

# *MMS at 20 Years:*

## *Where is the OCS Program?*

Before the Rocky Mountain  
Mineral Law Institute

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***20 Years of Service to America***



***MMS***

***Minerals Management Service***

***1982-2002***

# MMS Milestones in 20 Years

- Sales Held - 66
- Leases Issued - 17,368
- Wells Drilled - 20,954
- Oil Produced - 6.6 billion bbl
- Gas Produced - 80 trillion cu. ft.
- Bonus \$ Received - \$24.8 billion

# Climate in 1982

- MMS formed in a climate of energy expansion/need
- Congress in 1978 amendments called for expediting offshore oil and gas development
- 5 Year Plan for Mid-1982 through Mid-1987 called for 41 Sales: 1 Re-offering Sale, 16 off Alaska, 8 in the Atlantic, 4 off California, and 12 in the Gulf of Mexico. Of the sales proposed, only 23 were held.



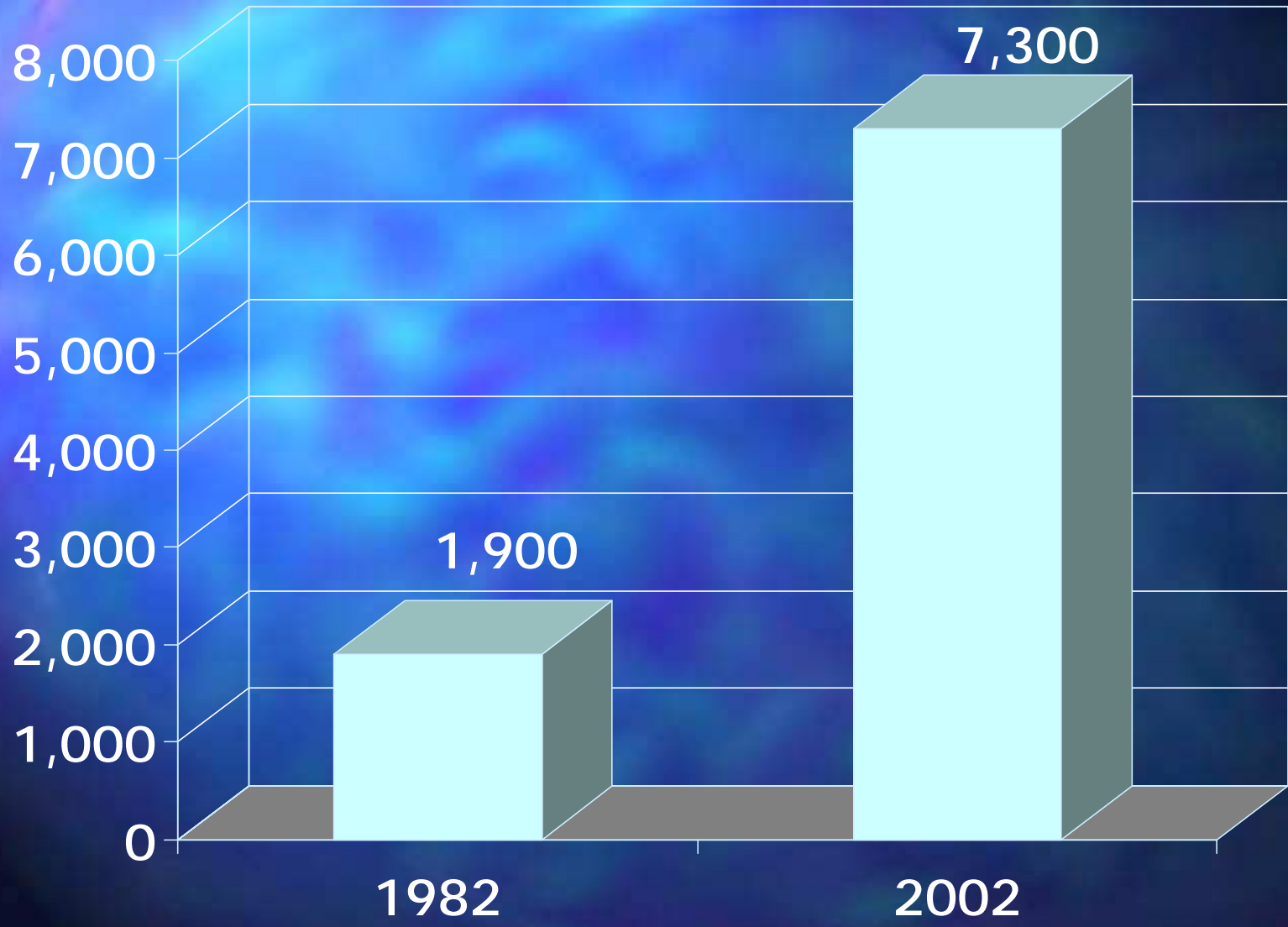
# What Happened?

