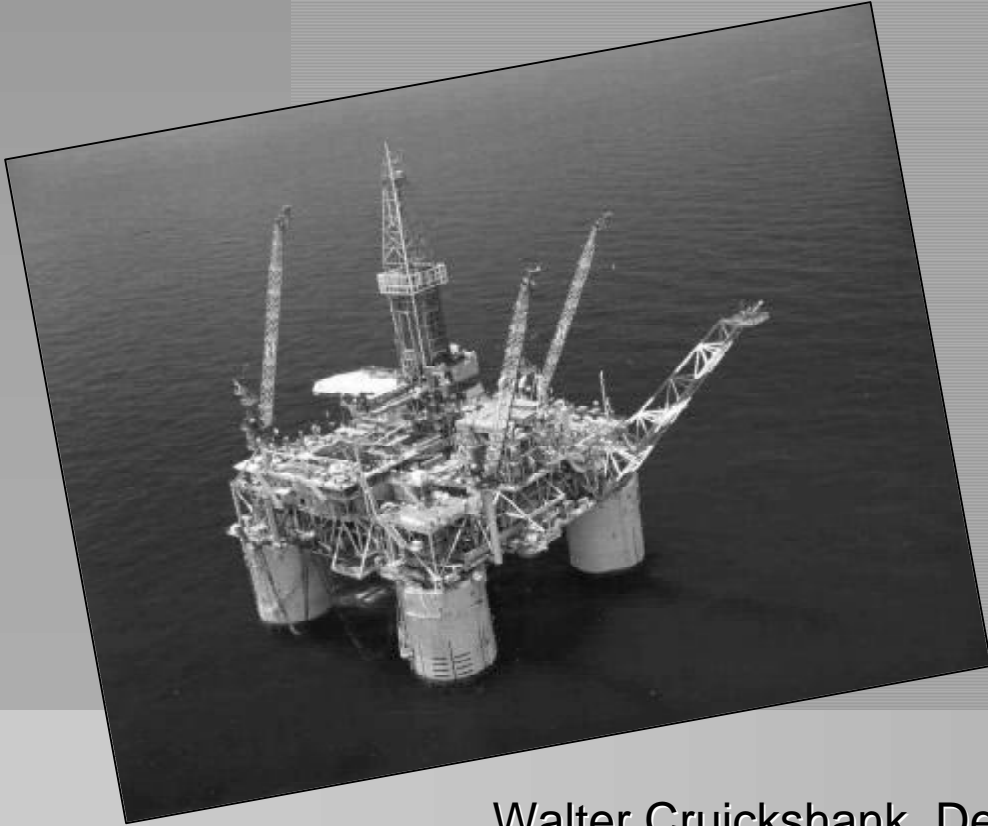


Providing Access to Offshore Resources



Walter Cruickshank, Deputy Director
Minerals Management Service
October 13, 2004



Who is MMS?

