

Background Information

🔥 MMS Responsibilities

The Minerals Management Service (MMS), a bureau within the Department of the Interior, is responsible for managing the Nation's offshore oil and gas resources in keeping with the Outer Continental Shelf (OCS) Lands Act and for managing revenue collected from lessees. The OCS Lands Act, as amended, requires that the Secretary of the Interior present to Congress each fiscal year an annual report on its OCS Oil and Natural Gas Leasing and Production Program.

Under the OCS Lands Act, MMS is required to

- ✓ develop and maintain estimates of offshore oil and natural gas reserves and undiscovered resources;
- ✓ administer competitive lease sales of suitable offshore tracts on the basis of resource estimates and environmental assessments;
- ✓ regulate and oversee exploration, development, and production activities of lessees to ensure environmentally safe and sound OCS operations; and
- ✓ assess the likely effects of exploration, development, and production of oil and natural gas on the human, marine, and coastal environments.

These responsibilities are accomplished through two programs within MMS: the Offshore Minerals Management Program and the Royalty Management Program.

The *Offshore Minerals Management Program* administers the OCS leasing program and oversees the safe and environmentally sound exploration and production of our Nation's offshore oil, natural gas, and other mineral resources. Federal offshore waters encompass about 1.4 billion acres.

The *Royalty Management Program* manages all mineral revenue from Federal and Indian lands through an integrated process of collecting, accounting, distributing, verifying, and auditing. From its creation in 1982 until FY97 year end, MMS distributed more than \$92 billion.

🔥 OCS Lands Act

The OCS Lands Act (43 U.S.C. 1331, et seq.), enacted in 1953, specifies the conditions under which the Secretary of the Interior grants rights to explore for, develop, and produce our Nation's offshore oil and gas resources. In 1978 and 1985, the Act was amended to further define the national policy for managing these resources in keeping with the following goals:

- ✓ providing protection of the environment concurrent with efficient, economic mineral resource development;
- ✓ ensuring receipt of fair market value for the lands leased and the rights conveyed by the Federal Government; and
- ✓ ensuring orderly and timely exploration and development of mineral resources to meet the energy needs of the Nation.

Section 15(1) at 43 U.S.C. 1343(1) specifically requires that an annual report be submitted to Congress. Section 22(g) further requires that the report summarize receipts and expenditures and include Federal offshore safety violations as reported by the U.S. Coast Guard.

In fulfilling the requirements of the OCS Lands Act and its amendments, MMS has become the manager of the world's largest offshore oil and gas program. Since October 1954, the Department of the Interior has held 142 Federal lease sales, including 2 re-offering sales; 2 salt sales; 2 sulfur sales; 1 gas, oil, and sulfur sale; 1 phosphate sale; and 1 sulfur and salt sale.

🔥 Fair Market Value

Title I of the OCS Lands Act Amendments of 1978 and 1985 set the national policy for managing our Nation's offshore oil and gas resources. In keeping with the goals set in that policy at Section 18(a)(4), MMS ensures receipt of fair market value for the lands leased and the rights conveyed by the Federal Government. The MMS administers competitive lease sales of suitable offshore tracts on the basis of resource estimates and environmental assessments. The chart at right tracks the leasing activities of the current 5-year program.

Section 8(a)(8) (43 U.S.C. 1337 (a)(8)) of the OCS Lands Act requires that at least 30 days before any lease sale, a Notice be submitted to Congress and published in the *Federal Register* to identify which bidding systems will be used and why and to designate which tracts will be offered under each bidding system and why.

🔥 Bidding Systems

Leases are issued through a competitive bidding process. There are several options that may be used in the process:

- ✓ Bonus bidding with a 16 2/3 percent royalty (1/6 of production value)
- ✓ Bonus bidding with a 16 2/3 percent royalty and a royalty suspension volume (17.5 million barrels of oil)
- ✓ Bonus bidding with a 12 1/2 percent royalty (1/8 percent of production value)
- ✓ Bonus bidding with a 12 1/2 percent royalty and a royalty suspension volume (52.5 million barrels of oil)

Bonus bidding with a 16 2/3 percent royalty.—This system has been used extensively since the OCS Lands Act was passed in 1953. It imposes greater risks on the lessee than systems with

Status of Lease Sales in the 1992-97 Five-Year OCS Program [✓ = activity completed]										
Sale No.	Information Base Review	Call for Information & Nominations	Area Identification	Draft Environmental Impact Statement	Proposed Notice of Sale	Final Environmental Impact Statement	Consistency Determination	Notice of Sale	Sale Date	
Western Gulf of Mexico										
141	✓	✓	✓	✓	✓	✓	✓	✓	8/18/92	
143	✓	✓	✓	✓	✓	✓	✓	✓	9/15/93	
150	✓	✓	✓	✓	✓	✓	✓	✓	8/17/94	
155	✓	✓	✓	✓	✓	✓	✓	✓	9/13/95	
161	✓	✓	✓	✓	✓	✓	✓	✓	9/25/96	
168	✓	✓	✓	✓	✓	✓	✓	✓	8/27/97	
Central Gulf of Mexico										
142	✓	✓	✓	✓	✓	✓	✓	✓	3/24/93	
147	✓	✓	✓	✓	✓	✓	✓	✓	3/30/94	
152	✓	✓	✓	✓	✓	✓	✓	✓	5/10/95	
157	✓	✓	✓	✓	✓	✓	✓	✓	4/24/96	
166	✓	✓	✓	✓	✓	✓	✓	✓	3/5/97	
Alaska: Cook Inlet										
149	✓	✓	✓	✓	✓	✓	✓	✓	6/11/97	
Alaska: Gulf of Alaska/Yakutat										
158	✓	✓	✓	Canceled						
Alaska: Beaufort Sea										
144	✓	✓	✓	✓	✓	✓	✓	✓	9/18/96	
170	✓	✓	✓	✓	✓	✓	Early 98	Early 98	Early 98	

higher contingency payments, but may yield more rewards if a commercial field is discovered. The relatively high front-end bonus payments may encourage rapid exploration.

Bonus bidding with a 16 2/3 percent royalty and a royalty suspension volume.—This system, which complies with the OCS Deep Water Royalty Relief Act, provides an incentive for development and production in water depths of 200-400 meters through allocating royalty suspension volumes of 17.5 million barrels of oil to eligible fields.

Bonus bidding with a 12 1/2 percent royalty.—This system is used in deeper water blocks because of the expected substantially higher exploration, development, and production costs, as well as longer times before initial production, compared to shallow-water blocks.

Bonus bidding with a 12 1/2 percent royalty and a royalty suspension volume (52.5 million barrels of oil).—Again, the use of a royalty suspension volume provides an incentive for development and production.

The Federal Government requires a minimum bid of \$25 per acre on all tracts offered offshore, subject to a sale-by-sale reconsideration. Beyond the minimum bid level, MMS applies established bid adequacy criteria for each sale to ensure that fair market value is received for all leases awarded. The MMS used cash bonus bidding with fixed royalty rate bidding systems for FY96 lease sales.

The 16 2/3 percent royalty rate (1/6 of production value) applies to shallow-water, low-cost areas, and the 12 1/2 percent royalty rate (1/8 of production value) is used for the deeper water, high-cost areas. Ordinarily, royalty rate differences are based on water depth, except in Alaska where Federal offshore royalty rates are selected on a sale-specific basis. The 1/8 royalty rate has been used at sales north of the Aleutian chain because of high costs and

long lead times resulting from the remoteness of the area and the adverse ice and weather conditions.

In the two FY97 GOM lease sales, the 1/8-royalty tracts (≥ 400 m) accounted for 67.6 percent of tracts receiving bids, 68.0 percent of tracts leased, and 70.7 percent of high bids received. The 1/8-royalty tracts received a mean high bid per tract about 15 percent higher than the 1/6 royalty rate tracts. The table at right shows the water depth limits used for the 1/8 royalty demarcations for all offshore regions.

Water Depth Criteria for 1/8 Royalty Rate Determination	
OCS Region	Water Depth
Alaska	variable
Atlantic	200 meters
Gulf of Mexico	400 meters
Pacific	200 meters

🔥 Royalty Systems

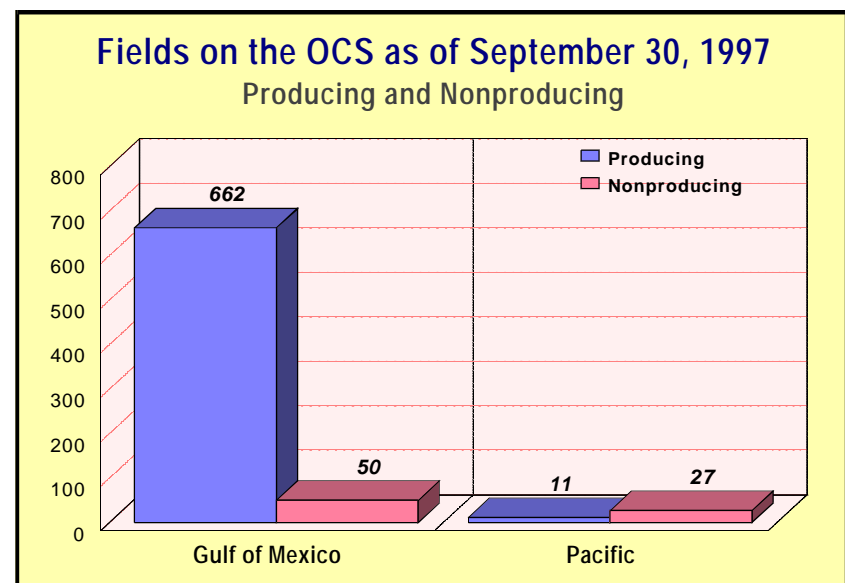
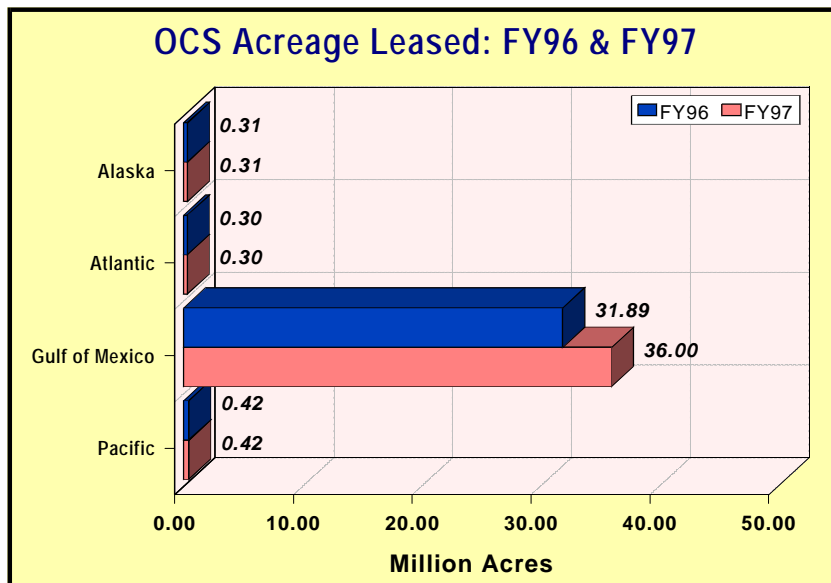
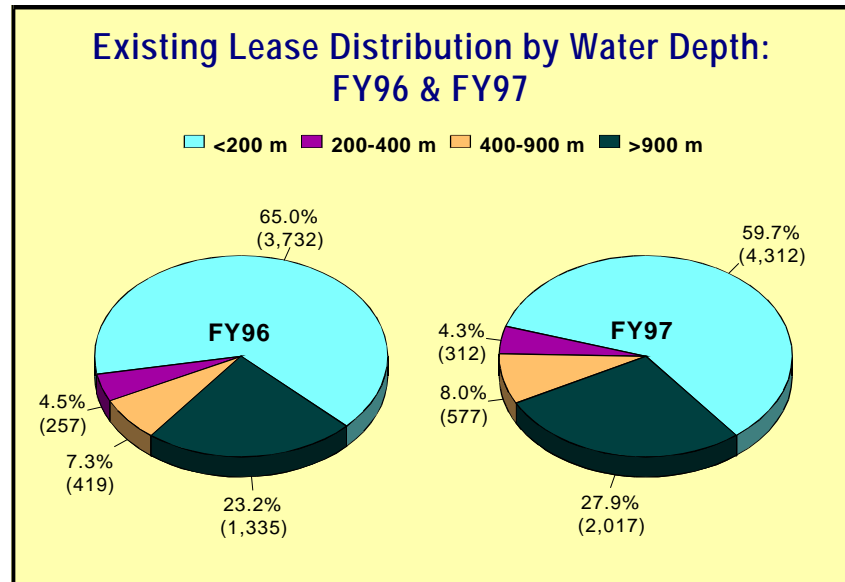
There are four types of lease revenues that MMS's Royalty Management Program collects and distributes: bonuses, rents, minimum royalties, and royalties.