- States Litigated Lease Sales
  - Mid Atlantic in 1982
  - North Atlantic in 1983
  - California in 1982
- 5 Year Program litigated in 1982
- Congress passed 1st appropriation moratoria in December 1982 (FY 83, P.L. 97-394)
- Congress passed Outer Banks Protection Act in 1990.

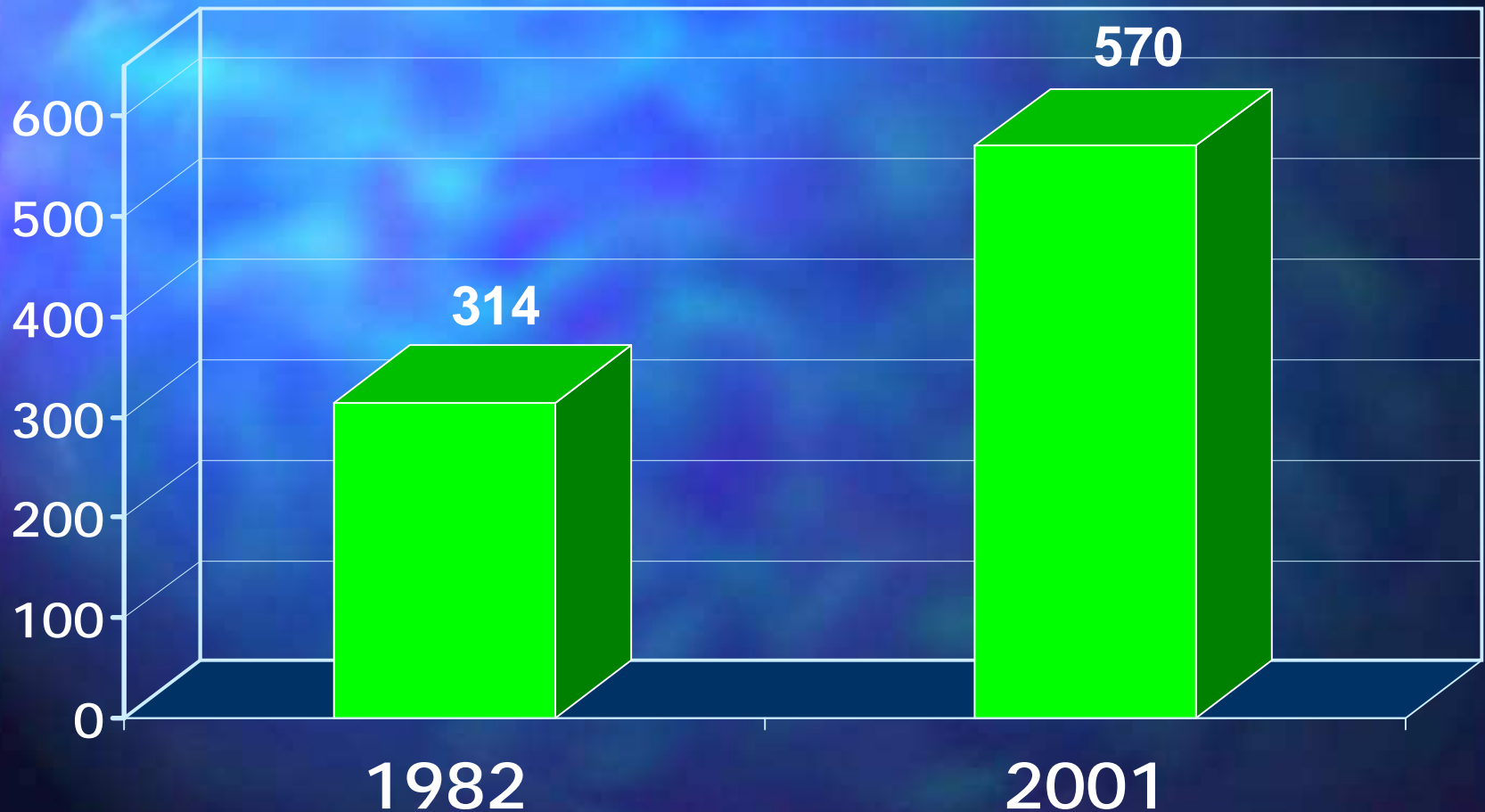
# Now in 2002

- Congressional moratoria exists
- Presidential order places areas beyond consideration to 2012.
- No leasing off California since 1984
- 5 Year Plan for 2002 - 2007 calls for 20 Sales with 12 in the Gulf of Mexico, 8 in areas off Alaska.

