

MMS Fast Facts

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Minerals Revenue Management Program – Compliance Activities

The Minerals Management Service (MMS), through its Minerals Revenue Management program, manages the collection, verification and disbursement of revenues associated with the leasing and the production of oil, natural gas, alternative and renewable energy, and other minerals on Federal offshore lands on the outer Continental Shelf (OCS) and onshore Federal and Indian lands. The MMS works to ensure that revenues are timely and correctly reported and paid by utilizing two compliance activities - audits and compliance reviews. Audits are formal and lengthy examinations of company records. Compliance reviews are a tool used to provide reasonable assurance that all royalties are reported and paid correctly. They also allow companies to provide additional documentation to resolve any variances in the royalties reported. Each month, approximately 2,100 companies report and pay royalties associated with over 29,000 producing Federal and Indian leases. The MMS's goal is to ensure that the Federal Government is realizing fair market value and that companies are in compliance with applicable laws, regulations, and lease terms. Provided below are figures to illustrate the agency's progress in audit and compliance activities.

Fourth Quarter FY 2008

- MMS opened 61 audits and closed 91
(Of the 91 closed audits: 15 were started in FY 2008, 18 in FY 2007 and 58 in FY 2006 or earlier.)
- MMS opened 140 compliance reviews and completed 372
(Of the 372 compliance reviews completed: 266 were started in FY 2008, 37 in FY 2007, and 69 in FY 2006 or earlier.)

It is common for an audit or compliance review of a large company to take more than a year to complete due to a large royalty universe or complex issues. Audits and compliance reviews often rollover into the next fiscal year and can close out multiple fiscal years.

FY 2006 - FY 2008

- MMS closed 791 audits and collected \$213.2 million through the audit process
- MMS completed 4,565 compliance reviews and collected \$123.0 million through the compliance review process

Offshore Energy and Minerals Management Program – Inspection Activities

Through its Offshore Energy and Minerals Management program, MMS regulates the activities on over 8,000 leases and more than 3,700 oil and gas facilities on the OCS. In 2008, MMS inspectors completed over 25,650 inspections. These inspections are conducted of OCS facilities and operations to ensure compliance with safety and environmental protection regulations. Inspections may be scheduled or unannounced. During these inspections, MMS may issue Incidents of Non-Compliance (INC) for violations of the regulations. Depending on the seriousness of the violation, MMS may issue a warning, order a shut-in of a component on the facility, or order shut-in of the entire facility. MMS further reviews all INCs to determine if additional enforcement action is needed or if a civil penalty is warranted.

Under the Outer Continental Shelf Lands Act and the Oil Pollution Act, the Secretary of the Interior is authorized to impose penalties for violation of the regulations and allow the adjustment of the maximum civil penalties to reflect any increases in the Consumer Price Index. MMS analyzes civil penalty maximum amounts every three years, and in February 2007 set the “per incident” amount at \$35,000.

In 2008, penalties were characterized by improper valve settings, safety measures not being implemented, lack of adequate training and poor testing procedures as well as other infractions. None of the actions that were penalized resulted in any significant oil spill or safety incident. An annual summary of the penalties – including identity of the party, the regulation violated and the amount paid – is published in the *Federal Register*. A *Federal Register Notice* with a summary of the OCS penalties paid in FY 2008 was published on March 30, 2009.

First Quarter FY 2009

- MMS referred 10 separate INCs for civil penalty review
- MMS closed 4 separate INCs and collected \$295,000 in civil penalties

FY 2006 - FY 2008

- MMS closed 70 cases and collected \$5,281,250 in civil penalties through this process

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<http://www.mms.gov/ooc/newweb/congressionalaffairs/congress.htm>.

To find out more, visit the MMS website at <http://www.mrm.mms.gov> for information on the MMS Mineral Revenue Management Program or <http://www.mms.gov/offshore> for information on the Offshore Energy and Minerals Management Program, or call the MMS Office of Congressional Affairs at (202) 208-3502.