

# ***Managing Federal Royalty Revenue -- Changes for the Future***



**COQG**

***May 30, 2002***

# **MMS Organization**

- **Admin and Budget**
- **Offshore Minerals Management**
- **Policy and Management Improvement**
- **Minerals Revenue Management**

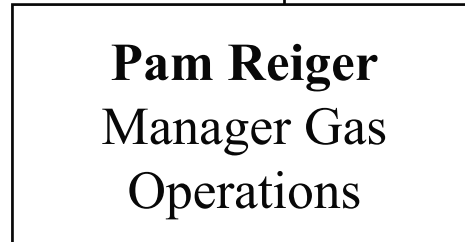
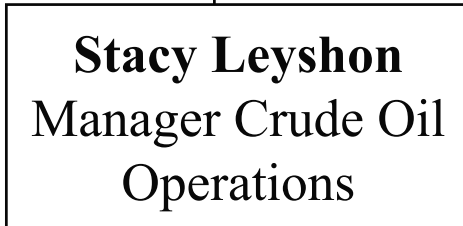
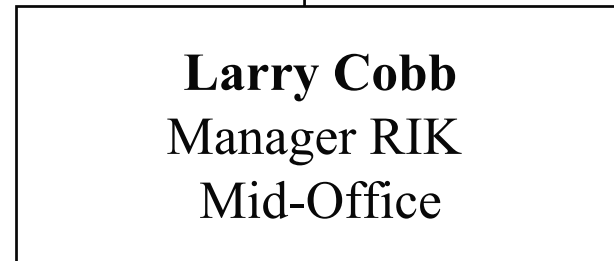
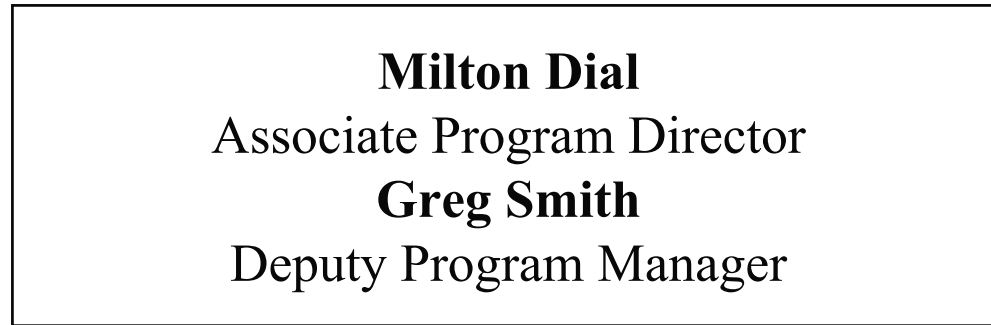
# **MRM Collections**

- **MRM collected and distributed approx. \$10 billion dollars in royalties, rents, bonuses, etc. in 2000**
- **Oil royalties approx. \$2.4 billion**
- **Gas royalties approx. \$5.4 billion**

# ***MRM Initiatives***

- **Reengineering and RIK**
  - **RIK and RIV identified in MMS's Reengineering Initiative as its future asset management options**
  - **Reengineering Initiative focused primarily on the RIV option**
    - **Reduce compliance business cycle time**
    - **Provide revenue recipients with early access to their money**
  - **Reengineering implementation provides basic process and systems infrastructure and property focus needed to support RIK and RIV**

# ***MRM Royalty in Kind Office***



# ***RIK – It's About Options***

- **Federal and Indian mineral leases provide access for development -- 80,000 leases currently under MMS administration; approx. 26,000 producing leases**
- **Leases include production royalty payment terms**
- **Oil and gas lease terms create asset options**
  - **Royalty in value (RIV) option -- cash**
  - **Royalty in kind (RIK) option -- production**
- **Same option not available for other mineral leases**

# **Factors Important to RIK Approaches**

- **Unique Position in Gulf of Mexico Unmatched by any Producer**
  - **Commercially attractive volumes**
  - **Positioned across entire Gulf**
- **Price Transparency**
- **Access to Markets**
- **Optionality in Processing**
- **Optionality in Transportation**

# **MRM's Current RIK Program -- Overview for FY 2001**

- **Crude Oil**
  - 34,800,000 barrels of oil sold
  - \$757,600,000 realized from sale
- **Natural Gas**
  - 115,900,000 MMbtu of gas sold
  - \$543,000,000 realized from sale
- **Federal oil and gas leases currently committed to RIK alternative: 1100**

# Current RIK Oil Operations

- **Gulf of Mexico Oil: 114,000 bbls/day currently -- 60,000 barrels/day for SPR and 44,000 for Small Refiner Program (45% of GOM royalty position)**
- **Pacific Oil: 9,000 bbls/day for Small Refiner Program (73% of Pacific royalty position)**
- **Wyoming Oil - 4,000 barrels/day beginning April 2002 (40% of Federal oil royalties in Wyoming) Wyoming State**

# Elements of the SPR Transfer

- **Gulf of Mexico Outer Continental Shelf royalty oil to be used to accomplish fill of Strategic Petroleum Reserve**
- **Approximately 120 million OCS royalty barrels to be delivered by DOI to DOE for SPR fill**
- **Transfer of OCS royalty oil to be completed in about 3 years**
- **DOI to manage supply side logistics to market centers**
- **DOE to manage oil supply/exchanges beyond market centers**

# Upcoming Oil RIK Sales

- **GOM Small Refiner Oil OCS Sale Planned for June 2002 with October 2002 Deliveries: 50,000 bbls/day**
- **GOM SPR Oil OCS Sale Planned for July 2002 with October 2002 Deliveries: Additional 40,000 bbls/day to raise fill rate to 100,000 bbls/day**
- **GOM SPR Oil OCS Sale Planned for January 2003 with April 2003 Deliveries: Raise fill rate to 130,000 bbls/day**
- **MRM taking 80% of oil royalty position in GOM in kind by April 2003**

# **Upcoming RIK Oil Sales (Con't)**

- **Pacific Oil OCS Sale Planned for October 2002 with January 2003 Deliveries**
- **Wyoming Oil Sale Planned for June 2002 with October 2002 Deliveries**

# **Current RIK Gas Operations**

- **Gulf of Mexico Gas**
  - **345 million/day total**
  - **31 million/day Texas 8G**
  - **15 percent of OCS royalty share**

# **Minerals Management Service**

***For more information see our website  
[www.mms.gov](http://www.mms.gov)***