# Leases in the Gulf in 20 Years



# Total OCS Oil Production MM bbl 1982 and 2001





# The OCS Program Now

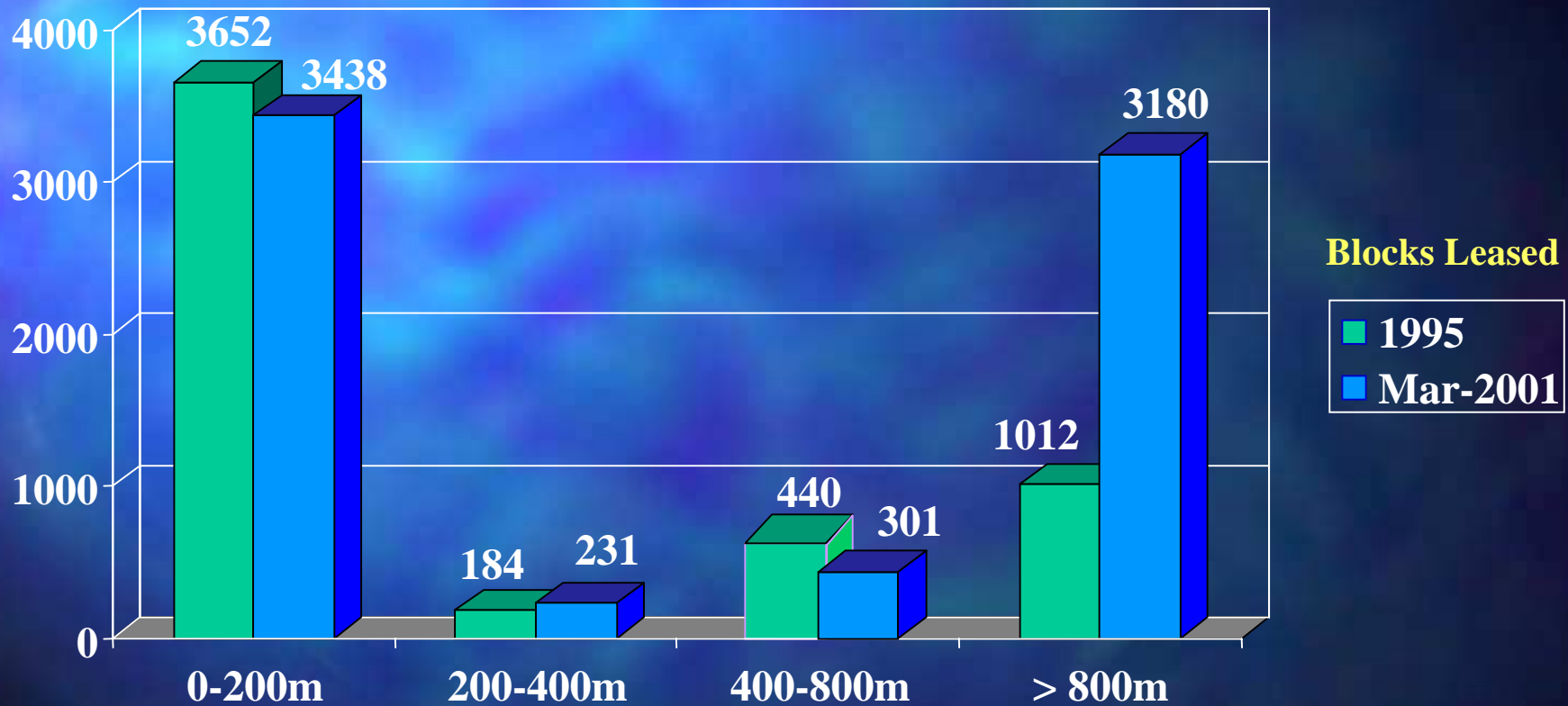
# OCS Program Now

- Deep Water
- Development in Alaska
