy policy goals while protecting the environment.

- OMM has developed comprehensive leasing programs that, among other things, lay out a schedule of proposed lease sales in various OCS areas. To date, MMS has developed six such programs. The current approved program covers the years 2002 through 2007. From 1982, through mid-2003, MMS has held 68 OCS lease sales.

Analyzes geologic, geophysical, and other geo-scientific data for consideration in OCS program decisions, including:

- Periodically assessing the nature and extent of undiscovered OCS natural gas and oil resources;
- Estimating current discovered natural gas and oil reserves by fields;

- Developing overall resource estimates for proposed OCS lease sales and determining specific values for individual tracts offered for lease to ensure "fair market value" for OCS mineral rights; and

- Coordinating the decision process leading to individual natural gas and oil lease sales as well as conducting those sales.

Assesses the likely effects of OCS activities on the marine, coastal, cultural, and human environments, including:

- Rigorous environmental assessment of each proposed lease sale and of all proposed OCS exploration and production activities. This entails preparing Environmental Impact Statements or other environmental analyses.

Regulates all exploration, development, and production activities on about 7,400 active leases to ensure that these activities are conducted safely and in an environmentally sound manner, including:

- Reviewing and approving industry exploration and development plans before allowing any operations to commence; and

- Monitoring all lease operations to ensure that industry is in compliance with relevant requirements. This includes conducting scheduled and unscheduled inspections. In 2002, MMS conducted over 18,000 inspections on OCS facilities.

Evaluates the potential of the OCS as a domestic supply source for marine minerals.

- MMS is focusing on integrating geologic and environmental information, developed through partnerships with tan coastal States, to identify and make available sand deposits from Federal waters for potential beach nourishment purposes.

Provides scientific information and technical assistance (on a cost-reimbursable basis) to other Nations regarding offshore mineral leasing, development, environmental protection, and mineral revenue management.

Participates in international working groups to develop guidelines and standards that may directly affect the U.S. domestic offshore industry.

Highlights of Recent OMM Accomplishments

- **Completing the OCS 5-Year Oil and Gas Leasing Program for 2002-2007**

The OMM program strives to continually enhance the contribution that offshore public lands make to the Nation's energy and economic security. To this end, MMS makes promising offshore areas available for leasing, exploration and development.

The OCS 5-Year Oil and Gas Leasing Program for 2002-2007, which was approved in July 2002, calls for 20 lease sales in the Gulf of Mexico and certain areas offshore Alaska during that timeframe. MMS estimates that these areas could contain economically recoverable resources of up to 22 billion barrels of oil and 61 trillion cubic feet of natural gas.

In 2002, MMS held the 128th and 129th competitive oil and gas lease sale since OCS leasing began in 1954. For these two GOM sales alone, MMS leased over 800 tracts, bringing in more than $500 million in revenue from high bids for the American people. To date, more than $140 billion has been brought into the U.S. Treasury from OCS lease sales and those leases have produced over 14 billion barrels of oil and 150 trillion cubic feet of natural gas.

- **Developing OCS Economic Incentives**

The MMS has developed a series of economic incentives to better facilitate increased production in the GOM. MMS continues to offer a royalty incentive program for deepwater leases, and has expanded the incentives to promote development of natural gas from deep geologic horizons in shallow waters. The leasing incentives come in the form of a royalty suspension for specified amounts of production from these areas. MMS has also offered lease extensions for certain qualifying exploration activities that focus on reservoir targets that occur beneath subsurface salt sheets. MMS also plans to offer incentives to extend deep gas royalty relief to leases purchased before 2002.

The deep gas and subsalt provisions are specifically targeted to bring more natural gas production online in the near future (2004 to 2007) to help meet the increasing demand for natural gas that is both occurring and is projected to continue for the next decade.

To increase leasing interest in offshore Alaska, MMS is considering the full range of incentives that can be offered for Alaska OCS sales in the 2002-2007 OCS 5-Year Program. For Beaufort Sea Sale 186, MMS will offer a royalty incentive on all tracts, with suspension volumes based on track size and the distance from shore, and subject to price thresholds.

- **Increasing Deepwater GOM Production**

Economic incentives begun under the 1995 Deep Water Royalty Relief Act, and continued under MMS's royalty relief programs, are helping to spur increased exploration and development of OCS leases in the deep water of the Gulf.

Deepwater production now accounts for about 60 percent of the GOM's oil production and 23 percent of the natural gas production. The U.S. offshore oil and gas industry has set a new world water depth record for both pipelines and producing wells. Deepwater development projects continue at a fast pace. In 2002, 12 new deepwater discoveries were made (three of these were in water depths of 8,000 feet or greater), and 14 new deepwater projects began production in 2002. These joined the 51 that were already in production, for a total of 65. MMS expects a significant rise in the number of deepwater projects that will start production in the year 2003 – perhaps as many as 19.