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



Mineral Revenue Management

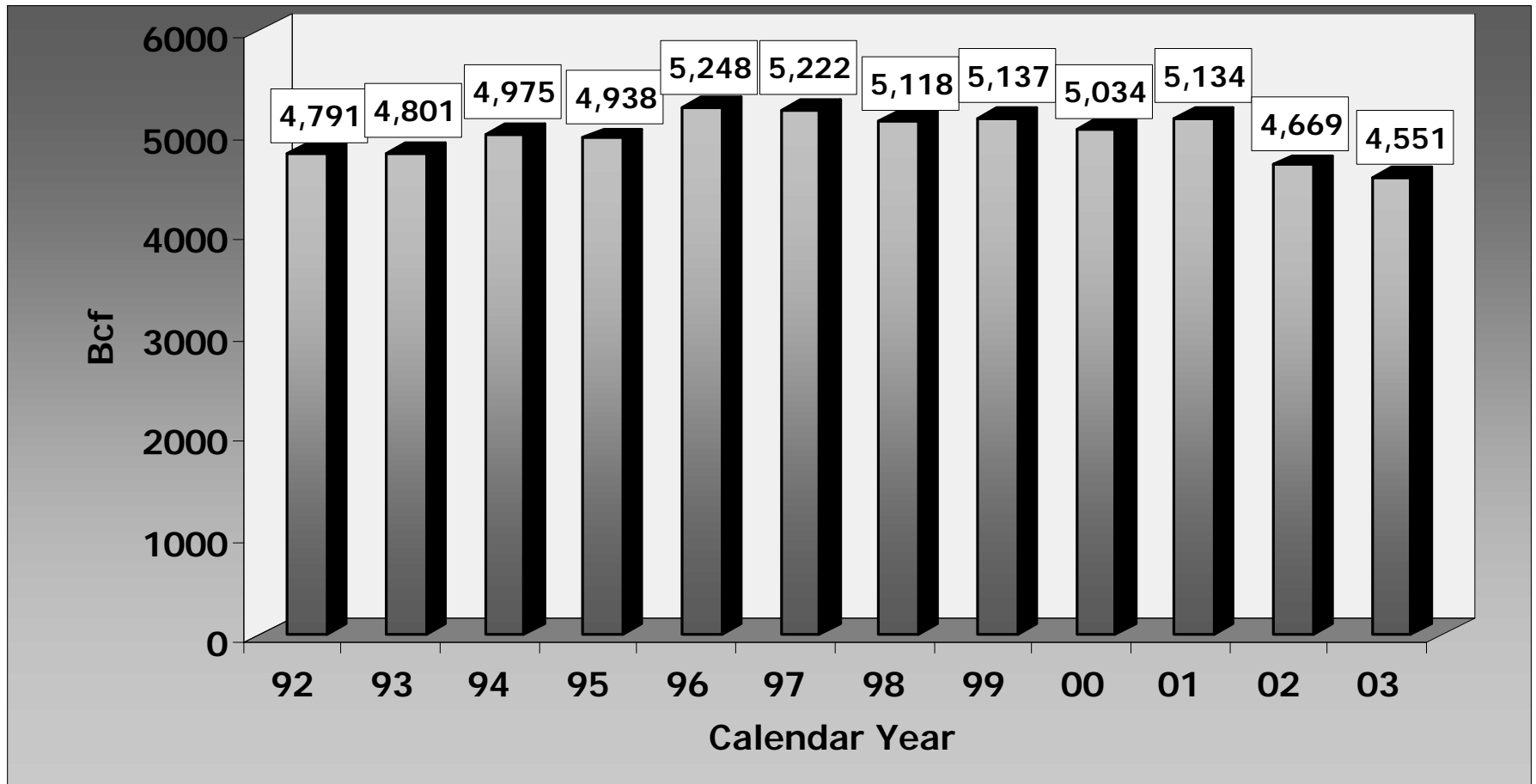
- Economic benefits from MMS programs to Federal and State governments and Indians have exceeded \$135 billion:
 - \$85 billion to Treasury
 - \$19 billion to Land and Water Conservation Fund
 - \$3 billion to Historic Preservation Fund
 - \$9 billion to Reclamation Fund
 - \$15 billion to 38 States
 - \$4 billion to 41 Tribes and 30,000 individual American Indians
-

