

MMS Update

for

***American Association of Professional Landmen
OCS Workshop***

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Outline of Topics

- **Trends**
- **FPSO's**
- **SALE 181**
- **SALE 189**
- **Safety**
- **Abandonment Costs**
- **New Royalty Relief Rules**
- **E-Government Transformation Project**

20 Years of Service to America

MMS

Minerals Management Service

1982-2002

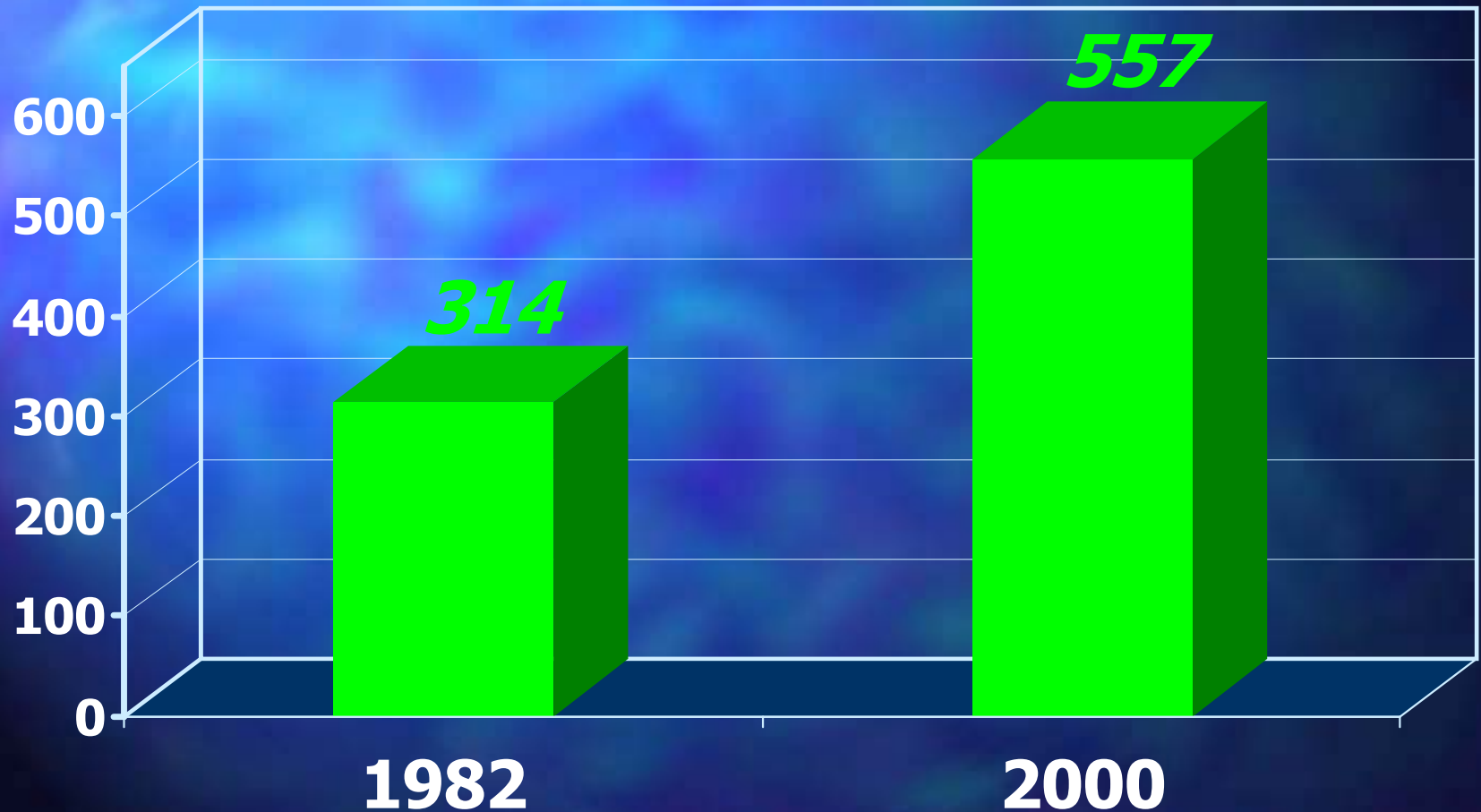
Trends

20 Years

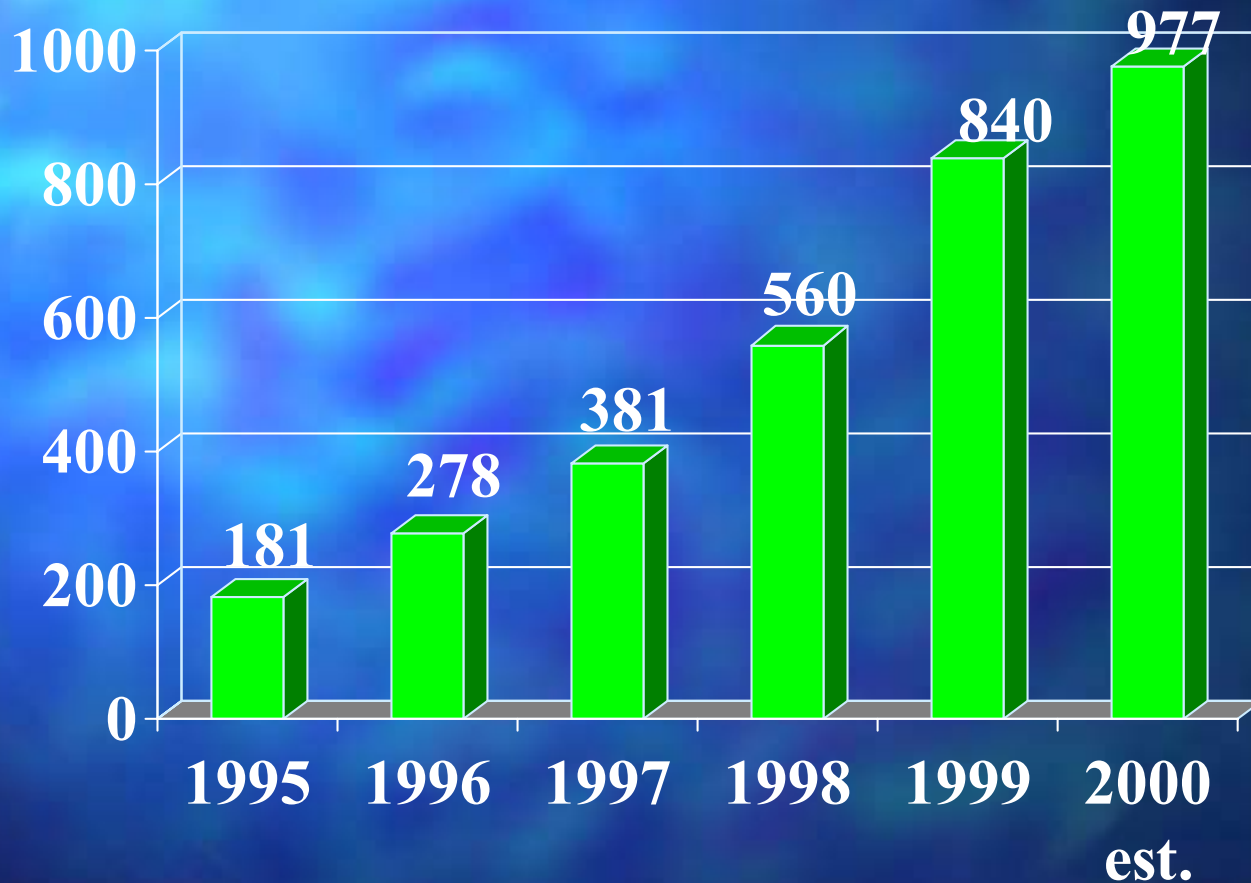
1,900 Leases in the Gulf in 1982

7,300 Leases in the Gulf in 2002

Total OCS Oil Production MM bbl 1982 and 2000