- ✓ *Bonuses* represent the cash amount successfully bid to win the rights to a lease.
- ✓ *Rents* are annual payments, normally a fixed dollar amount per acre, required to preserve the rights to a lease. A rent schedule is established at the time a lease is issued.
- ✓ *Minimum royalties* are annual payments, on a per-acre basis, required to maintain the rights to a lease until production exceeds a minimum value. A Federal lease may or may not contain a minimum royalty provision. Once annual production exceeds the minimum value, minimum royalty payments cease.
- ✓ *Royalties* are payments due once production begins. They represent a stated share or percentage of the value of the mineral being produced. A royalty may be an established minimum, a step scale, or a sliding scale.

Highlights: FY96 & FY97

Lease Statistics

As of September 30, 1997, a total of 7,218 leases made up about 37 million acres of the OCS (see chart below). The chart at right shows that most of the leases are located in less than 200 meters of water. Within the leased acreage, MMS has designated boundaries for 750 fields: 712 in the Gulf of Mexico (GOM) and 38 in the Pacific. (Although there are existing leases in the Atlantic and Alaska OCS regions, no field boundaries have been designated.) About 90 percent of the designated fields are producing oil and gas (see chart bottom right). Most of the leased acreage—about 36 million acres—lies in the GOM, accounting for about 96 percent of the existing OCS leases. The GOM remains the area of the world’s highest concentration of offshore oil and gas development, with the Central Gulf being the busiest.



🔥 Prelease & Postlease Activities

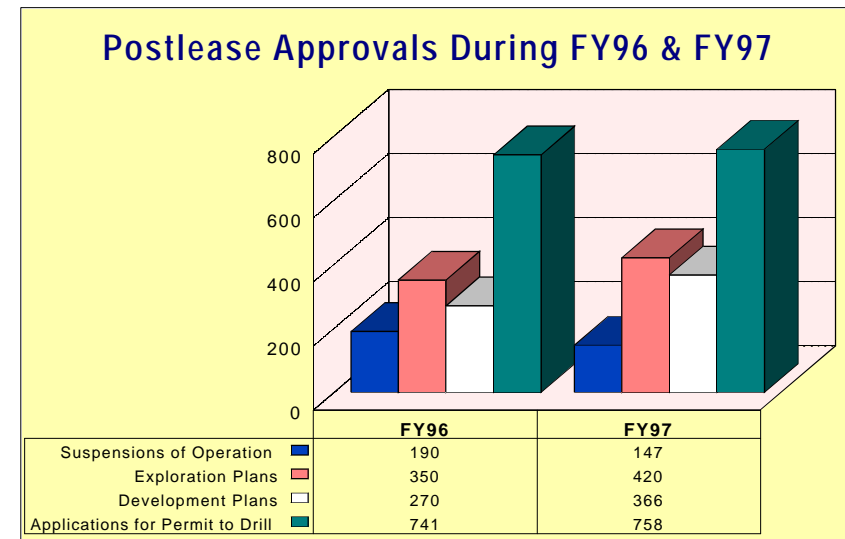
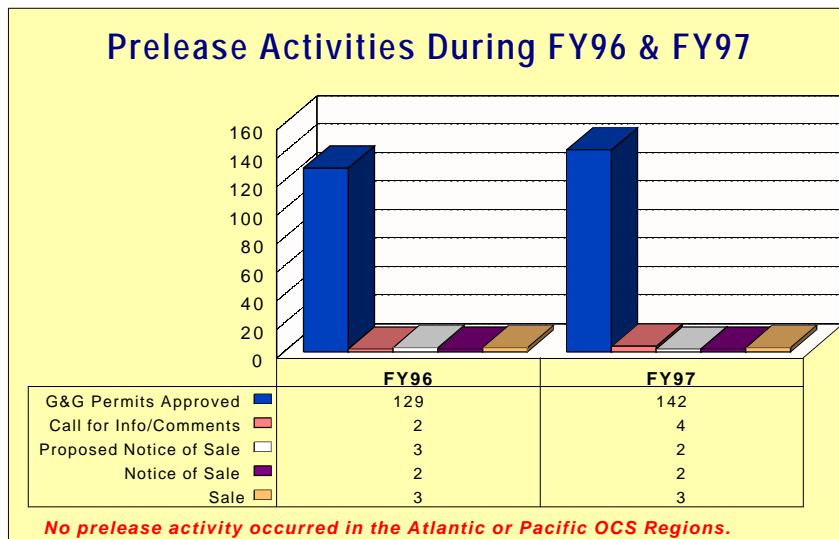
As of September 1997, almost all prelease activity and most of the postlease activity centered around the GOM Region, while the Pacific and Alaska Regions were relatively inactive. Geological and geophysical (G&G) activity was up about 10 percent from FY96, with 142 G&G permits being approved in FY97 compared to 129 in FY96.

Three sales were held during FY96: two in the GOM Region (central GOM sale 157 and western GOM sale 161) and one in Alaska (Beaufort Sea sale 144). In FY97, the GOM Region had two more sales: 166 (central GOM) and 168 (Western GOM). The Alaska OCS Region held Cook Inlet sale 149.

In the GOM, exploration plans approved increased by 70 over the 350 approved in FY96, while development plans increased from 270 to 360. The number of Applications for Permit to Drill (APD) approvals increased only slightly and Suspensions of Production (SOP's) dropped by almost 23 percent. The Pacific Region approved 6 development plans and 21 APD's in FY97.

Prelease Activities in FY96 & FY97				
Activity	OCS Region			
	Gulf of Mexico (FY96/97)	Pacific (FY96/97)	Alaska (FY96/97)	Atlantic (FY96/97)
G&G Permits Approved	129/142	0/0	0/0	0/0
Request for Interest	0/0	0/0	0/0	0/0
Call for Information/Comments	2/4	0/0	0/0	0/0
Area Identification	0/4	0/0	0/0	0/0
Proposed Notice of Sale	2/2	0/0	1/0	0/0
Notice of Sale	2/2	0/0	0/0	0/0
Sale	2/2	0/0	1/1	0/0

Postlease Activities in FY96 & FY97				
Suspensions of Operation	190/147	0/0	0/0	0/0
Development Plans Approved	270/360	0/6	0/0	0/0
Exploration Plans Approved	350/420	0/0	0/0	0/0
Applications for Permit to Drill	719/737	22/21	0/0	0/0



🔥 Offshore Operations

◆ Well Starts

As shown in the graph at right, exploration and development activity levels remained almost the same in FY97 as in FY96.

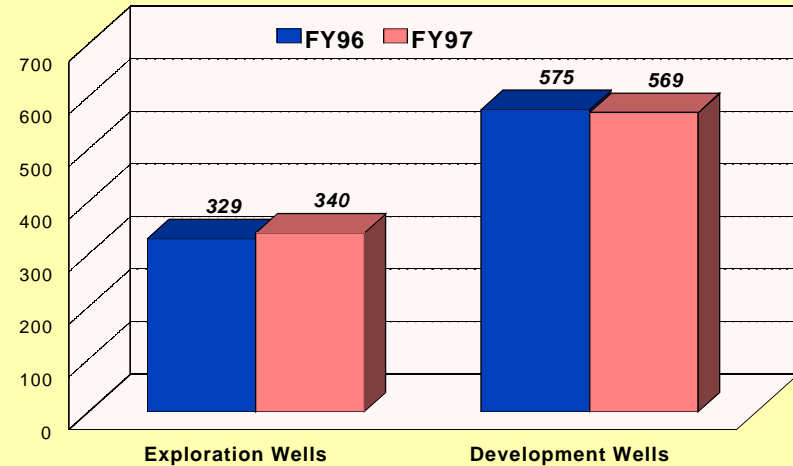
◆ Platform Installations, Removals & Approvals

Platforms in place decreased slightly in FY97 with a total of 3,870 compared to 3,877 at the end of FY96. The table below shows the platform status in the GOM and Pacific regions at the end of FY96 and FY97. Overall FY97 saw an increase in installations, removals, and approvals over FY96. The chart at bottom right shows the calendar year trend for installations and removals since 1987.

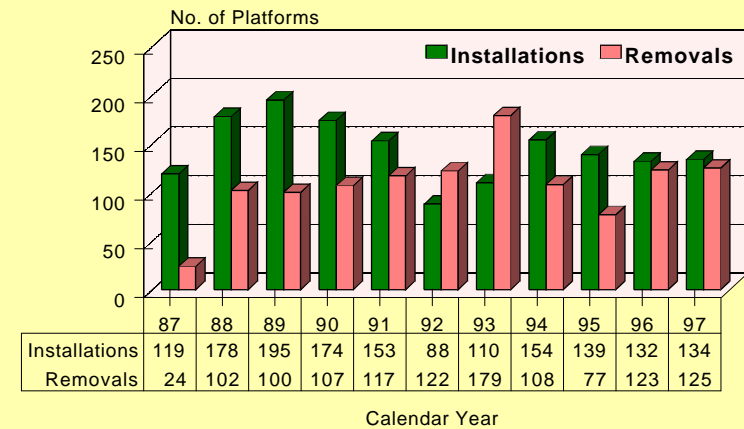
Platform Status FY96 & FY97				
Status	OCS Region *			
	Gulf of Mexico		Pacific	
	FY96	FY97	FY96	FY97
In Place	3,854	3,847	23	23
Approvals	126	161	0	0
Installations	118	152	0	0
Removals	128	155	0	0

* The Atlantic and Alaska OCS Regions have no platforms.