- Compliance
- Incentives

# Deep Water

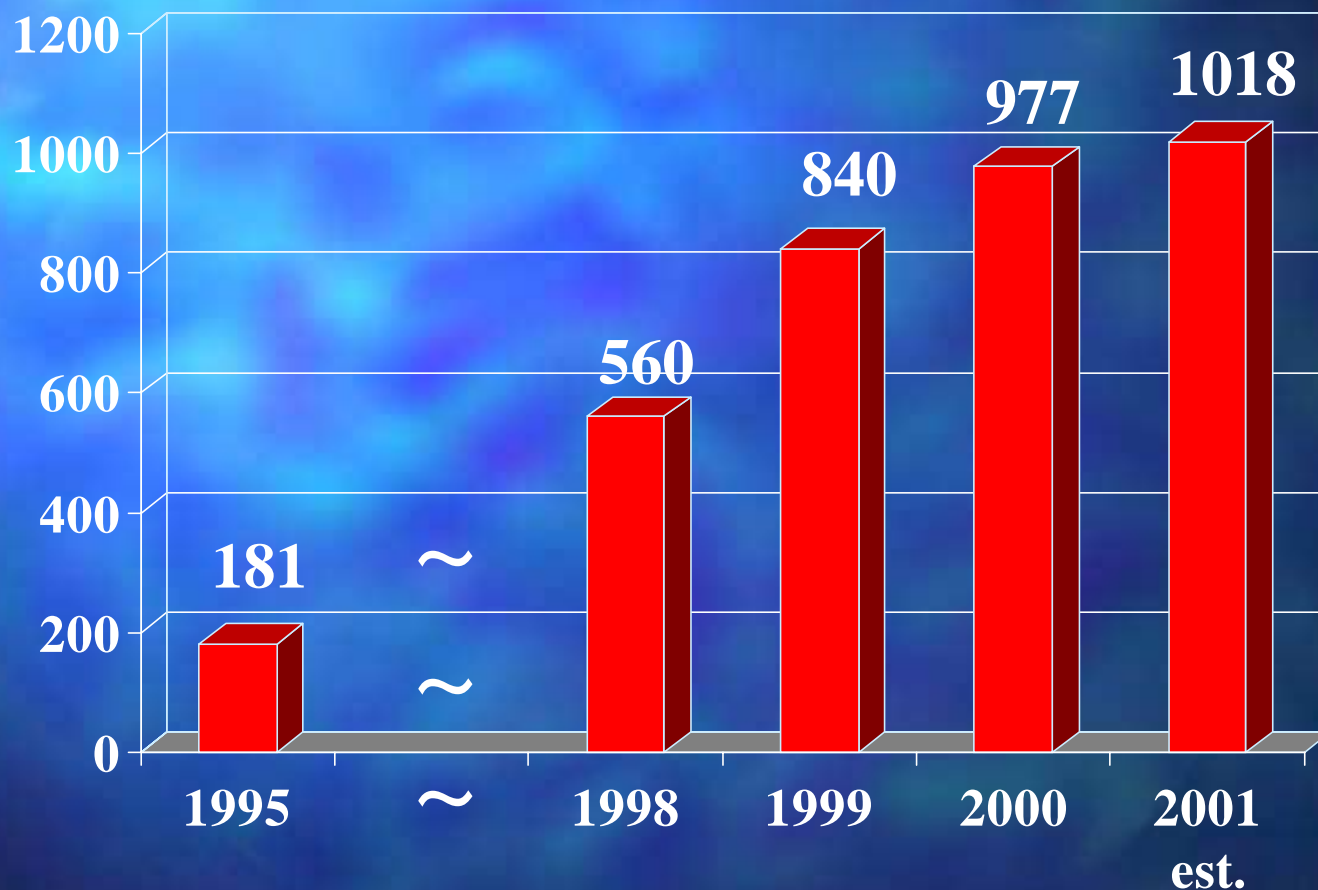
- Leasing in deepwater accelerated greatly since 1995 in the Gulf
- Production in deepwater accelerated greatly since 1995 in the Gulf