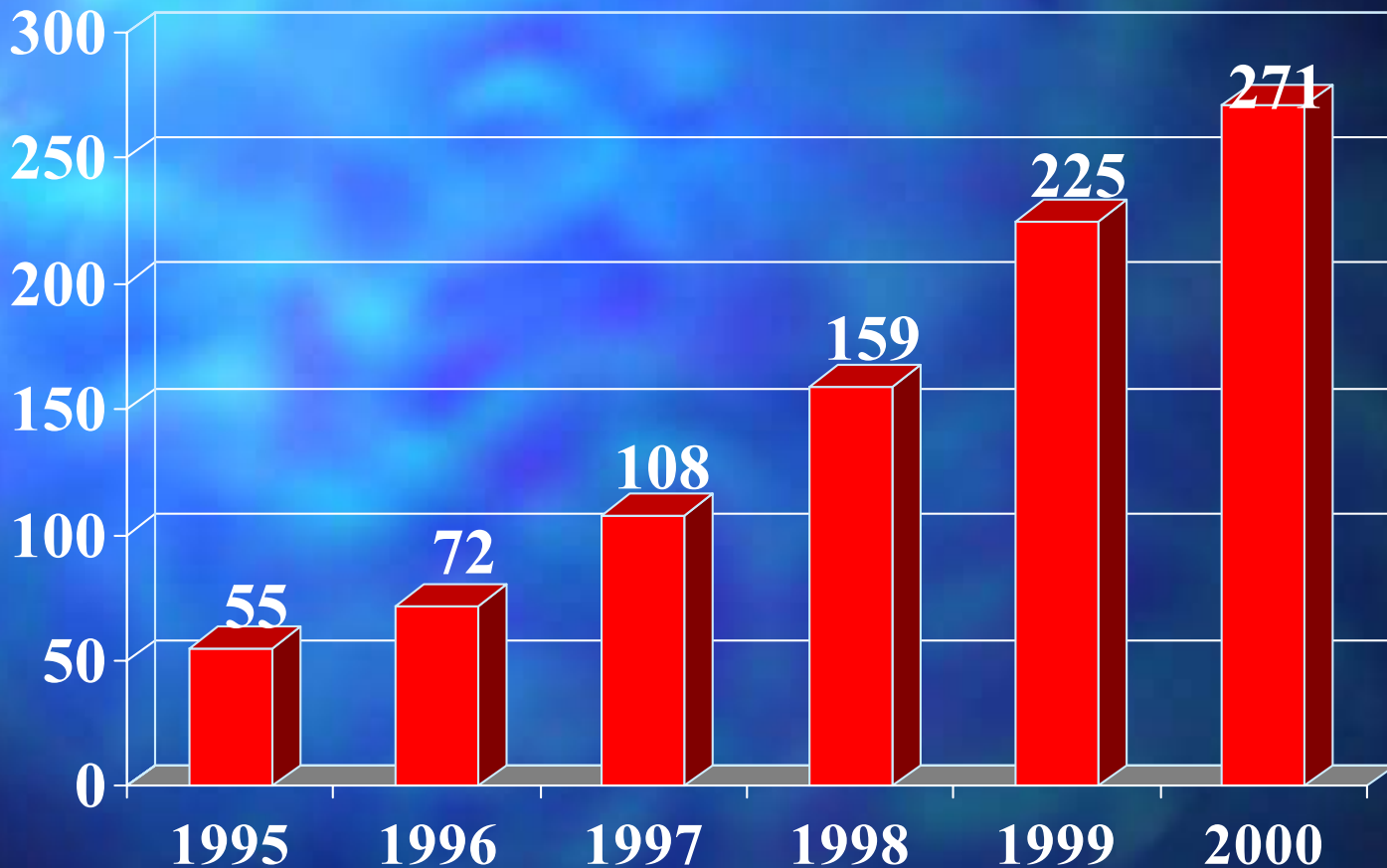


Gulf of Mexico Deepwater Gas Production



■ Billions of Cubic Feet (BCF) Per Year

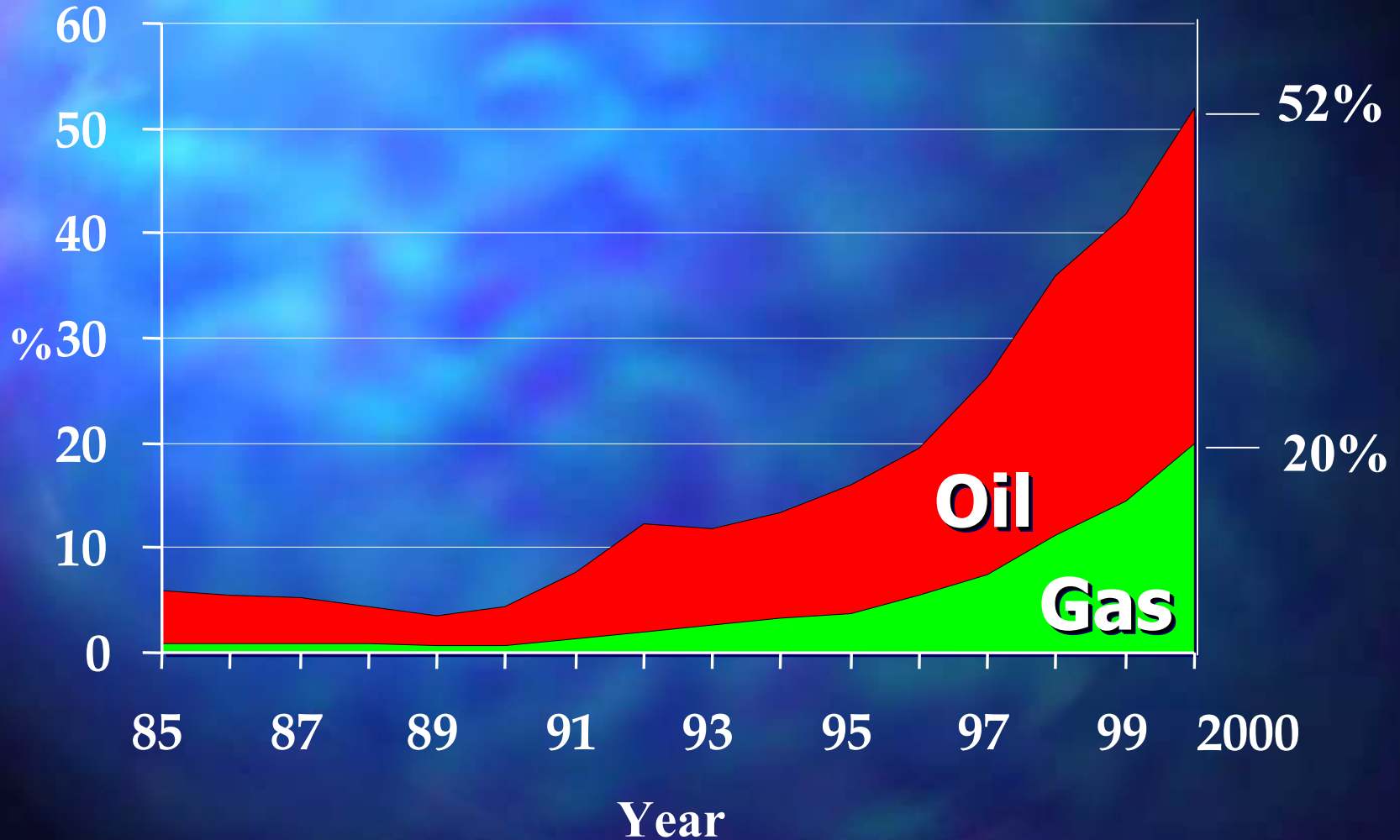
Gulf of Mexico Deepwater Oil Production



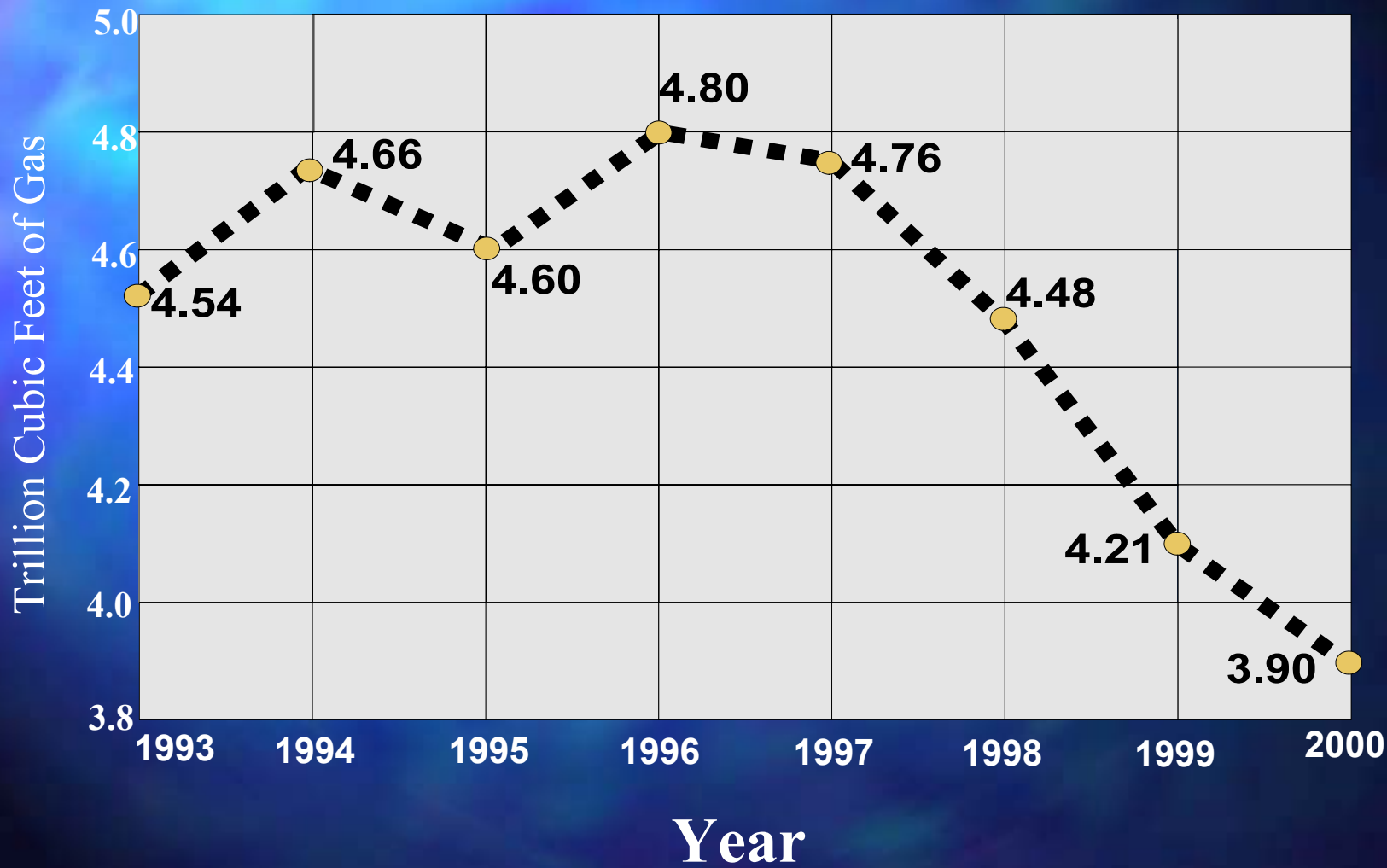
■ Millions of Barrels Per Year

GOM OCS Deepwater Production

(% of total Gulf of Mexico)



GOM Shallow Water Gas Production



FPSO's

MMS Decision - January 2, 2002

- Will consider FPSO's in Central and Western Gulf
- Exclude Coast Guard no lightering area for two years
- 37 page Record of Decision released

What is next?

- If I file will I need a new EIS?
- What requirements apply?

Existing Framework

What Happens After the Program EIS

Application Filed

Within the Bounds

Investigated EIS and

no site-specific

trigger



Prepare a

Site-Specific

EA

Engineering and Safety Review

Application Filed

Outside the Bounds

Investigated in EIS



Prepare another

EIS? May do an

EA first?