OCS Quick Facts

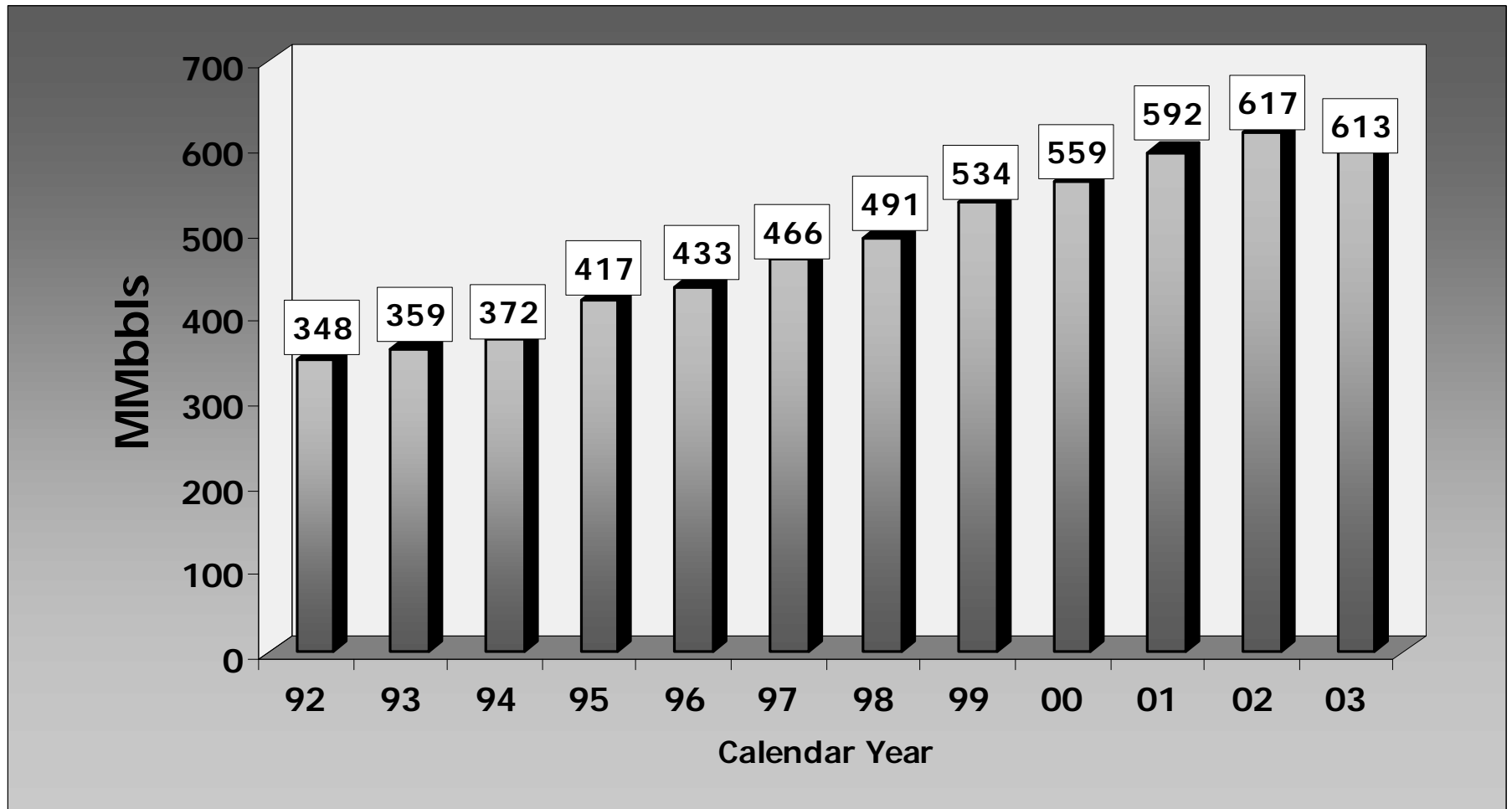
- Responsible for 1.76 billion OCS acres
- < 10 percent offered for lease
- 41 million acres leased
- 30% of domestic oil; 23% natural gas
- 4,025 production platforms
- 33,000 miles of pipeline
- 42,000 OCS personnel
- 125 operating companies
- \$4 billion annual revenue



