Technical Announcement

MMS

U. S. Department of the Interior
Minerals Management Service
Gulf of Mexico OCS Region

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Idle Iron in the Gulf of Mexico

OCS Study MMS 2007-031

The Minerals Management Service (MMS), Gulf of Mexico OCS Region, announces the availability of a new study report, *Idle Iron in the Gulf of Mexico.*

Offshore structures are installed to produce hydrocarbons, but at some point in time during the life cycle of the field, when the cost to operate a structure exceeds the income from production, the structure will exist as a liability instead of an asset. Federal regulations require that an offshore oil and gas lease be cleared of all structures within one year after production on the lease ceases. In recent years, MMS has begun to encourage operators to remove structures on producing leases that are no longer "economically viable."

The objective of this project is to examine the main issues associated with idle iron, scrap, and reuse in the Gulf of Mexico (GOM). The topics examined include identifying how much idle iron is in the GOM, why it exists, and who owns it; what economic and environmental tradeoffs are involved in onshore versus offshore storage; where scrap metal goes after decommissioning and to what extent it is being reused; what factors determine reuse decisions; what the likely impacts are of policies that require the removal of idle iron; and the general trends of the scrap, reuse, and recycle markets in the GOM.

At the end of 2003, a total of 1,227 structures were idle, representing about one-third of all structures that reside in the GOM. The majority of idle structures exist on active leases, and thus, Federal regulations allow the structures to be maintained as long as the lease is producing. It is not possible to infer from this analysis which idle structures are serving a useful economic purpose. Only 329 structures were idle on inactive leases at the end of 2003, but this inventory of dead steel will be removed in a timely manner as specified by regulation.

Operators have incentives to remove their idle structures in a timely manner—to avoid environmental and operational hazards; to reduce inspection and maintenance requirements, insurance premiums, and liability; and to maintain good working relations with government regulators. On the other hand, operators also have a strong economic incentive to maintain

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structures offshore—to defer the cost of removal, to increase the opportunity for resale, to reduce the risk and expense of storing platforms in a fabrication yard, to maintain a hedge against future development opportunities, and to reduce the overall cost of decommissioning through economies of scale, scheduling, and shared mobilization.

This report is available only in compact disc format from the Minerals Management Service, Gulf of Mexico OCS Region, at a charge of $15.00, by referencing OCS Study MMS 2007-031. The report may be downloaded from the MMS website through the Environmental Studies Program Information System (ESPIS). You will be able to obtain this report also from the National Technical Information Service in the near future. Here are the addresses. You may also inspect copies at selected Federal Depository Libraries.

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Telephone requests may be placed at
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MMS Main Website: www.mms.gov
Gulf of Mexico Website: www.gomr.mms.gov