FPSO's-What Requirements Apply?

- Development Operations Coordination Document
 - Development intentions
 - Environmental Review
 - Conservation Review
- Other existing plans, permits, submittals
- Deepwater Operations Plan

Thus:

Capability exists for review of FPSO-based development

MMS has Proposed Subpart I Enhancements

(Federal Register, Dec 27, 2001, 66 F.R. 66851)

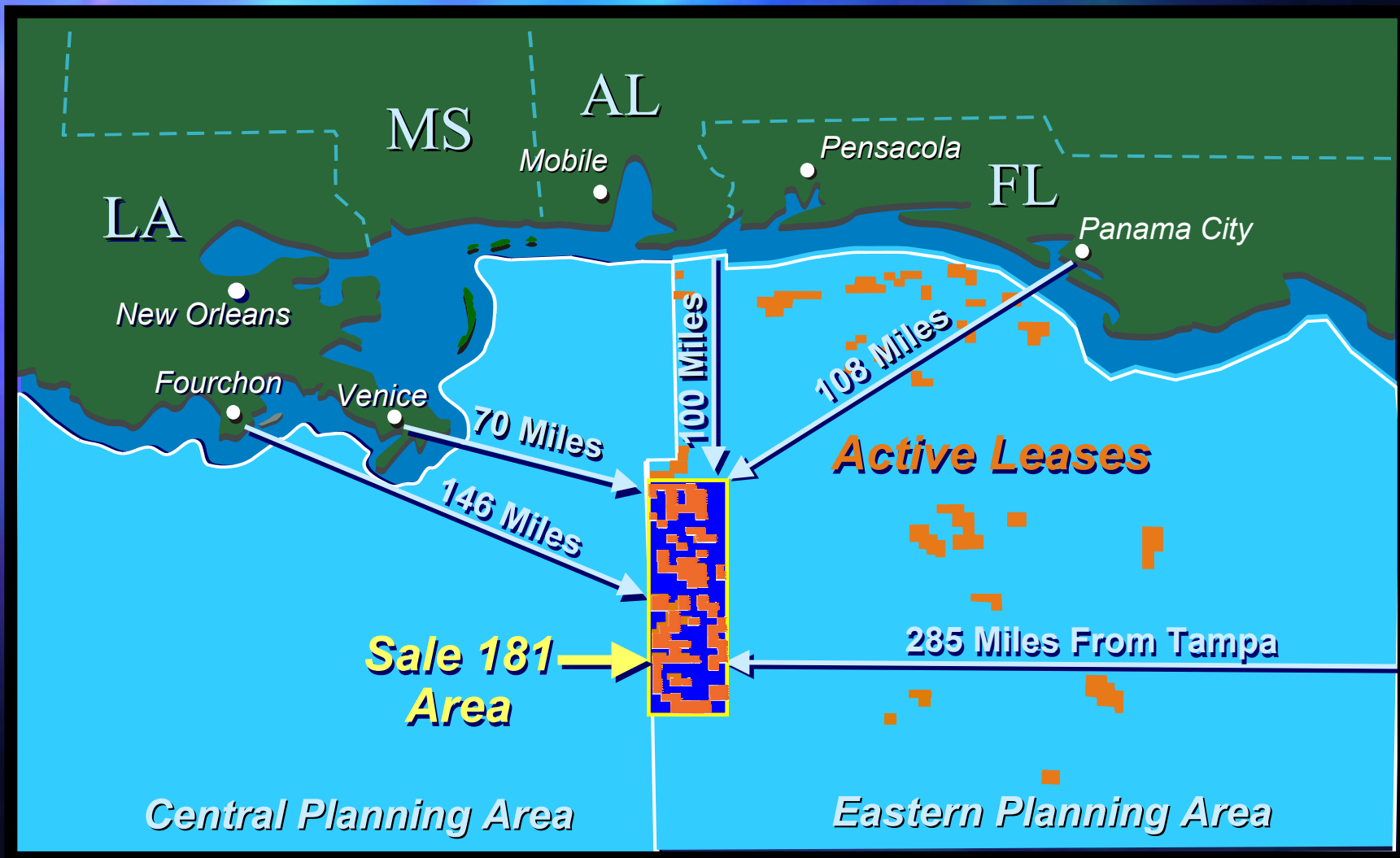
- Existing rules covers Platforms and Structures - design, fabrication, installation, use, inspection, and maintenance
 - Application process; verification program; certified verification agents; fixed platforms only
- Rewrite Covers
 - Fixed and floating production facilities
 - Streamline review process
 - Industry benefits through use of industry standards
RP 2FPS; RP 2A (WSD); expanded role of CVA
- Comment period extended to March 27, 2002