Wells Started on the OCS in FY96 & FY97



OCS Platform Installations vs. Removals Calendar Years 1987-97

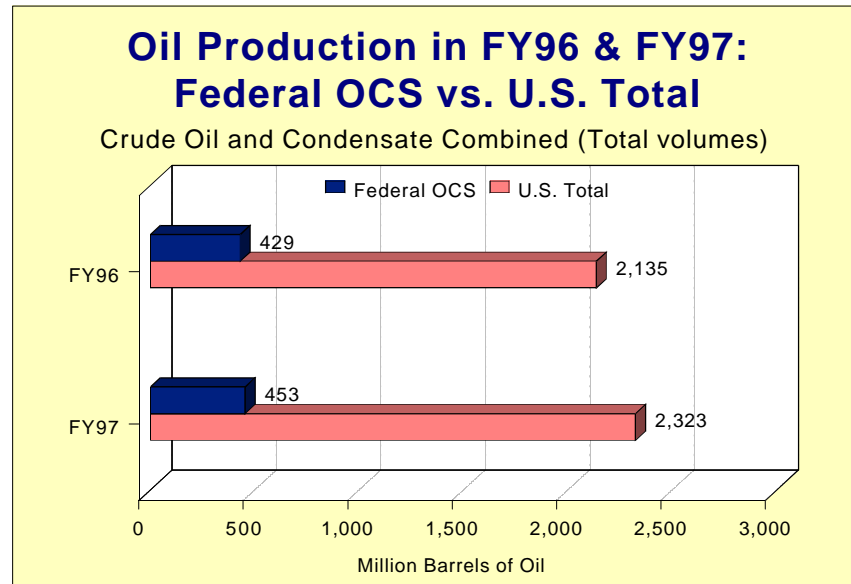
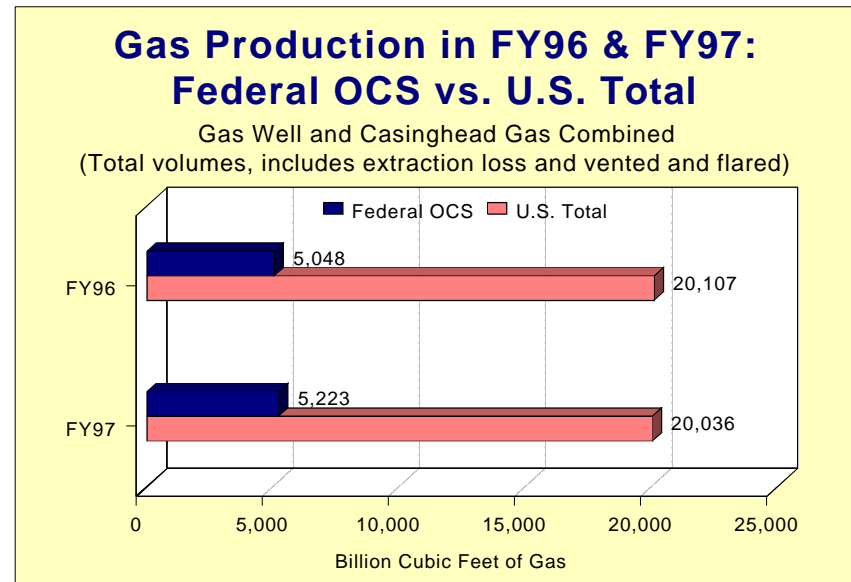


◆ **Production from OCS Leases**

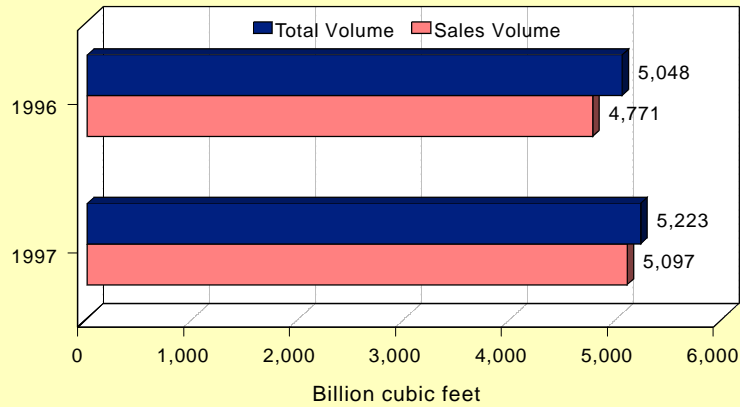
In FY96, the OCS contributed about 25 percent of the United States' total gas production and about 20 percent of its total oil production. In FY97, the OCS contributed about 26 percent of the United States' total gas production and about 19.5 percent of its total oil production. (See graphs at right.) Charts on the next page show oil and gas production *total volumes* by month for FY96 and FY97. Peak months are an indication of reporting system aberrations only and not actual production peaks.

Revenues generated are based on sales volumes (i.e., the volume reported sold during the year) rather than total volumes. Sales from OCS production generated about \$3.4 billion for disbursement to the National Historic Preservation Fund (NHPF), Land & Water Conservation Fund (LWCF), U.S. Treasury, and Section 8(g) States.

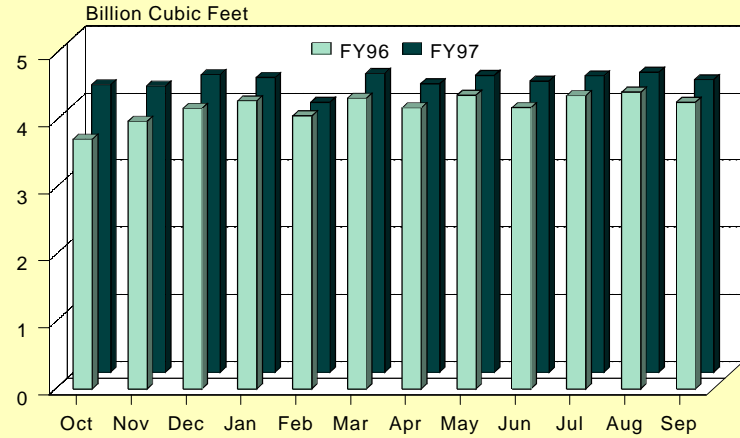
For oil production in FY97, the sales volume and total volume were almost equal, with a sales volume of 453,342,254 barrels compared to a total volume of 452,937,949 rounding up to 453 million barrels. (See the charts on the next page for FY96 and FY97 comparisons of Federal OCS total volume with sales volume and oil and gas production total volumes by month for each fiscal year.)



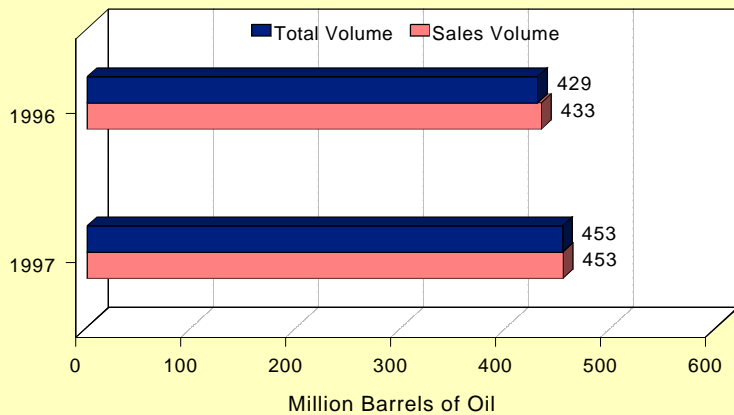
**Federal OCS Gas Production: Comparison of Total Volume vs. Sales Volume
FY96 & FY97**



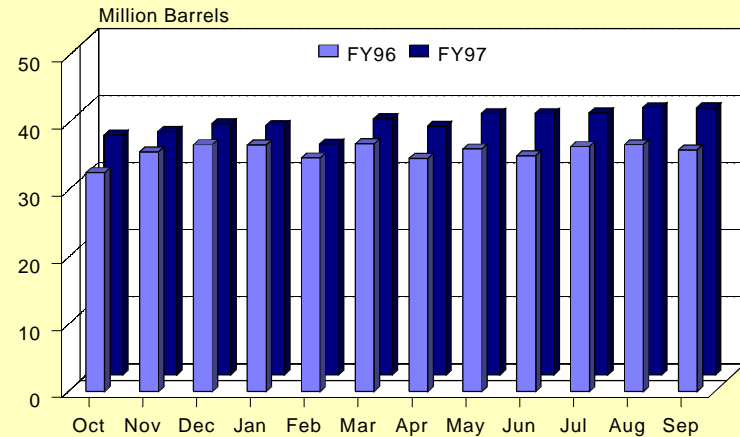
**Gas Production in FY96 & FY97
Gas Well and Casinghead Gas Combined (Total Volumes)**



**Federal OCS Oil Production: Comparison of Total Volume vs. Sales Volume
FY96 & FY97**



**Oil Production in FY96 & FY97
Crude Oil and Condensate Combined (Total Volumes)**



🔥 Safety Regulations

The MMS is required to regulate and oversee exploration, development, and production activities of lessees to ensure environmentally safe and sound OCS operations. MMS closely monitors and analyzes reported incident-related data in an effort to ensure safe and environmentally sound operations through its comprehensive regulatory program, which includes facility inspections, incident investigations, and enforcement actions. Regulations currently require operators to notify MMS of all serious accidents, including injuries, fatalities, blowouts, collisions, fires, and explosions.

◆ Accident Reports

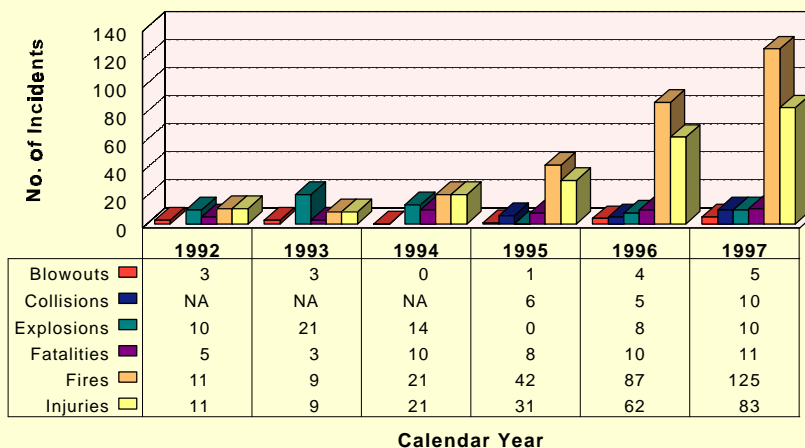
Fires and injuries account for a large percentage of incidents reported to MMS. (See graphs at right for specific counts). Equipment failure and human error were the major causes reported for many of these incidents. The majority of these incidents were small and did not result in significant property damage or lost time. The table on the next page briefly describes the fatalities and blowouts that occurred during 1996-97.

