

# MMS Fast Facts

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April 2008

### How Revenues Are Generated on Federal Offshore Lands

The Minerals Management Service (MMS) manages the Nation's energy and mineral resources on the Federal Outer Continental Shelf (OCS) and the mineral revenues from Federal OCS and Federal and Indian lands onshore. The MMS is one of America's leading mineral asset managers. From the gasoline that powers our cars, the oil and natural gas that heats our homes, to funds collected and disbursed from mineral leasing activities, the Nation and its citizens benefit from the efforts of MMS.

The MMS manages activities that generate about 27 percent of America's domestic oil production, 15 percent of domestic natural gas production, and an average of \$10 billion in annual revenue for the Nation, States, and American Indians. Both of these functions are important to the Nation's economic health and are key to meeting our energy needs.

MMS administers the leasing program in the Federal OCS and collects all revenues generated from this program, including **bonus bids, rents, and royalties**.

- **Bonus bids** represent the cash amounts paid to the Federal government by the successful bidders for mineral leases. The payments are made at the time the lease is issued and is in addition to the rent and royalty obligations specified in the lease for oil and gas or other energy and mineral exploration and development.
- **Rents** are annual payments made by a lease holder for the right to use the land or resources for purposes established in a mineral lease. The rental payment is due each year until production begins or the lease term expires. The rental rate can range from \$5.00 to \$13.00 depending on the water depth or location of the OCS. If the lease is not in production, the lease holder is still required to make the rental payments on the lease.
- **Royalties** are payments (in cash or kind) made by a lease holder to the Federal government that represent the government's share or percentage of the amount or value of the mineral produced. Royalties are due 30 days after the month of production. Interest is charged for late or underpayments. Conversely, the government pays the lease holder interest on overpayments.

Each month, companies report and pay royalties associated with over 2,200 producing leases on the OCS. Each year, rent is paid on approximately 6,300 non-producing OCS leases. The MMS's goal is to ensure that the Federal Government receives fair market value for the minerals produced on federal lands.

- In FY 2007 MMS held three OCS lease sales in the Central and Western Gulf of Mexico (GOM) and the Beaufort Sea. The Central GOM generated \$2.9 billion, the Western GOM generated \$209 million, and the Beaufort Sea generated \$42 million for the U.S. Treasury. MMS has received over \$9 billion in high bids from OCS lease sales so far in FY 2008.
- In FY 2007 MMS collected approximately \$7 billion from federal OCS leases.

To find out more information about MMS and its programs, please contact the MMS Office of Congressional Affairs at (202) 208-3502; or visit our websites: MMS at <http://www.mms.gov>, Mineral Revenue Management Program at <http://www.mrm.mms.gov/>, Offshore Energy and Minerals Management Program at <http://www.mms.gov/offshore/>