# Expanded Deepwater Leasing



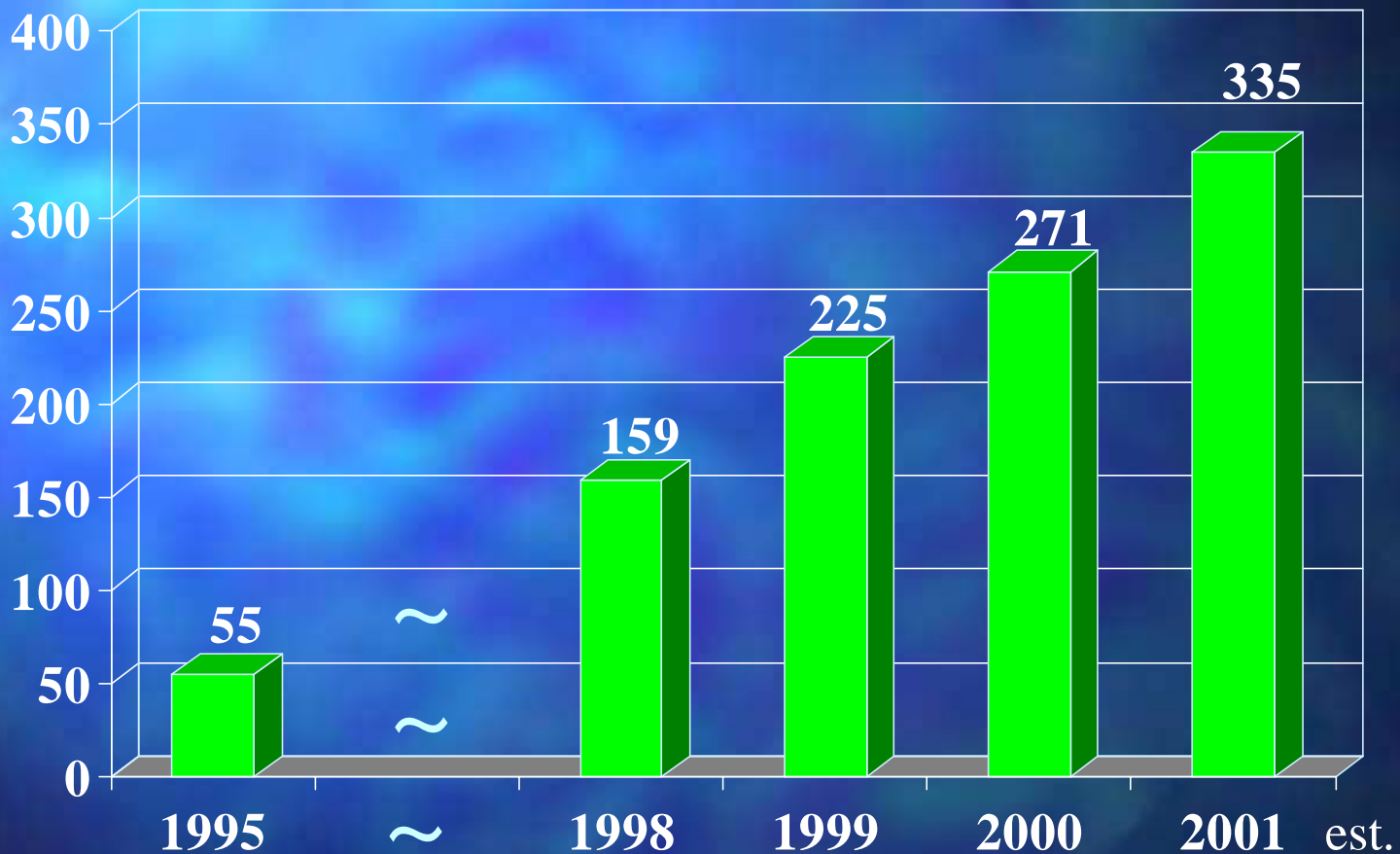


# Gulf of Mexico Deepwater Gas Production



■ Billions of Cubic Feet (BCF) Per Year