◆ Inspections & Incidents of Noncompliance

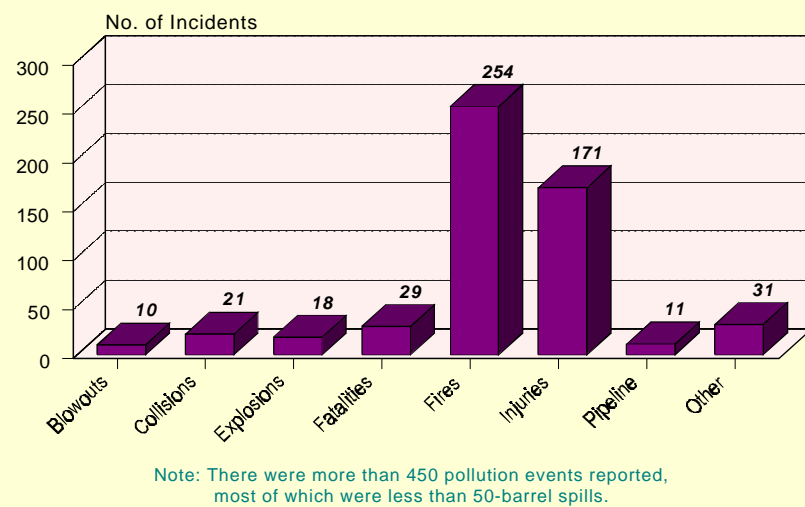
During FY96, MMS conducted a total of 11,480 safety inspections and issued 4,776 Incidents of Noncompliance (INC's). In FY97, MMS conducted a total of 11,723 and issued 5,925 INC's. See the table on page 11 for the type and number of inspections conducted each month during the fiscal year.

OCS Incidents Reported to MMS: 1992-97

[Table does not include pollution events.]



OCS Incidents Reported to MMS: 1995-97



Fatalities 1996-97

Date	No.	Company	Blk/Lease	Description
1996				
02/21/96	1	Coastal Oil & Gas	EC189/G8418	Scaffold board broke 40 feet above the well deck. One employee fell to his death.
03/04/96	1	Pennzoil Petroleum Co.	WC83/ G12756	Diver's air hose caught on something causing a leak at hose connection to helmet. Other divers couldn't free him.
04/30/96	1	NCX Co.	HI A270/G2724	Employee stepped through hole in grating and fell to boat landing, hit hand rail, and then fell into the Gulf waters.
06/04/96	1	Samedan	EC332/G12852	Driller was stricken and pinned to draw works by rotating elevator links.
09/24/96	1	Exxon Corp.	GI 19/G033	Floorhand was stricken by falling chicksan swivel joint that became disconnected.
11/28/96	3	PHI	HI A20/G06178	Helicopter crashed into platform during an emergency landing, killing the pilot and two passengers.
12/07/96	1	W&T Offshore	SS133/G04228	Welder's clothes caught fire from fire flash while he was cutting bolts on a flowline flange.
12/09/96	1	Shell Offshore	EI 331/G02116	Employee fell while replacing grating at the +12 level. Body was found 18 days later.
1997				
01/03/97	1	ORYX Energy Co.	HI A 385/G10311	Roughneck disappeared while installing ropes between handrail posts in open section around platform edge.
01/18/97	1	Mesa Petroleum Co.	VR348/G02271	Accumulator manifold valve was snagged while lifting lid off accumulator bottles. A release of fluid under pressure struck employee giving hand signals to crane operator. Employee was thrown across draw works roof into ladder handrail opening and fell 14 feet to drill floor.
01/20/97	1	Conoco	GI 47/00133	While installing a diverter, a floorhand tripped over a welding lead and fell 22 feet through an opening to the wellbay deck below.
03/11/97	1	Chevron USA	WD/23/G01331	Deckhand, not wearing safety belt nor flotation device, fell overboard while setting gangway from jack-up boat to compressor facility.
03/16/97	1	Burlington Resources Offshore	WC634/G15121	During heavy seas, deckhand was thrown onto deck of boat when a tie-down rope popped as the boat dropped into a trough.
04/07/97	1	CXY Energy Offshore	EI 257/G02103	Sandblasting and painting crew member slipped and fell overboard while helping to move scaffolding under cellar deck of platform.
05/21/97	1	Exxon Corp.	ST171/G01255	Roustabout presumed overboard and never found.
05/24/97	1	Texaco Exploration & Production	EI 338/G02118	Employee got finger caught in draw works that began turning without warning wrapping employee in the drill line.
09/17/97	1	Phillips Petroleum Co.	GB70/G09200	Floor hand was crushed when nylon strap holding ROV tag line broke dropping ROV on victim.
12/10/97	1	Newfield Exploration Co.	SS 145/G01014	During crane operation, a worker, trying to insert pallet hooks, fell from top deck about 67 feet into the water.
12/24/97	1	Sonat Exploration Co.	WC331/G03275	Employee was stricken by a rotating tubing extension on the blowdown valve assembly.
Blowouts 1996-97				
1996				
09/24/96	1	ORYX Energy Co.	EI380/G02327	Completion fluid flowing out top of workstring/tubing prevented crew from connecting top drive unit. Gas flowing from the workstring/tubing ignited. All 45 personnel were evacuated from rig without incident. Fire extinguished itself about 4 days later.
11/10/96	1	Norcen Explorer Inc.	VR216/G13885	Drilling break occurred causing pressure loss and gain in stroke rate. Well control operations were initiated. Later the drill pipe started rising, with the choke plugging. Well was shut in and kill operations were initiated. When drill fluid began flowing between casings, all personnel were safely evacuated with no injuries. Well flow ended the next day due to formation bridge.
11/27/96	1	Tana Oil & Gas Corp.	WD58/00146	Explosion occurred after opening SSSV and bleeding down the pressure. Open SSSV allowed continuous feeding of the fire. The platform was evacuated and 11 personnel were injured, 3 of which were hospitalized. The fire was extinguished by a fire boat the next day.
12/03/96	1	Amoco	EI224/G05540	Odor was noted while nipping-up a 3 foot riser. Fluid was burping beneath the base plate between the wellhead and the drive pipe. Spray hoses were directed at the wellhead. Rig was evacuated via survival craft. Flow continued until 12/06/96.
1997				
01/10/97	1	BHP Petroleum Inc.	ST299/ G14550	Shallow gas pocket encountered. Nonessential personnel evacuated. Opened diverter and pumped heavier mud into well.
03/04/97	1	Shell Offshore Inc.	ST295/ G05645	Flow at surface casing. Well was shut in and pumped with sea water then mud until well was dead.
04/01/97	1	American Exploration Co.	EC328/ G10638	Annular flow between casings. Platform shut in and all personnel evacuated. Gas flow from well ignited. Fire was extinguished 3 days later.
05/31/97	1	Houston Exploration Co.	EC83/G08641	Well began flowing during well-completion operations. Crew abandoned rig. Killed well by pumping CaCl ₂ water into it.
10/20/97	1	Freeport McMoran	MP299/ G09372	Well began flowing formation fluid when drill pipe was pulled. Well put on diverter and killed twice before being stabilized.

FY96 Inspections & Incidents of Noncompliance													
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total YTD
INSPECTIONS													
OCS drilling facilities	110	86	56	104	84	116	123	169	141	150	106	138	1,383
OCS production facilities	358	357	295	227	337	317	315	600	532	436	466	476	4,716
Pipeline	134	10	6	11	7	83	33	22	23	135	9	11	484
Measurement/Site Security	305	154	114	243	143	292	378	523	414	458	372	326	3,722
Workover/Completion	37	28	21	39	37	37	56	73	70	68	77	47	590
Abandonment	4	2	1	7	50	2	4	2	4	1	3	5	80
Environmental	46	35	21	29	27	38	61	97	56	48	40	25	505
INC's													
Citations (INC's*)	291	230	144	184	240	426	360	699	484	597	640	481	4,776
FY97 Inspection & Incidents of Noncompliance													
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Total YTD
INSPECTIONS													
OCS drilling facilities	112	116	108	75	84	107	171	140	132	133	156	135	1,469
OCS production facilities	463	362	265	163	146	295	433	390	443	474	460	636	4,530
Pipeline	1	9	1	1	5	9	8	7	12	375	371	462	1,261
Measurement/Site Security	7	230	133	153	188	226	369	375	499	343	337	400	3,260
Workover/Completion	238	53	42	19	16	39	46	65	44	45	67	57	731
Abandonment	4	3	5	4	4	2	6	2	4	7	5	15	61
Environmental	36	28	25	20	18	29	23	25	59	49	50	49	411
INC's													
Citations (INC's*)	313	433	396	226	284	376	610	562	759	657	733	576	5,925
*INC = Incidents of Noncompliance													

◆ **U.S. Coast Guard Inspections & Investigations**

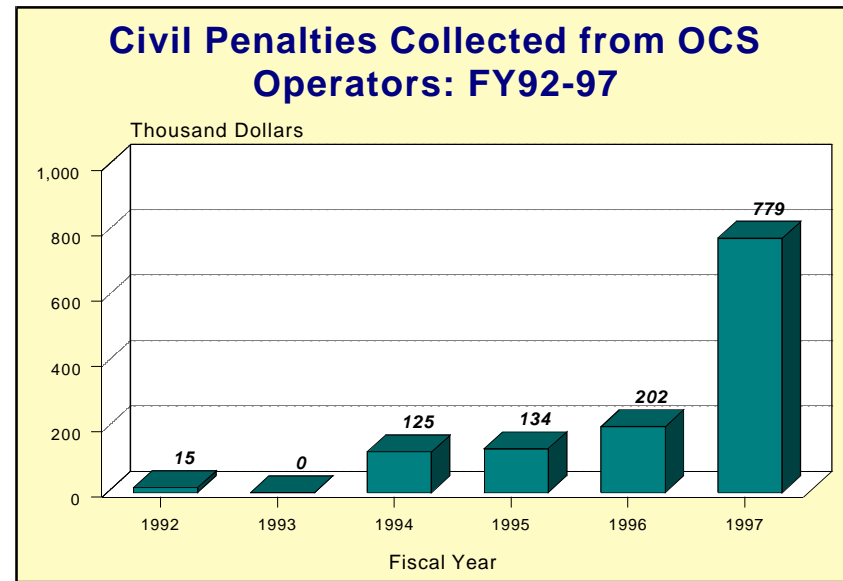
Sections 15(1) & 22(g) of the OCS Lands Act, as amended, require that the U.S. Coast Guard provide input for this annual report. The table at right provides the required data for FY96 and for FY97.