Industry Standards To Be Used in Subpart I

- **API RP 2FPS** - *Planning, Design, and Construction of Floating Production Systems*
- **API RP 2RD** - *Design of Marine Risers for Floating Production Systems and TLP's*
- **API RP 2SK** - *Design and Analysis of Stationkeeping Systems*
- **API RP 2SM** - *Synthetic Fiber Rope Moorings*
- **API RP 14J** - *Hazard Analysis for Offshore Production Facilities*

SALE 181

Eastern Gulf of Mexico Sale 181



SALE 181

- **Vigorous, successful sale**
 - \$340 million in high bids
 - Six tracts received 5 bids;
eight tracts received 4 bids
 - 95 tracts bid on
- Average of \$622 per acre in high bids versus \$93 in Western Sale 180.

SALE 189

SALE 189

- On February 7, 2002 MMS announced the first step in the next Eastern Gulf Sale.
- Sale 189 is scheduled for December 2003
- Only 138 tracts remain unleased

SALE 189

- MMS is proposing to do one EIS for the next two Eastern Gulf Sales.
- Sales 189 and 197
- Sale 197 is tentatively scheduled for March 2005. Coincides with Central Gulf Sale.

Safety

Safety

- Safe operations remains a major goal of Minerals Management Service
- Poor operators will receive
 - Violation notices (INC's)
 - Shut ins
 - Civil penalty fines
 - Disqualification

Safety

- Annual performance review meetings are held with every operator to review compliance and trends
- New training rules take effect October 2002
 - MMS will no longer certify training schools
 - MMS can audit your training plan

Abandonment Costs

Abandonment Costs

- MMS is considering changes that would affect supplemental bonding.
- Supplemental bonding costs currently use \$100,000 per well bore to abandon a well
- Recent MMS experience is that wells more than 20 years old are very difficult to abandon and can cost \$450,000 each.

Abandonment Costs

- MMS will soon begin using the increased cost calculations.
- It could greatly increase the amount of supplemental bonding.
- New and existing supplemental bonds would have to be adjusted.

New Royalty Relief Rules

General Comments

- Post-2000 lease automatic royalty relief provisions apply to the lease (i.e., not field based).
- Discretionary royalty relief program (i.e., application process) continues for Pre-Act leases and is also applicable to leases issued after November 2000 (Post-2000 leases) pursuant to final rule (30 CFR 203) effective February 14, 2002

Pre-Act leases

- The Project discovery well on each lease for an expansion project can now be used as a sunk cost in the application. Previously, there were no eligible sunk costs allowed.
- We have reduced the evaluation time for expansion projects to 150-days. The time remains 180-days for field based relief.

Post-2000 leases (Development and Expansion Projects)

- Operators submit requests for relief on a project basis and choose which reservoirs are in the project.
- The project discovery well on each lease can be used as sunk costs in the application.
- The evaluation time 150 days.