Federal OCS Natural Gas



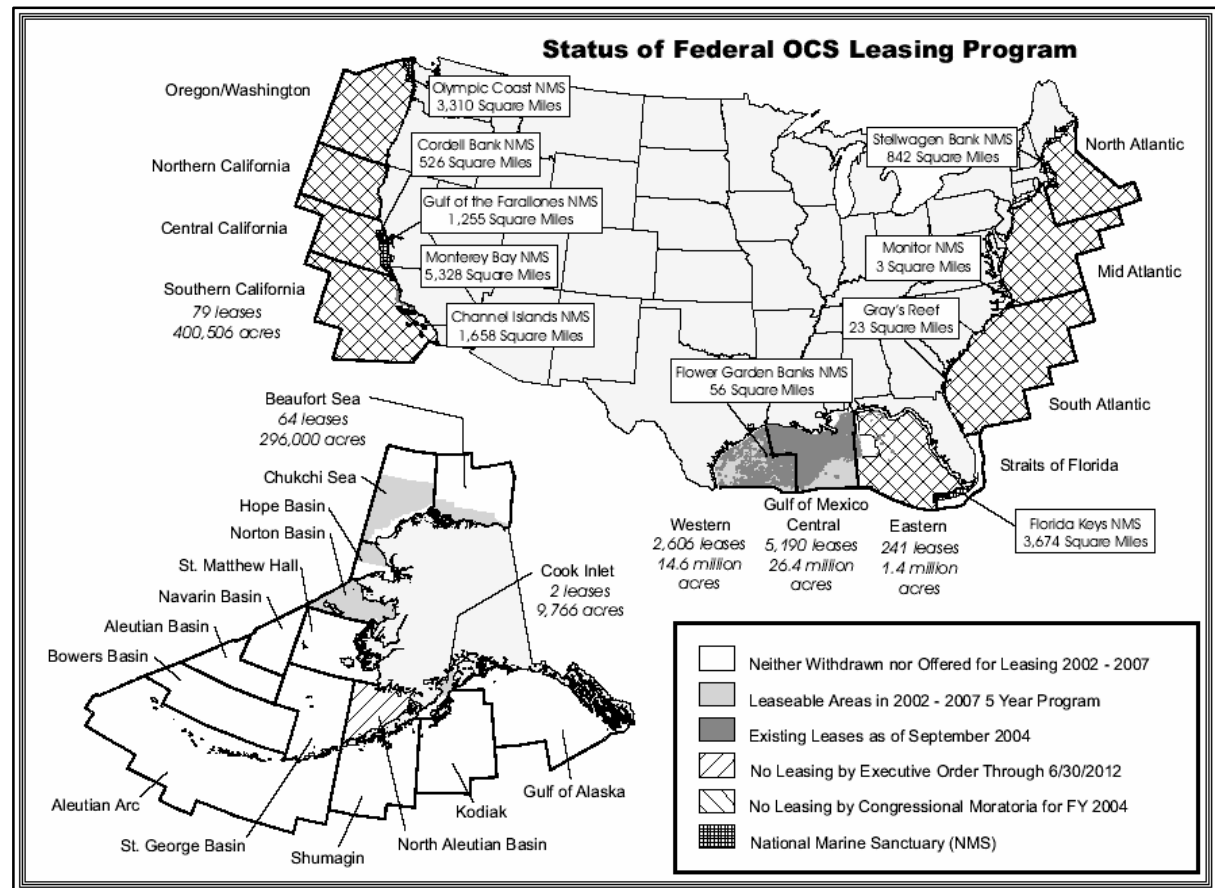
Federal OCS Crude Oil



Congressional Mandate

Outer Continental Shelf Lands Act as Amended

"It is hereby declared to be the policy of the United States that . . . the Outer Continental Shelf is a vital national resource held by the Federal Government for the public, which should be made available for expeditious and orderly development, subject to environmental safeguards, in a manner which is consistent with the maintenance of competition and other national needs"



Requirements

- Section 18 of the OCS Lands Act Requires
 - DOI to prepare and maintain a 5-year program showing where and when OCS lease sales are proposed.
 - Detailed substantive and procedural process that includes environmental, resource, and market analyses
 - Multiple opportunities for public input
 - National Environmental Policy Act (NEPA) requirements also apply
-

Steps In The Process

- Sections 18(c) and (d) require:
 - Request for Information - 45-day comment period
 - Draft Proposed Program - 60-day comment period
 - Proposed Program and Draft EIS - 90-day comment period
 - Proposed Final Program and Final EIS - 60-day waiting period
 - Approval by the Secretary of the Interior
-

Preparing 2007-2012 Program

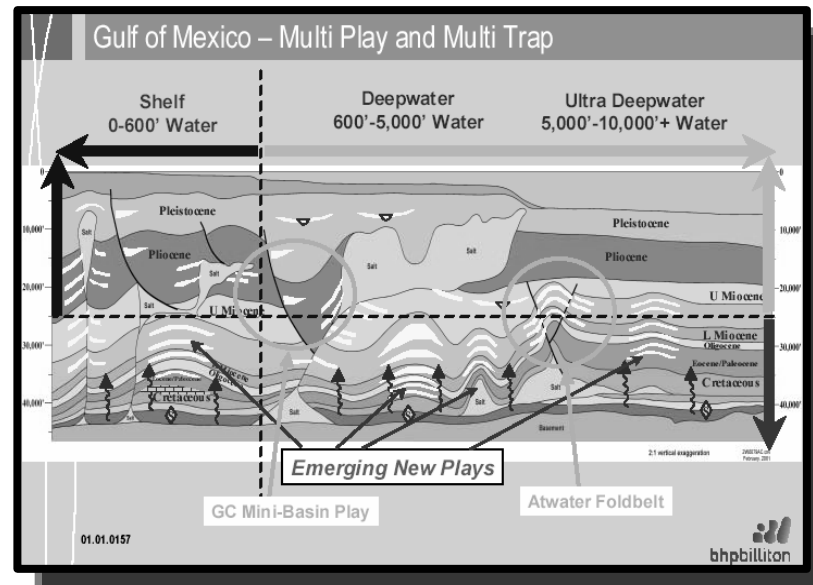
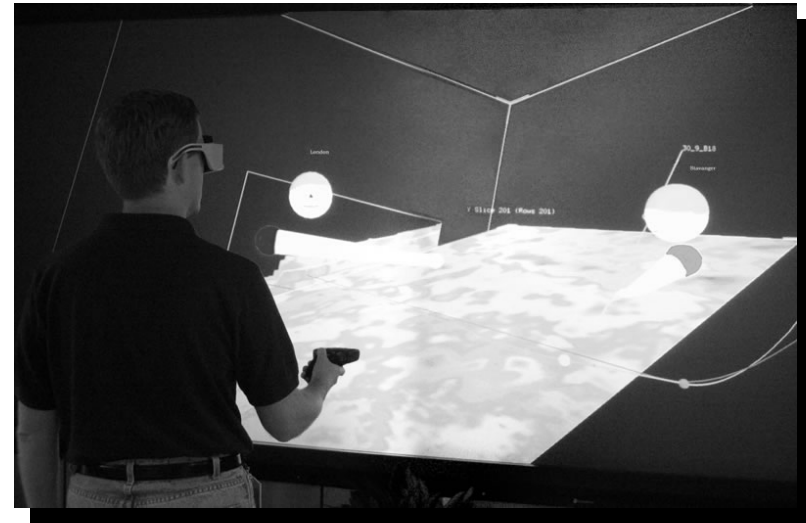
- December 2004 Request for Information
 - June 2005 Draft Proposed Program
 - May 2006 Proposed Program & Draft EIS
 - November 2006 Proposed Final Program & Final EIS
 - January 2007 Approval
 - July 1, 2007 New Program in Effect
-