USCG Activity During FY96 & 97		
<i>[Pursuant to OCS Lands Act sections 15(1) and 22(g), as amended]</i>		
	FY96	FY97
Total OCS facilities	4,260	4,556
Total facilities inspected	*4,102	4,039
Total violation reports or allegations	8	2
Total corrective requirements issued	4,613	3,808
Total investigations or follow-up inspections conducted	8	99
Total violation reports forwarded in accord with 33 CFR 140.40	0	2
* Includes 707 inspections conducted by the Coast Guard and 3,395 self-inspections of fixed platforms within the 8th and 11th districts conducted by owners/operators in accord with 33 CFR 140.103. There were no OCS facilities operating in the 17th district during FY96. Source: U.S. Department of Transportation, USCG, Port & Facility Compliance Div.		

◆ Civil Penalties

The MMS OCS Civil Penalty Program helps to assure safe and pollution-free operations on the OCS by encouraging compliance with OCS statutes and regulations. Any violations involving injury to personnel, pollution, or by-passing of critical safety devices are reviewed for civil penalties. Passage of the Oil Pollution Act in 1990 and recent policy changes related to assessing civil penalties have resulted in a significant increase in fines collected over the past 6 years (see graph at right).

During FY96, MMS collected \$202,200 in civil penalties from violations of the OCS Lands Act. In FY97, collections more than tripled with a total of \$779,099. Pages 13-15 list those companies that were cited for safety violations and why.



OCS Civil Penalties Paid in FY96

Case No.		Violation		Penalty	
		Nature	Date(s) Cited	Amount	Date Paid
GOM-94-16	Shell Offshore Inc.	Well A-7 mud-pit-level indicator inoperative during well-completion operations.	12/08/93	\$1,200	10/11/95
GOM-94-21	Shell Offshore Inc.	No atmospheric gas detector in mud pit room.	05/06/94	\$9,000	11/22/95
GOM-94-23	Unocal Corporation	Isolation valves on sump tank's LSH were closed.	05/31/94	\$1,200	05/16/96
GOM-94-25	BT Operating Co.	Wells D-2 and D-12 SCSSV's bypassed and testing requirement exceeded.	04/19/94	\$4,200	08/09/96
GOM-94-27	Vastar Resources, Inc..	Shale shaker gas detection system and mechanical ventilation system alarm inoperative.	05/23/94	\$19,500	08/01/96
GOM-94-30	Scana Petroleum Resources	Three SCSSV's not closed during rig movement.	05/24/94	\$6,000	05/30/96
GOM-94-31	Pennzoil Petroleum Co.	SCSSV bypassed on Well A-2.	06/15/94	\$2,000	10/10/95
GOM-94-32	Conoco, Inc.	Gas detection system for mud pit room bypassed.	06/16/94	\$8,000	01/22/96
GOM-94-33	Conoco, Inc.	Pollution--LSH bypassed on flare gas scrubber.	06/09/94	\$6,000	02/02/96
GOM-94-35	Chevron USA Production	SCSSV for well C-2 manually bypassed (casing pressure exhaust header valve closed at surface).	07/01/94	\$2,000	02/27/96
GOM-94-37	Forcenergy Gas Exploration	No gas-detecting equipment in mud system to monitor drilling mud returns.	07/14/94-07/18/94	\$10,000	01/15/96
GOM-94-38	CXY Energy, Inc.	Wells C-3, C-6, C-9, and C-16 allowed to flow with leaking FSV.	06/21/94	\$12,000	10/27/95
GOM-94-39	Forcenergy Gas Exploration	Producing while SCSSV leaking.	09/14/94	\$15,000	10/26/95
GOM-94-41	Unocal Corporation	Due to inoperable sump system, 25 bbls spilled into GOM; no firewater system; facility unmanned—no daily inspection for pollution, site security on storage tank, and other unsafe operations.	09/02/94	\$14,300	01/31/96
GOM-95-01	Forcenergy Gas Exploration	LSH on sump tank and PSL on glycol pump bypassed.	10/20/94	\$3,000	12/04/95
GOM-95-02	Forcenergy Gas Exploration	PSHL bypassed on the fuel gas scrubber and generator fuel gas.	10/03/94	\$3,000	12/04/95
GOM-95-03	Pennzoil Petroleum Co.	LSH bypassed on sump tank.	07/09/94	\$800	01/17/96
GOM-95-04	Phillips Petroleum Co.	LSH on flare scrubber bypassed.	12/06/94	\$1,500	01/17/95
GOM-95-05	Phillips Petroleum Co.	Well G-1D SCSSV blocked out-of-service.	12/08/94	\$1,500	01/17/95
GOM-95-09	Texaco E&P	Wells 52 and 79—SSCSV not tested within 6-month interval; Well 99—SCSSV bypassed at hydraulic line.	02/01/95	\$18,000	03/20/96
GOM-95-10	Taylor Energy Company	Well B-12—SSCSV not pulled, inspected, and rerun at 12-month interval.	08/01/94-08/25/94	\$3,500	03/26/96
GOM-95-11	Aquila Energy Resource	Supply gas to sump pump closed off—resulted in 2 bbls pollution.	05/25/95	\$15,000	07/16/96
GOM-95-12	Chevron USA Production	During wireline operations, nonfusible mechanical opener held SSV open.	11/22/94	\$3,000	03/13/96
GOM-96-01	Santa Fe Energy Resource	Well A-7 SCSSV blocked out of service.	03/28/94	\$1,500	03/08/96
GOM-96-03	Elf Exploration, Inc.	Leaking SSV for well A-1 left in service for 5 days.	08/09/94-08/13/94	\$5,000	07/23/96
GOM-96-07	Apache Corporation	Gas compressor leaking oil, sump tank receiving excessive pressure, LSH on sump tank inoperative.	07/19/95	\$11,000	06/26/96
GOM-96-14	Aquila Energy Resource	LSH for supply gas scrubber bypassed and blocked out-of-service.	05/20/95-05/22/95	\$25,000	09/24/96
• Total Penalties Paid 10/01/95—09/30/96		27 cases		\$202,200	

OCS Civil Penalties Paid in FY97

Case No.	Violation		Penalty		
	Nature	Date(s) Cited	Amount	Date Paid	
GOM-94-22	Shell Offshore Inc.	Gas detector equipment not installed to monitor drilling mud returns.	05/12/94	\$2,000	10/09/96
GOM-94-24	Elf Exploration Inc.	Bottom isolation valve of compressor scrubber LSL closed; LSL would not detect low level; SSV and FSV leaks; well PSL blocked out of service at panel; pipeline and glycol pump incidents.	04/29/94-05/06/94	\$27,000	11/18/96
GOM-95-13	Louis Dreyfus Natural Gas	Well A-13 SCSSV blocked out of service; LSH on wet oil tank bypassed; PSHL & LSHL on FWKO bypassed; flotation cell's safety system bypassed at master panel; well A-12 SSV bypassed at control panel.	08/24/94-01/22/95	\$50,000	11/15/96
GOM-96-02	Walter Oil & Gas Corporation	Drilling rig operating with only 19 feet of safe airgap between rig barge and surface of water; 19-foot air gap unsafe for time of year of potentially rough seas and storms.	05/20/95-05/31/95	\$12,000	10/24/96
GOM-96-05	Vastar Resources Inc.	All surface safety devices in bypass while unloading well B-1.	08/29/95	\$25,000	07/25/97
GOM-96-06	Shell Offshore Inc.	Failure to take appropriate safety precautions resulted in accidental death.	08/12/95	\$16,000	10/04/96
GOM-96-09	Forcenergy Gas Exploration	Loose material not kept in storage area; no ESD at boat landing; unsafe and unworkmanlike operations—equipment not kept in safe condition (i.e., leaking flange and rusty grating).	08/13/95	\$9,000	10/11/96
GOM-96-10	Energy Resource Technology	Gas and fire detection systems not tested within required 3-month frequency; compressor PSV's set too high; vent scrubber pump PSL and compressor discharge PSL set too low.	11/27/95	\$9,000	01/29/97
GOM-96-13	Enron Oil & Gas Company	Crane leaking hydraulic fluid onto deck; pedestal covered with hydraulic fluid.	09/16/96-09/18/95	\$1,000	02/25/97
GOM-96-15	Pennzoil Exploration	SCSSV's for wells A-4B & A-12A not tested in place for proper operation and pressure holding when installed or reinstalled.	05/21/95	\$6,000	03/20/97
GOM-96-16	Enron Oil & Gas Company	No ESD on boat landing.	09/20/95-10/17/95	\$27,000	05/20/97
GOM-96-18	Hunt Oil Company	ESD system bypassed at SCSSV panel rendered SCSSV's for two wells inoperable.	09/07/95-09/08/95	\$12,000	10/03/96
GOM-96-19	Bois D'Arc Offshore LLC	No safety valve on rig Hercules 20 while running 16-inch conductor casing for well no. 6.	10/31/95	\$5,000	10/29/96
GOM-96-20	Apache Corporation	SCSSV's for well nos. 15A and 15B not tested in place for proper operation and pressure holding integrity at intervals not to exceed 6 months.	11/01/94-07/12/95	\$12,000	10/17/96
GOM-96-21	NCX Company Inc.	SCSSV's for well B-9 not tested in place for proper operation and pressure holding integrity when installed and prior to bringing the well on production.	08/28/95	\$3,000	11/27/96
GOM-96-22	Vastar Resources Inc.	SCSSV's for wells A-2 and A-5 not tested in place for proper operation and pressure holding integrity when installed or reinstalled and at intervals not exceeding 6 months.	08/08/95	\$6,000	01/20/97
GOM-96-23	Texaco Exploration & Production	SCSSV on well no. 179 bypassed by closing hydraulic control line.	11/30/95	\$24,000	12/13/96
GOM-96-25	Murphy Exploration & Production	Leaking SSV left in service.	01/20/96-01/22/96	\$9,000	12/10/96
GOM-96-27	OEDC Exploration & Production	SCSSV and tubing plug for well B-6D not tested on 6-month basis; tubing plug for well B-6 not tested on 6-month basis; PSH's for surface safety system not tested every 6 weeks.	05/31/93-12/30/94	\$63,500	08/08/97
GOM-96-28	Phillips Petroleum	Shale shaker gas detector found inoperable and not repaired until after INC issued.	04/30/96-05/29/96	\$50,000	08/25/97
GOM-96-29	SOCO Offshore Inc.	Unsafe and unworkmanlike operations; ESD and gas detection system inoperable at time of inspection.	02/08/95	\$24,000	04/15/97
GOM-96-30	Chevron USA Inc.	PSH and PSL not installed on sour oil stripper tower and amine reboiler heater.	10/17/95	\$8,000	11/07/96
GOM-96-31	Newfield Exploration	Water skimmer LSH blocked out-of-service.	05/12/95	\$15,000	12/11/96

OCS Civil Penalties Paid in FY97 (continued)