Pre-Act and Post-2000 leases

- The time required for the commencement of fabrication has been increased to 18 months following approval (formerly 12 months). A 6-month extension may be obtained.
- Unique applications may be considered when our formal programs do not provide adequate encouragement to increase production or development.

e-Government

Offshore Minerals Management

e-Gov Transformation Project

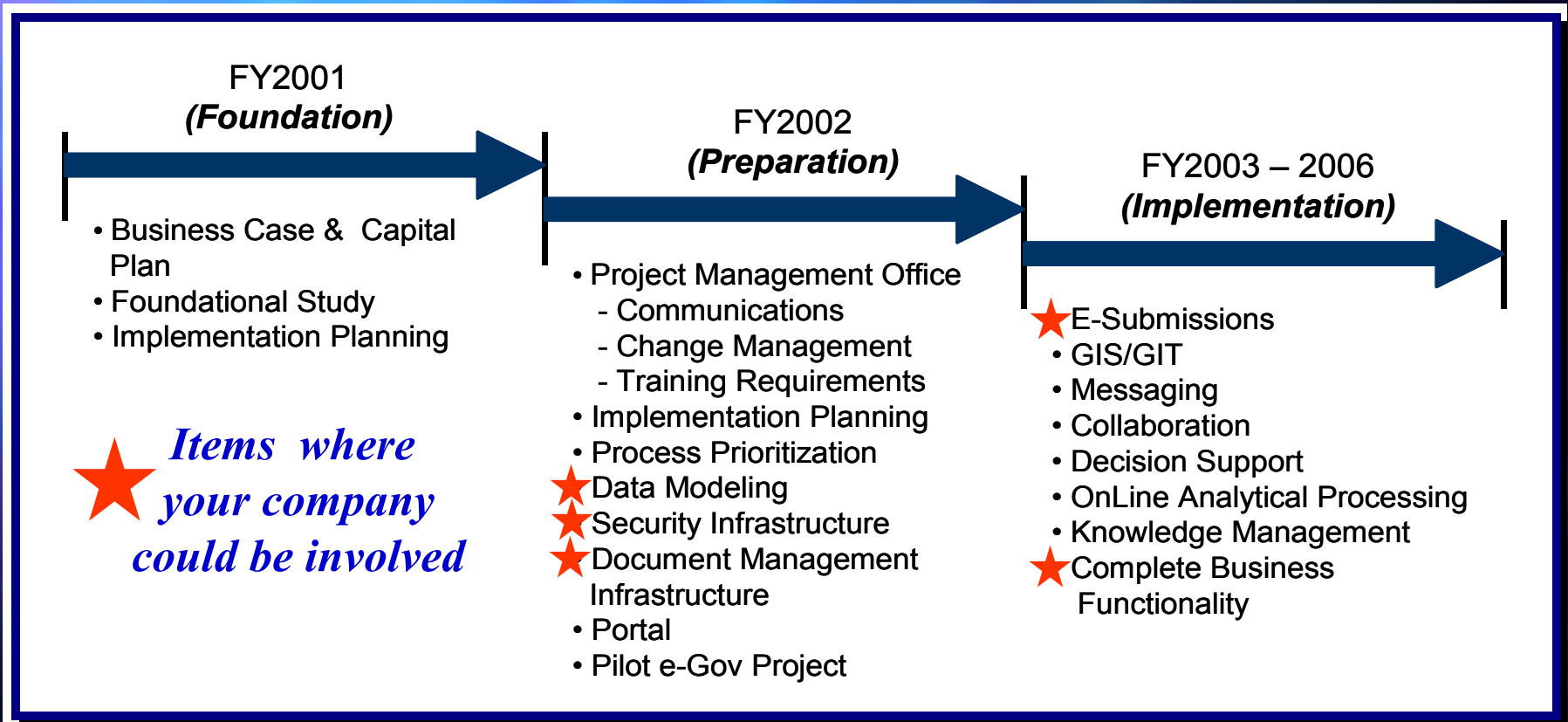
- Consistent with Administration Management Reform Agenda
- Funded for FY2003 -Congress is considering
- Benefits:
 - *Internal:* will equip OMM with the processes, tools, and technologies it needs to successfully perform its mission
 - *External:* OMM will serve customers more efficiently and effectively

What is the e-Government Transformation Project?

The primary objectives of the project are to:

- **Streamline and improve our business processes**
- **Improve the manner in which we execute our mission and serve our constituencies**
- **Ensure our processes are compatible with industry and other regulators**

Program Management Timeline



The progress of work will depend on future funding.