

# MMS Update

Presented to the  
American Association  
of Petroleum Landmen



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Regional Director  
Gulf of Mexico Region  
Minerals Management Service  
January 20, 2010

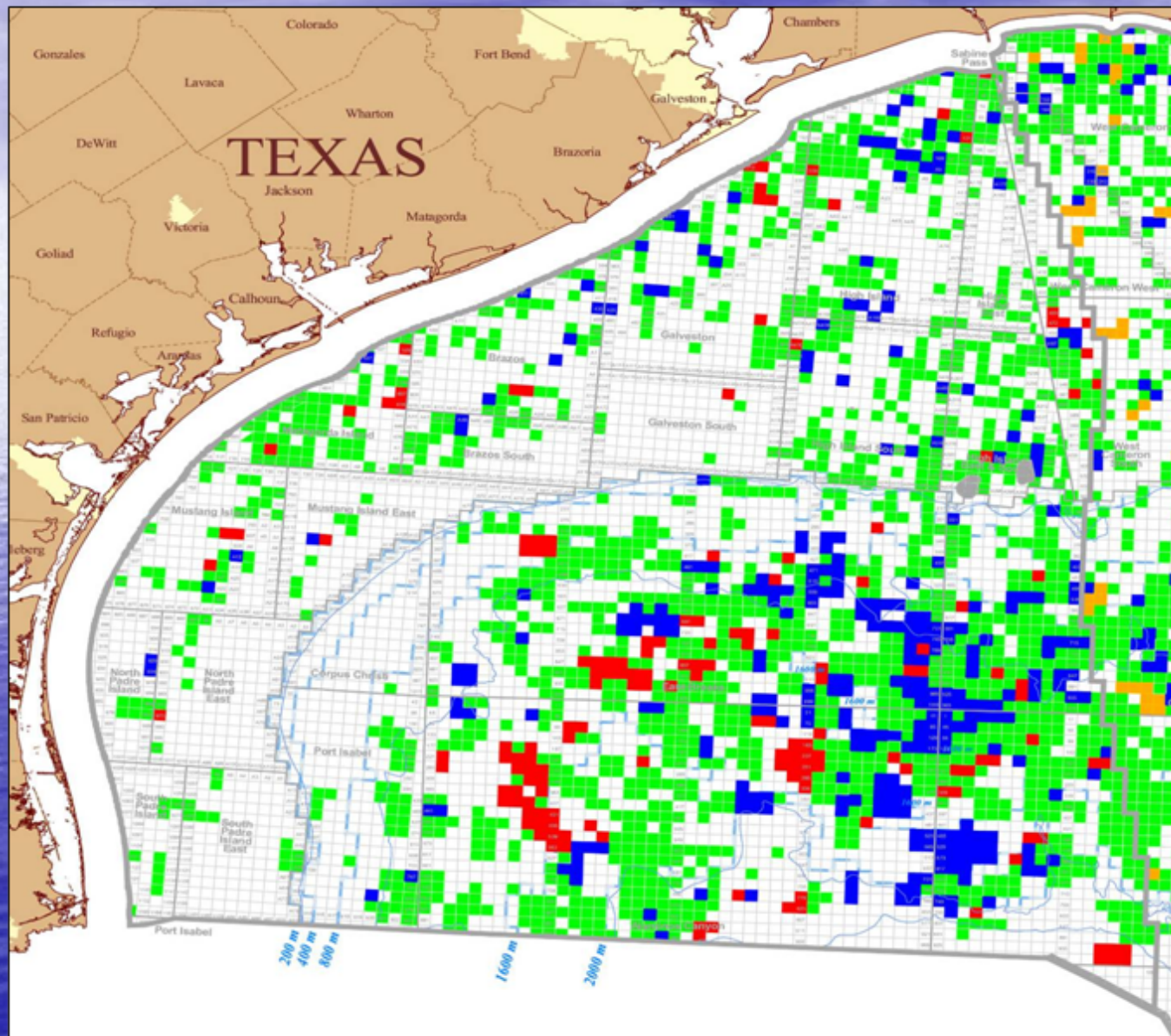
# Discussion Topics

- OCS Activities
- Current 5 year Lease Program
- PNOS 213
- Draft Proposed 5 Year Program
- Atlantic Seismic Permitting
- Safety and Compliance
- Regulations and NTLs
- Idle Iron
- Inspection Fees