Case No.	Company Name	Violation		Penalty	
		Nature	Date(s) Cited	Amount	Date Paid
GOM-96-32	Pogo Producing Company	ESD bypassed at SCSSV panel so SCSSV's for 3 wells wouldn't close if ESD activated; PSHL, fire and gas panel bypassed.	06/27/96	\$15,000	01/28/97
GOM-96-34	Shell Offshore Inc.	SCSSV for two wells blocked out-of-service.	04/29/94—05/06/94	\$10,000	02/04/97
GOM-96-35	Shell Offshore Inc.	Unsafe trap door on pig launcher (missing bolts).	08/24/94—01/22/95	\$8,000	09/30/97
GOM-96-36	Statoil Exploration US Inc.	Heater treater firebox flange leaking hydrocarbons onto deck creating fire and slip hazard; glycol reboiler flange leaking. Unit operates at 325 degrees; SCSSV's for wells bypassed at well control panel; chemical firefighting system inoperable; all nitrogen bottles closed with many not charged or filled properly.	05/20/95—05/31/95	\$58,000	07/31/97
GOM-96-38	Shell Offshore Inc.	Pig trap bypass line leaked at two locations; 60-month period for testing SCSSV's exceeded for both wells.	08/29/95	\$13,000	01/15/97
GOM-96-39	CNG Producing Company	FWKO, LSL, and PSHL, two sump tank LSH's, water treater LSHL, wet oil tank LSL, and electro treater PSHL bypassed at relay panels.	08/12/95	\$26,000	04/15/97
GOM-96-40	Sonat Exploration Company	Atmospheric gas detectors in mud pit room inoperable during a 7-day period.	08/13/95	\$35,000	05/19/97
GOM-96-44	Stone Petroleum Corporation	Bypassed SSV and SCSSV on two wells; bypassed SDV on test separator.	11/27/95	\$22,000	08/04/97
GOM-96-45	Energy Resource Technology	PSH, PSL, LSH, LSL-oil, LSL-water bypassed on freewater knockout LSH; LSL-oil bypassed on oil storage tank; PSH, PSL, LSH bypassed on test separator; LSH, LSL-oil bypassed on oil sump tank; PSH, PSL, LSH, LSL-oil bypassed on IP separator; well JA-2 SCSSV not tested within required timeframe.	03/19/96	\$27,000	05/27/97
GOM-96-46	Energy Resource Technology	LSH and LSL oil on the oil sump tank and LSL on water sump tank bypassed.	06/22/96	\$8,000	05/27/97
GOM-96-47	Vastar Resources Inc.	SSV capped out-of-service with heat sensitive lock open device on SSV actuator.	08/04/96-08/06/96	\$15,000	05/08/97
GOM-96-48	Equitable Resources EN	Mud-logging unit not manned and purge system manually turned off during drilling operations.	09/18/96	\$20,000	06/05/97
GOM-97-01	Seagull Energy Corporation	Gas detectors in mud pit room inoperable because covered with plastic; mud pit room doors tied open compromising negative pressure maintenance.	11/08/96	\$6,000	04/25/97
GOM-97-02	Seneca Resources Corporation	SCSSV blocked out-of-service at wellhead and SSV blocked out-of-service with fusible cap.	06/11/96-06/12/96	\$20,000	08/07/97
GOM-97-04	Stone Petroleum Corporation	Relays for two well SSV's and three boarding pipeline SDV's pinned out-of-service.	10/23/96-10/24/96	\$25,000	07/01/97
GOM-97-09	Zilkha Energy Company	Safety device inspections/tests not conducted on two SCSSV's, nine PSV's, two PSH's, and six PSL's on various vessels and pumps.	11/08/96	\$35,599	05/27/97
GOM-97-20	American Exploration Company	LSH bypassed on sump tank causing pollution; PSL bypassed on LACT pump; SDV bypassed on pipeline.	03/08/97	\$20,000	08/15/97
• Total Penalties Paid 10/01/96—09/30/97		40 cases		\$779,099	

Offshore Mineral Revenue Collection & Disbursement

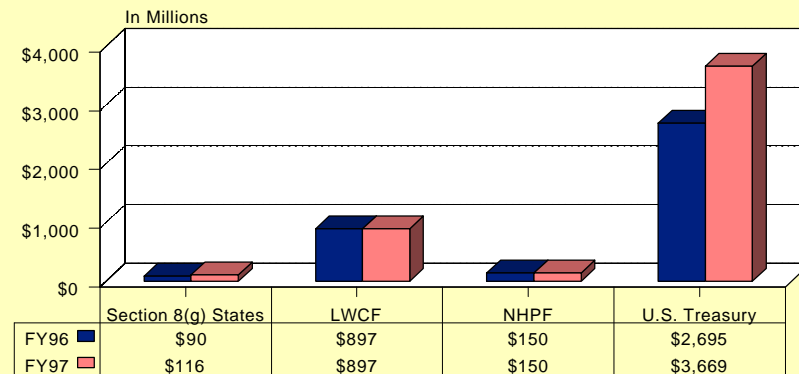
The Associate Director for Royalty Management, with respect to the Offshore Program, is responsible for

- ✓ collecting certain rents, royalties, and other payments;
- ✓ receiving sales and production reports;
- ✓ determining royalty liability;
- ✓ maintaining accounting records;
- ✓ auditing royalty payments and obligations; and
- ✓ carrying out all other functions relating to royalty management of Federal and Indian oil and gas leases.

Revenue disbursements from Offshore leases for FY96 and FY97 are shown in the two graphs at right. Royalty, rent, and bonus revenues from Federal offshore mineral leases on the OCS are disbursed to the Land & Water Conservation Fund (LWCF), the National Historic Preservation Fund (NHPF), selected coastal States (Section 8(g)), and the General Fund of the Treasury. Comparison of FY97 disbursements to FY96 shows offshore mineral leasing provided about 28 percent more to the Section 8g States and about 36 percent more to the U.S. Treasury General Fund:

- ✓ \$897 million to the LWCF each fiscal year,
- ✓ \$150 million to the NHPF each fiscal year,
- ✓ \$116 million to seven States, compared to \$90 million in FY96, and
- ✓ \$3,669 million to the U.S. Treasury, compared to \$2,695 million in FY96.

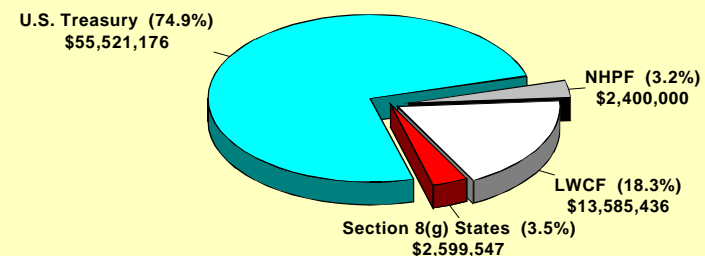
Offshore Federal Mineral Revenues Disbursed in FY96 & FY97



LWCF = Land & Water Conservation Fund
 NHPF = National Historic Preservation Fund
 Source: *Statistical Highlights Fiscal Year 1997, Royalty Management Program.*

Offshore Federal Mineral Revenues Cumulative Disbursement: FY 1982-97

[In thousands of dollars]



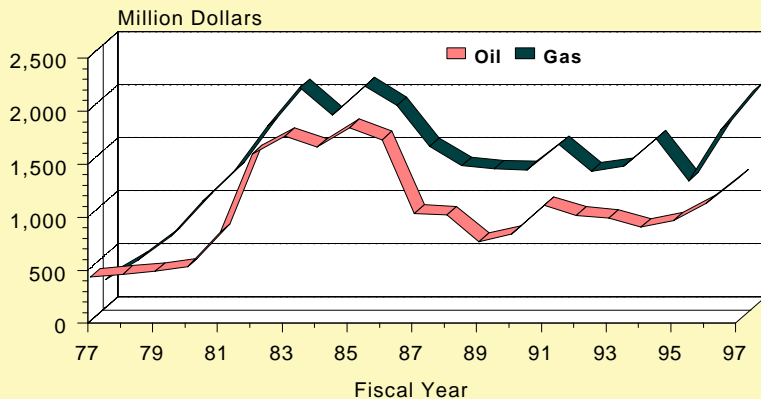
LWCF = Land & Water Conservation Fund
 NHPF = National Historic Preservation Fund
 Source: *Statistical Highlights Fiscal Year 1997, Royalty Management Program, p. 1.*

🔥 Revenue from Royalties

Royalties are due when production begins and by law are payable on the last day of each month. Royalties on oil, gas, and OCS sulfur are paid at a rate specified in the lease, unless the Secretary, pursuant to the provision of the applicable mineral leasing laws, reduces, or in the case of OCS leases, reduces or eliminates, the royalty rate or net profit share set forth in the lease. Some leases specify *minimum royalty payments*. These are annual payments, on a per-acre basis, required to maintain the rights to a lease until production exceeds a minimum value. Once annual production exceeds the minimum value, minimum royalty payments cease. The Federal Government collected royalties from OCS leases totaling \$3.5 billion in FY97 and \$2.9 billion in FY96:

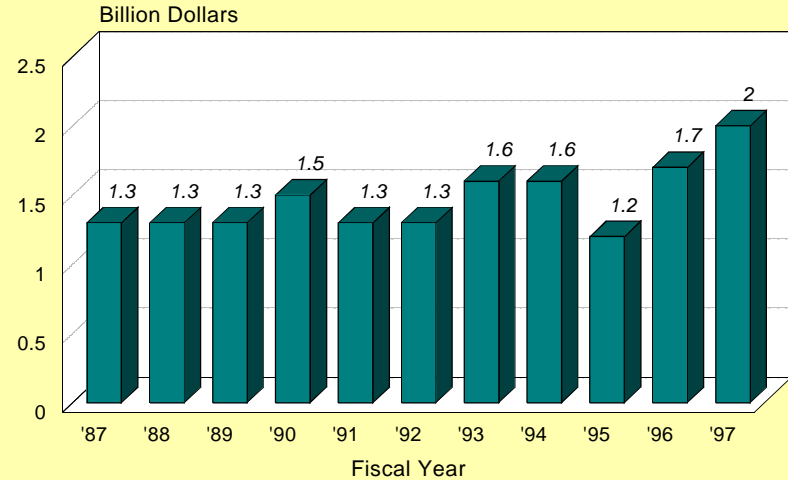
- ✓ \$2.05 billion in gas royalties (\$1.7 billion in FY96)
- ✓ \$1.35 billion in oil royalties (\$1.1 billion in FY96), and
- ✓ \$96.88 million (\$73.88 million in FY96) in other royalties.