- **Initiating an "E-Government" Program and Coordinating Safe Operations**

In 2002, the OMM Program completed preparations for its multi-year "E-Government" transformation project that will dramatically reform and streamline business operations by 2007. The OMM Program's reengineering project will improve mission performance and service delivery and incorporate advancements in information technology and "best practices" to keep pace with increased complexity of oil and gas operations and greater workloads.

During 2002, the OMM Program continued to make important strides in meeting the President's directive to improve efficiency and effectiveness and become a more citizen-centered "E-Government." One notable accomplishment to this end in 2002 was MMS's work in partnership with the U.S. Coast Guard to improve regulatory oversight of oil and gas operations where there is overlapping jurisdiction. Under a Memorandum of Understanding (MOU), the MMS has assumed responsibility for inspection of Coast Guard regulated safety items on fixed OCS platforms. This agreement will improve and streamline the process for inspections of offshore facilities. It will also reduce the reporting burden on industry.

- **Enhancing Coastal Preservation Efforts through OCS Sand and Gravel Conveyance**

From 1995 to 2002, MMS conveyed over 16 million cubic yards of OCS sand for 13 shore protection projects. In 2002 alone, MMS conveyed 5.7 million cubic yards of Federal sand for projects in Virginia Beach, Virginia, and Holly Beach, Louisiana.

In 2002, sand from Federal offshore areas also helped to rebuild the dunes at Assateague State Park and restore the banks at the Assateague Island National Seashore. Assateague Island was experiencing erosion on an average of 10 feet per year — one of the highest levels of erosion in the Nation, which threatened to make part of the park inaccessible to the public. Assateague Island is an important national resource with more than 2 million annual visitors and is home to a variety of flora and fauna, including the popular wild ponies. The island also serves as a major feeding ground for migratory birds and showcases some of the few remaining undeveloped barrier island environments along the mid-Atlantic coast.

One key strategy to ensure environmental protection, safe operations, and issue resolution for decisions regarding access to OCS marine minerals is the closely coordinated partnerships among Federal government agencies, coastal States and local communities. The MMS has established cooperative agreements with Alabama, Delaware, Florida, Louisiana, Maryland, New Jersey, North Carolina, South Carolina, Virginia, and Texas to identify OCS sand for potential use in shore protection projects.

These partnerships rely primarily on State Geological Surveys, in cooperation with other State and Federal agencies, to identify the State's sand needs and locate suitable offshore deposits for study. Environmental studies are developed and conducted within the identified sites. Both types of studies provide the information base needed for negotiated agreements.

MMS Is Committed To Ensuring Safe and Environmentally Sound OCS Development

MMS incorporates sound science into all its OCS decision making and makes that information available to interested parties.

- The National Environmental Policy Act (NEPA) and other environmental mandates are fully coordinated and rigorously enforced for all OCS leasing and exploration/development activities.
- All MMS environmental studies information can be accessed on-line through the ESP Information System (ESPIS). ESPIS makes the results of more than 25 years of scientific research available through the MMS Internet Home Page—*www.mms.gov.*
- Also, more than 400 abstracts of offshore engineering and safety-related research, as well as oil spill research, are available on-line.
- While the development of OCS mineral resources since 1982 has already brought in more than $90 billion in revenues to the United States, MMS remains especially mindful of safety and environmental concerns—striving for the proper balance between providing a domestic energy source for the American people and protecting sensitive coastal and marine environments.

MMS places a high priority on environmental, oil spill, and safety-related research and has devoted significant funding to it.

- Since 1973, the Environmental Studies Program has funded over $733 million and completed over 950 research projects about biological, physical oceanographic, ecological, and socioeconomic issues associated with offshore mineral leasing and development.
- MMS has established Coastal Marine Institutes (CMI’s) in Alaska, California, and Louisiana. Through them, MMS can leverage some of its ESP funds with State funds. This funding helps both MMS and the States address scientific needs regarding the impact of OCS leasing and development. To date, over $68 million has been spent on 170 research projects shared, on a 50/50 matching basis.
- MMS is one of the Federal government’s leading agencies for oil spill research. On average, the agency spends more than $5 million per year on research into oil spill prediction, prevention, and response technologies.
- MMS also spends about $2 million per year to manage the National Oil Spill Response Test Facility (known as “OHMSETT”), a unique facility that evaluates full-scale oil spill cleanup equipment technologies under various conditions and using various types of oil.

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MISSION

The Minerals Management Service manages the minerals resources on the Outer Continental Shelf and Federal and Indian minerals revenues to enhance public and trust benefits, promote responsible use, and realize fair value.