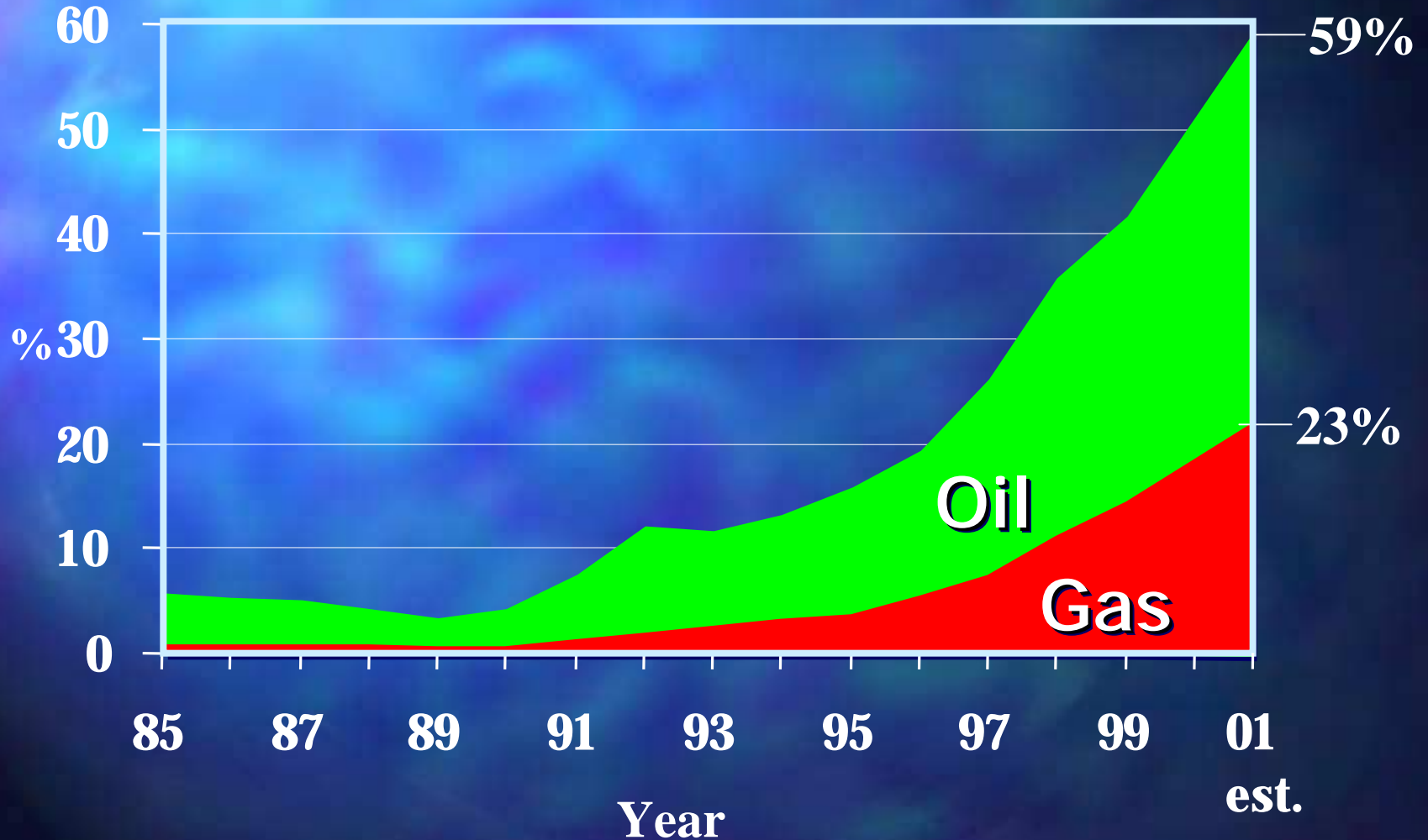
# Gulf of Mexico Deepwater Oil Production



■ Millions of Barrels Per Year

# GOM OCS Deepwater Production

(% of total Gulf of Mexico)