OCS Production Royalties: 1977-97

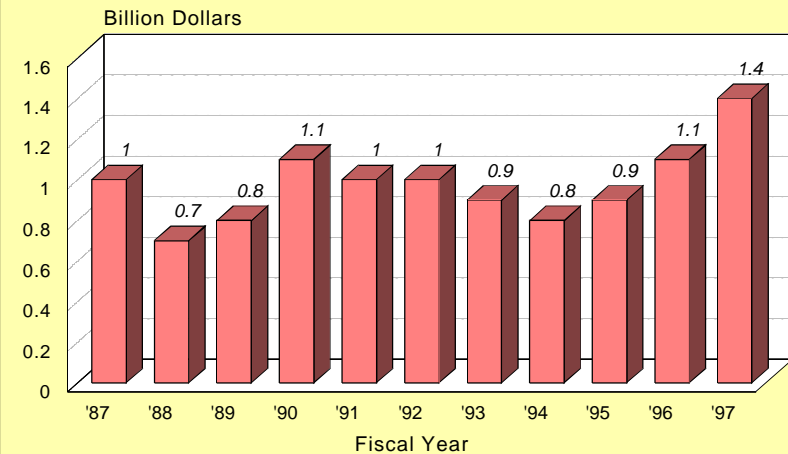


Source: Data for '95, '96, and '97 from *Statistical Highlights, Royalty Management Program*.

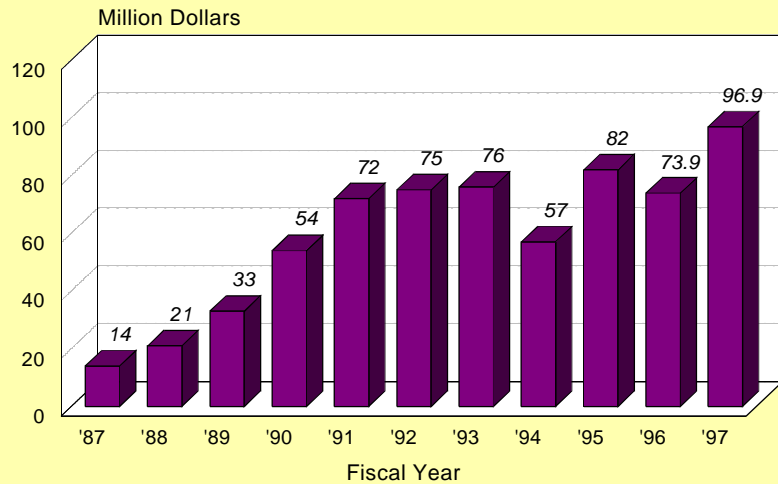
Gas Royalties from OCS Leases: 1987-97



Oil Royalties from OCS Leases: 1987-97

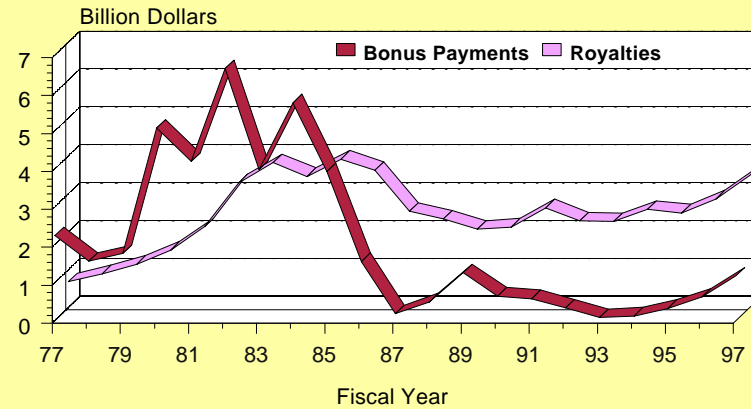


Other Royalties from OCS Leases: 1987-97



Royalties vs. Bonus Payments: 1977-97

[FY97 rent totaled \$140,980,011; FY96 totaled \$90,936,963]



Source: Data for '95, '96, and '97 from *Statistical Highlights*, Royalty Management Program.

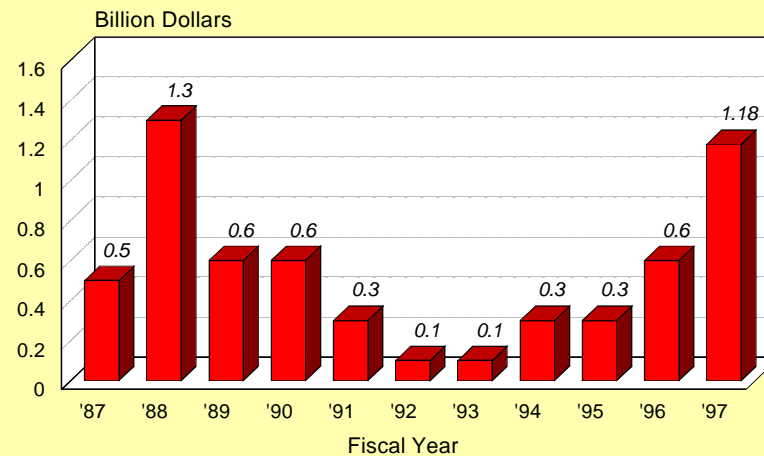
Revenue from Rents

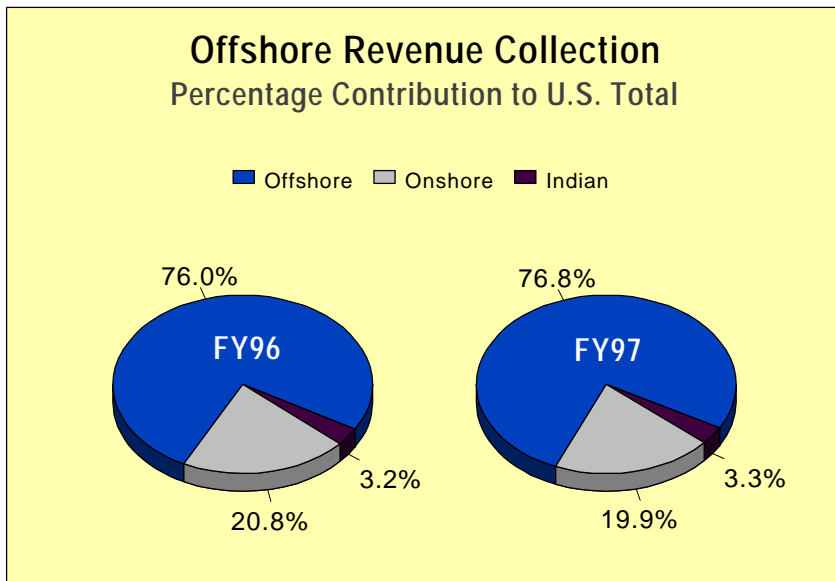
A fixed dollar amount per acre paid as annual rent is required to preserve the rights to a lease. A rent schedule is established at the time a lease is issued. In FY96, the Federal Government collected \$90.94 million in revenue from rents. In FY97, revenue from rent collections increased to \$141 million.

Revenue from Bonuses

Areas known to contain minerals are leased through a competitive bidding process. The cash amount successfully bid to win the rights to a lease is called a bonus. In FY96, the Federal Government collected \$621.8 million in revenue generated from bonuses. In FY97, bonus collections totaled \$1,179.1 million.

Bonuses Paid on Lease Sales of OCS Oil & Gas Tracts: 1987-97



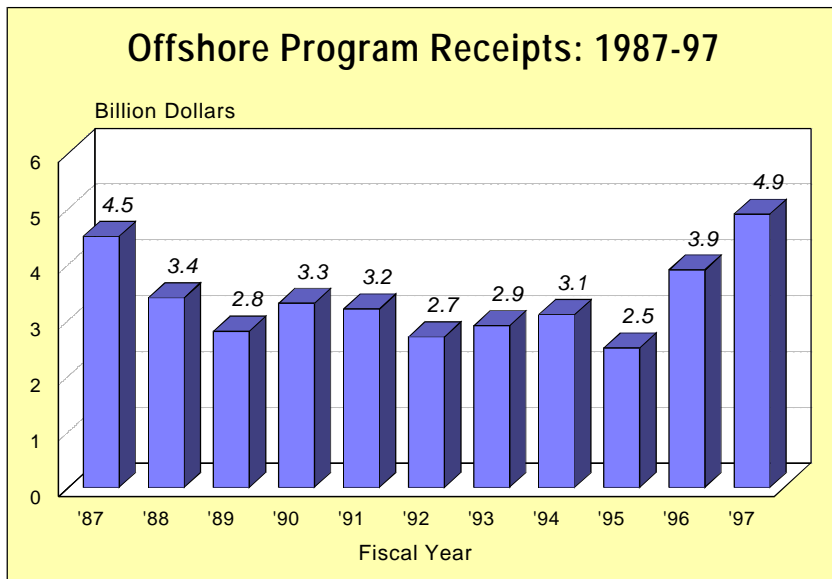


🔥 Offshore Program Receipts & Disbursements

The table (top right) shows an overall increase in FY97 Offshore Program receipts compared to FY96 totals. In FY96, Offshore Program receipts totaled \$3,916,256,269; in FY97 the total was \$4,929,107,765. Offshore Program disbursements also increased in FY97 from FY96 (see table at right). The chart on the next page shows Offshore Program Receipts in billions of dollars for the past 11 fiscal years.

Offshore Program Receipts		
Offshore		
	FY96	FY97
Bonuses and Rents (Acct. No.141820)*	\$698,685,476	\$1,270,364,440
Royalties (Acct. No. 142020)*	\$3,086,401,466	\$3,491,278,800
Interest on Escrow Release (Acct. No.141493)	\$1,360,567	\$5,523,788
Total	\$3,786,447,509	\$4,767,167,028
*Revenue totals in accounts 141820 and 142020 were later reduced by transfers of \$896,905,734 in FY96 and \$896,979,200 in FY97 to the Land & Water Conservation Fund and \$150,000,000 to the Historic Preservation Fund in FY96 and FY97.		
Escrow and Other Receipts (Acct. Nos. 14X6704, 14X6705, 14X6707)		
Bonuses (Oil & Gas)	\$6,867,495	\$7,362,789
Rents	\$581,786	\$4,291,506
Royalties	\$36,921,345	\$39,477,943
Interest	\$39,938,134	\$45,808,499
Settlements	\$45,500,000	\$65,000,000
Total	\$129,808,760	\$161,940,737

Offshore Program Disbursements [Escrow Accounts]		
OCS Sections 8(g) & 7 (partial distribution)		
	FY96	FY97
Federal Share	\$119,965,026	\$138,246,422
State Share	\$89,870,626	\$116,132,238
Total	\$209,835,652	\$254,378,660
Beaufort Sea Section 7 (cumulative undistributed amount)		
Bonuses	\$431,262,543	\$439,790,597
Rents Total Obligations	\$2,666,435	\$2,884,746
Interest Realized	\$989,560,709	\$1,066,166,648
Total	\$1,423,489,687	\$1,508,841,991



International Activities & Marine Minerals

🔥 MMS Sand & Gravel Program

The Office of International Activities and Marine Minerals (INTERMAR) provides policy direction and guidance for developing hard mineral (non-oil and natural gas) OCS resources. Currently, MMS's program focuses on managing exploration and development activities for OCS sand, gravel, and shell resources. Sand is needed to support shoreline protection and coastal wetlands restoration projects. There is also a growing demand for sand, gravel, and shell resources for construction and road base materials.