Planning for Specific Sale

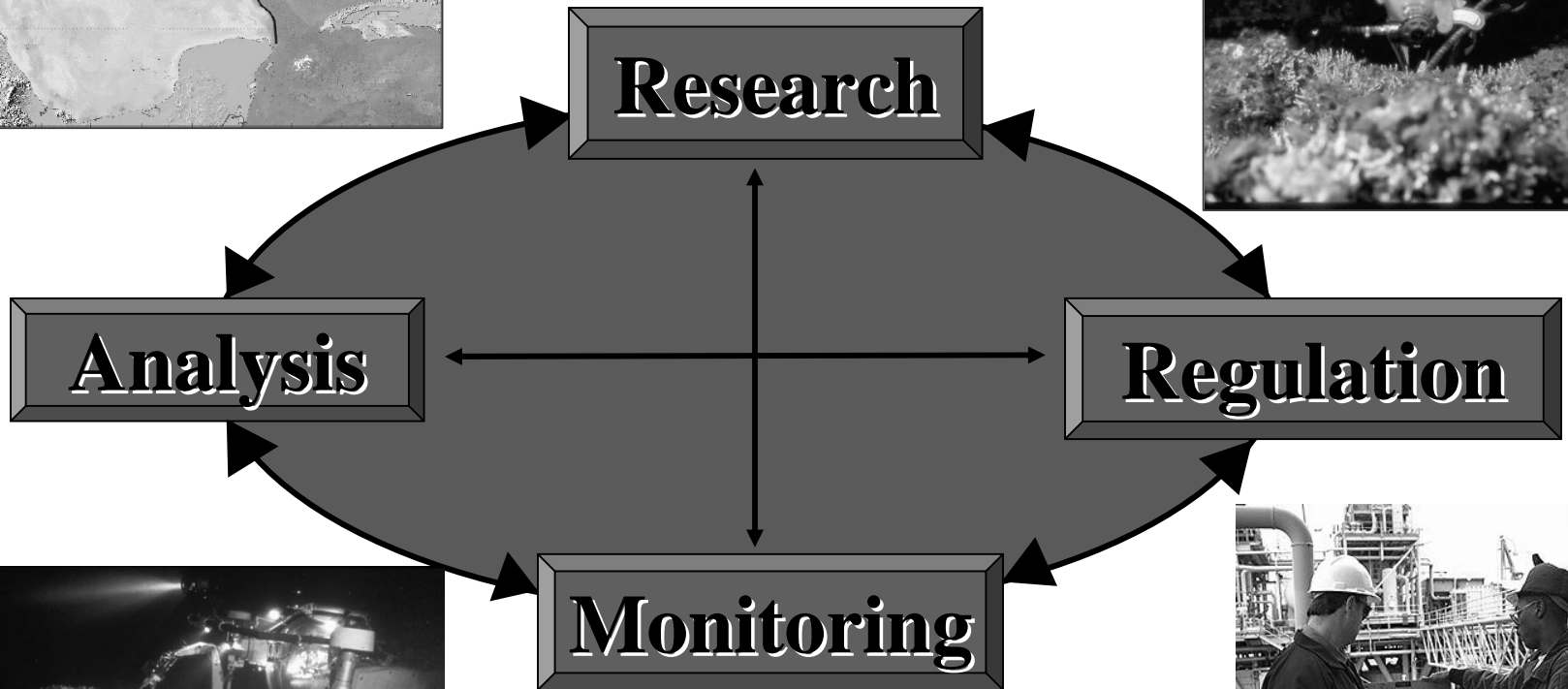
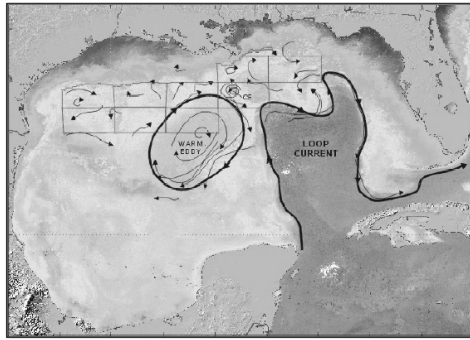