# 2002 Projected Deepwater Production Starts

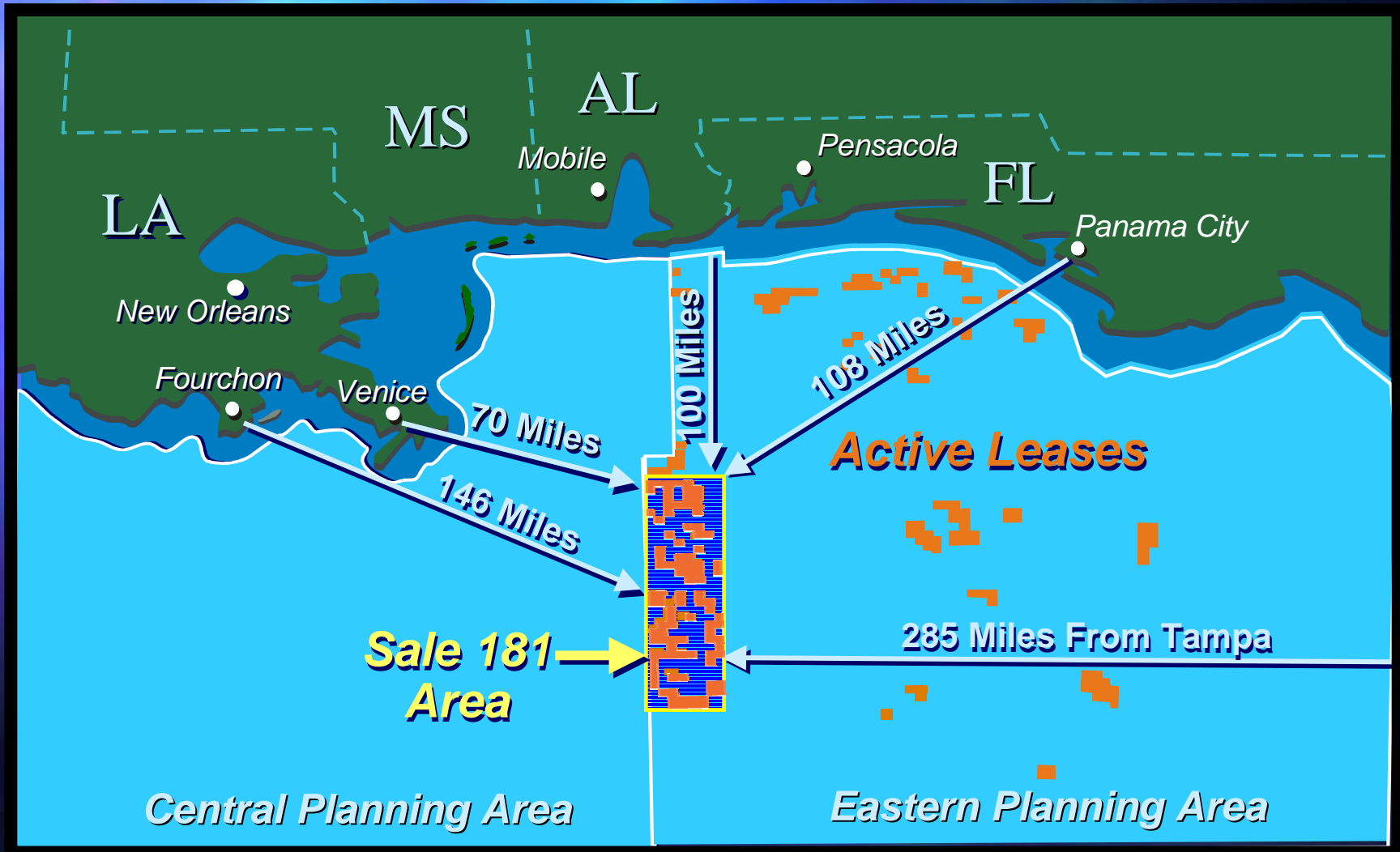




# SALE 181

- Eastern Gulf Sale held in December 2001 expanded deepwater
- 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.

# Eastern Gulf of Mexico Sale 181



# Development in Alaska OCS

# Development in Alaska OCS

- 20 Sales since the first sale in Alaska in 1976.
- First OCS production achieved in Nov. 2001
- BP and Murphy Oil's "Northstar" goal is to reach 65,000 bbl/d
- Northstar consists of three federal and five state leases--12 miles northwest of Prudhoe Bay



# Development in Alaska OCS

## *Alaska Planning Areas*



# Development in Alaska OCS

- McCovey prospect proposes an exploratory well
- Call for nominations/information in Norton Sound issued. Comments due in April. (Reissue each year)

# Compliance/Safety

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



# Compliance/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

# Incentives

# Incentives Remain a Focus of OCS Program

- Deepwater development was spurred by royalty relief
  - Mandatory relief zones / Suspension for 5 years
    - ◆ 200 - 400 M 17.5 mm/boe
    - ◆ 400 - 800 M 32.5 mm/boe
    - ◆ 800 + M 87.5 mm/boe
  - Continued relief
    - ◆ 400 - 800, 800 - 1600, 1600 + Shut ins
  - Need for an incentive in shallow water

# GOM Shallow Water Gas Production





# MMS Adopted a Deep Gas Incentive for New Leases

- New well drilled below 15,000 feet in shallow water
- First 20 Bcf of gas royalty free
- Lasts 5 years

Old leases - regulations may be proposed

**MMS Gulf of Mexico Website:**

**[www.gomr.mms.gov](http://www.gomr.mms.gov)**