In the 103rd Congress, a "sand-and-gravel" amendment was added to the OCS Lands Act (PL 103-426). The new law authorizes a negotiation process (in lieu of competitive bidding) when OCS sand, gravel, and shell resources are needed for certain public works uses, including shore protection, beach restoration, and coastal wetlands protection. This amendment helps coastal States by providing a noncompetitive mechanism for obtaining Federal sand, gravel, and shell resources for public works projects.

The MMS has active cooperative projects with 11 States along the Atlantic and Gulf coasts identifying suitable sand, gravel, and shell deposits and evaluating their extraction feasibility.

This partnership approach relies on State Geological Surveys and other agencies to identify their needs and propose suitable offshore areas for study; all projects include co-funding or in-kind contributions from States. Support is encouraged from other Federal agencies, academia, and the public to leverage funding and expertise.

The MMS's program has a strong environmental component to assure that OCS mineral development is conducted in a safe and environmentally sound manner. The MMS uses its scientific, technical, and contracting expertise to conduct environmental studies to provide information for effective and safe management of OCS dredging operations.

In FY96, two projects using Federal sand for beach nourishment were completed. The MMS provided Jacksonville in Duval County, Florida, 1.2 million cubic yards of sand to restore approximately 7.5 miles of beach. The U.S. Navy renourished 3 miles of beach at their Fleet Combat Training Center at Dam Neck, Virginia, using 972,000 cubic yards of sand from nearby Sandbridge shoal.

Also, in FY96, in anticipation of future requests for Federal sand from several east coast States, the MMS initiated site-specific biological/physical environmental studies off the coasts of New Jersey, Delaware, Maryland, and North Carolina. The areas under study were identified as potential sand borrow sites by their respective State/Federal partnership projects.

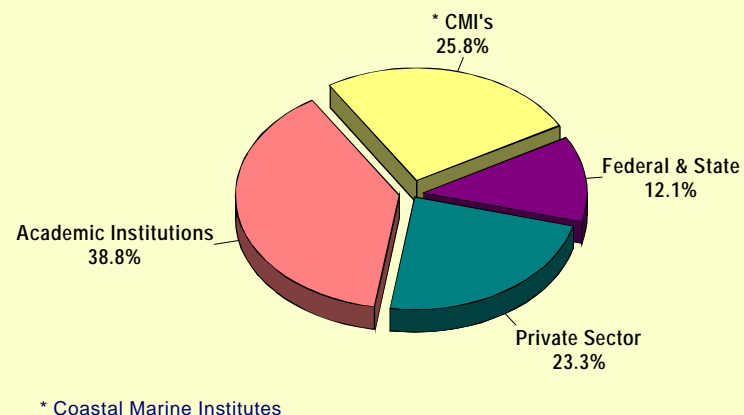
During FY97, requests to use Federal sand were received from the City of Virginia Beach, Virginia, to use 1.5 million cubic yards of sand from Sandbridge Shoal to restore 5 miles of Sandbridge Beach. An environmental assessment was initiated and completed in November 1997; a negotiated agreement was signed in 1998, and the project was completed in June 1998. In addition, the MMS began coordinating with the U.S. Army Corps of Engineers' Baltimore District on an agreement that would allow the Corps and the National Park Service to use 1.8 million cubic yards of sand from Great Gull Bank, offshore Maryland, to restore 5.5 miles of coastline on Assateague Island.

Environmental Studies Program Activities

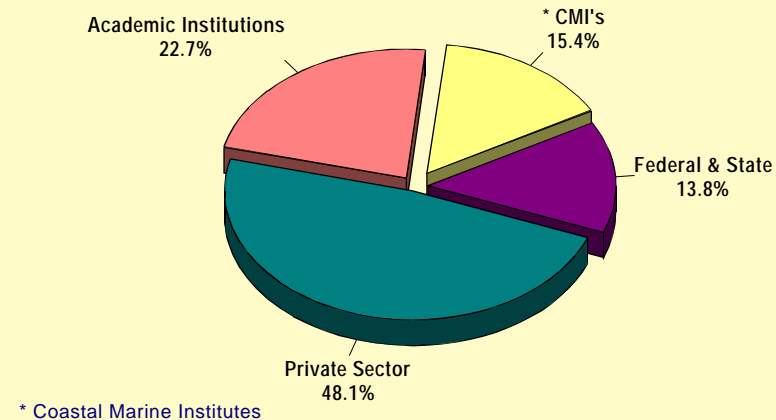
The MMS Environmental Studies Program (ESP) conducts environmental and socioeconomic studies to provide scientific information for management decisions on offshore oil and natural gas and marine mineral activities. The Program awarded \$12.8 million in FY96 and \$13.5 million in FY97 to researchers in the Federal, State, Private, and Academia sectors. See charts at right for percentages awarded.

The ESP is one tool that MMS uses to involve the public in the OCS Program. States, local governments, communities, and other

Environmental Studies Program FY96 Expenditures
By Sector Performing Research



Environmental Studies Program FY97 Expenditures
By Sector Performing Research

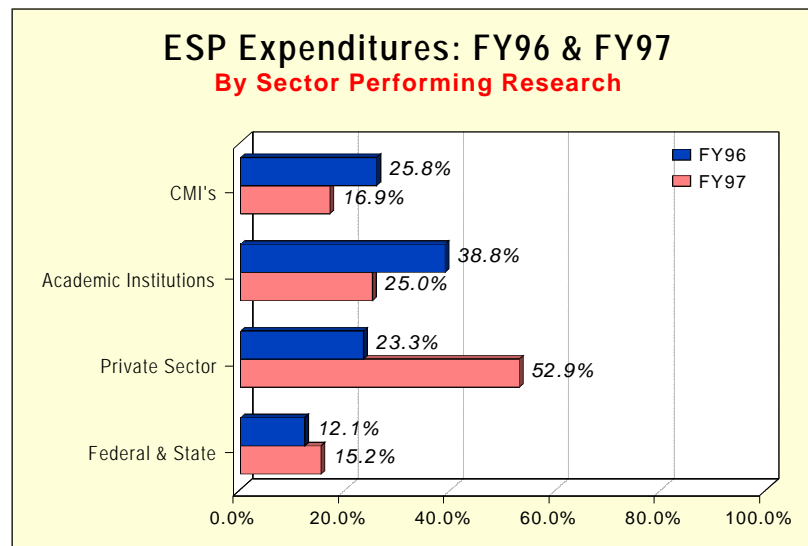


Federal agencies are brought into the process to identify OCS information concerns that can be addressed by conducting studies.

Through ESP's research, MMS established a large base of environmental information. With the creation of an ESP Information System (ESPIS), the results of over \$600 million worth of research are now available to MMS decisionmakers and analysts through the Department of the Interior network and to stakeholders and other constituents through the Internet. During FY96, full text documents for these studies became accessible through the worldwide web at <http://www.mmspub.mms.gov/espis>.

Stakeholder participation is emphasized through the Coastal Marine Institutes (CMI) at the Louisiana State University, University of California at Santa Barbara, and the University of Alaska at Fairbanks. More than 69 projects have been initiated to date in Louisiana, Alaska, and California. A major goal of the CMI Program is to have research done by local scientists in those States most likely to be affected by OCS activities. A second major goal is to create an MMS-State partnership to cooperatively address OCS issues and concerns of mutual interest and share costs equally. Through the CMI partnership, MMS enhances the training and research of university scientists and their students and fosters development of scientific expertise on OCS issues.

The MMS has several other cooperative agreements ongoing with State institutions. Physical oceanographic research is conducted in the Gulf of Mexico by Florida State University, Texas A&M University, and Louisiana State University. Scripps Institution of Oceanography is conducting physical oceanographic research in the Santa Barbara Channel area off southern California. Additionally, the University of West Florida, the University of Texas, and the State of Alaska are conducting various socioeconomic studies. The MMS also has several cooperative projects underway with the National Oceanic & Atmospheric Administration, the U.S. Fish & Wildlife Service, the National



Biological Service, the U.S. Geological Survey, and the Office of Naval Research.

Recommendations to Congress

Section 15(1)(D) of the OCS Lands Act, as amended [43 U.S.C. 1343(1)(d)], requires that the Secretary of the Interior submit to the President of the Senate and the Speaker of the House of Representatives as part of the *Annual Report on the OCS Oil & Natural Gas Leasing & Production Program* any recommendations for improving management, safety, and the amount of production from leasing and operations in the OCS, and for resolving any jurisdictional conflicts or ambiguities that may exist.

The Department of the Interior has no recommendations at this time on these matters.

Selected Definitions

Area.—A geographic region at least as large as the defined limits of an oil and/or gas field in which oil and/or gas lease products have similar quality, economic, and legal characteristics.

Bonuses.—The cash amount successfully bid (in a competitive bidding process) to win the rights to a lease.

Condensate.—Liquid hydrocarbons (normally exceeding 40 degrees of API gravity) recovered at the surface without resorting to processing. A mixture of hydrocarbons that results from condensation of petroleum hydrocarbons existing initially in a gaseous phase in an underground reservoir.

Field.—A geographic region situated over one or more subsurface oil and gas reservoirs encompassing at least the outermost boundaries of all oil and gas accumulations known to be within those reservoirs vertically projected to the land surface. The OCS fields are named and their boundaries are designated by MMS. Onshore fields are usually given names and their official boundaries are often designated by oil and gas regulatory agencies in the respective States in which the fields are located.

Lease.—Any contract, profit-share arrangement, joint venture, or other agreement issued or approved by the United States under a mineral leasing law that authorizes exploration for, development or extraction of, or removal of lease products—or the land area covered by that authorization, whichever is required by the context.

LWCF.—The Land and Water Conservation Fund, administered by the National Park Service, provides revenues for the Federal Government and State and local governments to purchase parks and recreation areas and to plan, acquire, and develop land and

water resources for recreational use. Offshore mineral leasing provides about 70–90 percent of LWCF revenues.

Minimum royalty.—The minimum amount of annual royalty that the lessee must pay as specified in the lease or in applicable leasing regulations.

NHPF.—The National Historic Preservation Fund, administered by the National Park Service, provides revenues for matching grants-in-aid to States and local governments and funds the National Trust for Historic Preservation. Offshore mineral leasing provides 100 percent of NHPF revenues.

Outer Continental Shelf.—All submerged lands lying seaward and outside of the area of lands beneath navigable waters as defined in section 2 of the Submerged Lands Act (43 U.S.C. 1301) and of which the subsoil and seabed belong to the United States and are subject to its jurisdiction and control.

Rents.—Annual payment is normally a fixed dollar amount per acre, required to preserve the rights to a lease. A rent schedule is established at the time a lease is issued.

Royalty.—A stated share or percentage of the value of the mineral produced. A royalty may be an established minimum, a step scale, or a sliding scale. A step-scale royalty rate increases by steps as the average production on the lease increases. A sliding-scale royalty rate is based on average production and applies to all production from the lease.

Sales volume.—The volume of a commodity reported sold during the year.

Section 8(g) disbursements.—Revenues generated from the leasing of lands within 3 miles of the seaward boundary of a coastal State that contains one or more oil and gas pools or fields underlying both the OCS and lands subject to the jurisdiction of the State.