Resource Assessment

- Provide a basic foundation for leasing decisions
 - Identify oil and gas plays
 - Estimation of resources
 - Identify prospective areas
 - Determine bid adequacy
- MMS G&G database includes more than
 - 1.7 million mi of 2D seismic data
 - 33 thousand OCS blocks of 3D seismic data
 - 100,000 well logs



Environmental Protection



When is Impact Assessment Needed?

large

G
E
O
G
R
A
P
H
I
C

A
R
E
A

small

5 Year Program -- Nationwide Area

**Lease Sale -- Specific Region
(Central Gulf of Mexico)**

**Exploration Plan --
Specific Project**

**Development
Plan--Specific
Platform(s)**

**Special Project
(e.g., New Seismic Technology)**

Environmental Laws & Offshore Program

National Environmental Policy Act →	Includes Environmental Analysis and Protection in Project Planning
Federal Water Pollution Control Act (Clean Water Act) →	Regulates Discharges From Oil and Gas Activities Into Marine Waters
Clean Air Act →	Regulates Air Emissions From Industrial Activities
Coastal Zone Management Act →	Assures Compliance With State Coastal Area Protection Plans
Endangered Species Act →	Protects Threatened and Endangered Species
Marine Mammal Protection Act →	Protects Marine Mammals
Fishery Conservation and Management Act →	Protects Essential Fish Habitat
National Historic Preservation Act →	Protects Archaeological Resources, Including on the Ocean Floor

Exploration Plan

- Before EP only preliminary data collection allowed
 - EP contains concise description of proposed activity
 - May apply to one or more leases
 - Accompanied by oil spill contingency plan and environmental report
 - Same but separate review process as EP
 - OSCP and ER used in coastal State CZM review process
-

Development Production Plan

- DPP for eastern Gulf
- Development Operations Coordination Document for western Gulf
 - Describe development intentions
 - Public input; NEPA review
- Approval prior to...
 - Application for Permit to Drill; Platform application; Lease term pipeline application



Deepwater Operations Plan

- DWOP requires 3 Parts - conceptual, preliminary, final
 - Early dialogue - focus on “total system”
 - MMS approval prior to major financial commitment
 - List alternative compliance and departures
- Avoid unnecessary regulatory rewrites



Regulatory Principles

- Lessees/ Operator
 - Responsible for all activities on lease
 - Understand human factors & mechanical systems interface
 - Measure performance
- MMS program emphasizes
 - Regular monitoring & review
 - Operator performance incentives
 - Safety management systems
 - Operator and contractor cooperation
 - Poor performance carries a price



Providing Access

- **Administrative Solutions** – speed approval processes
 - Streamlining efforts – multisale EIS, Interagency agreements, improved analytical tools, human capital management
 - e-Government transformation
 - **Research** – informed decision-making
 - Engineering and Technical
 - Environmental
 - **Economic Incentives** – increase interest in frontier area
 - Deepwater Royalty Relief
 - Deep Shelf Royalty Relief
 - Alaskan Economic Incentives
 - Extension of lease terms for additional data analysis
-

QUESTIONS

MMS *Securing Ocean Energy &
Economic Value for America*