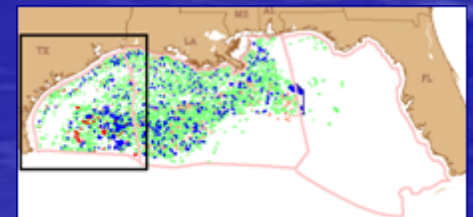
# Leasing Activity



# Current Western GOM Active Leases

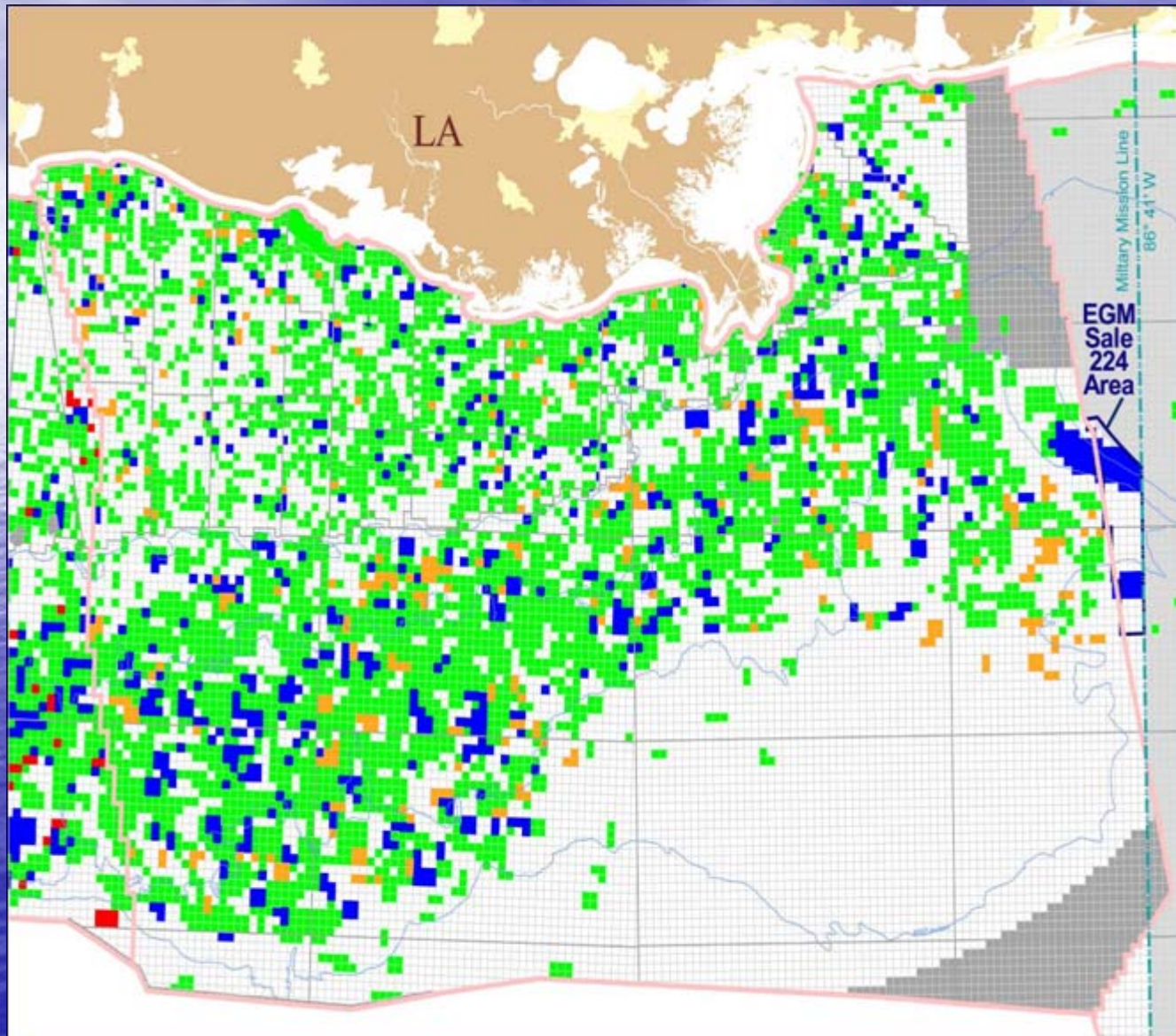


-  Bids received in WPA Sale 210
-  Leased in CPA Sale 208
-  Leased in 2008
-  Leased before 2008

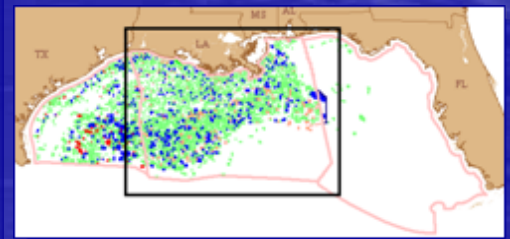




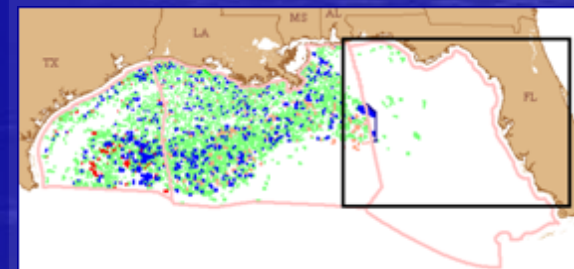
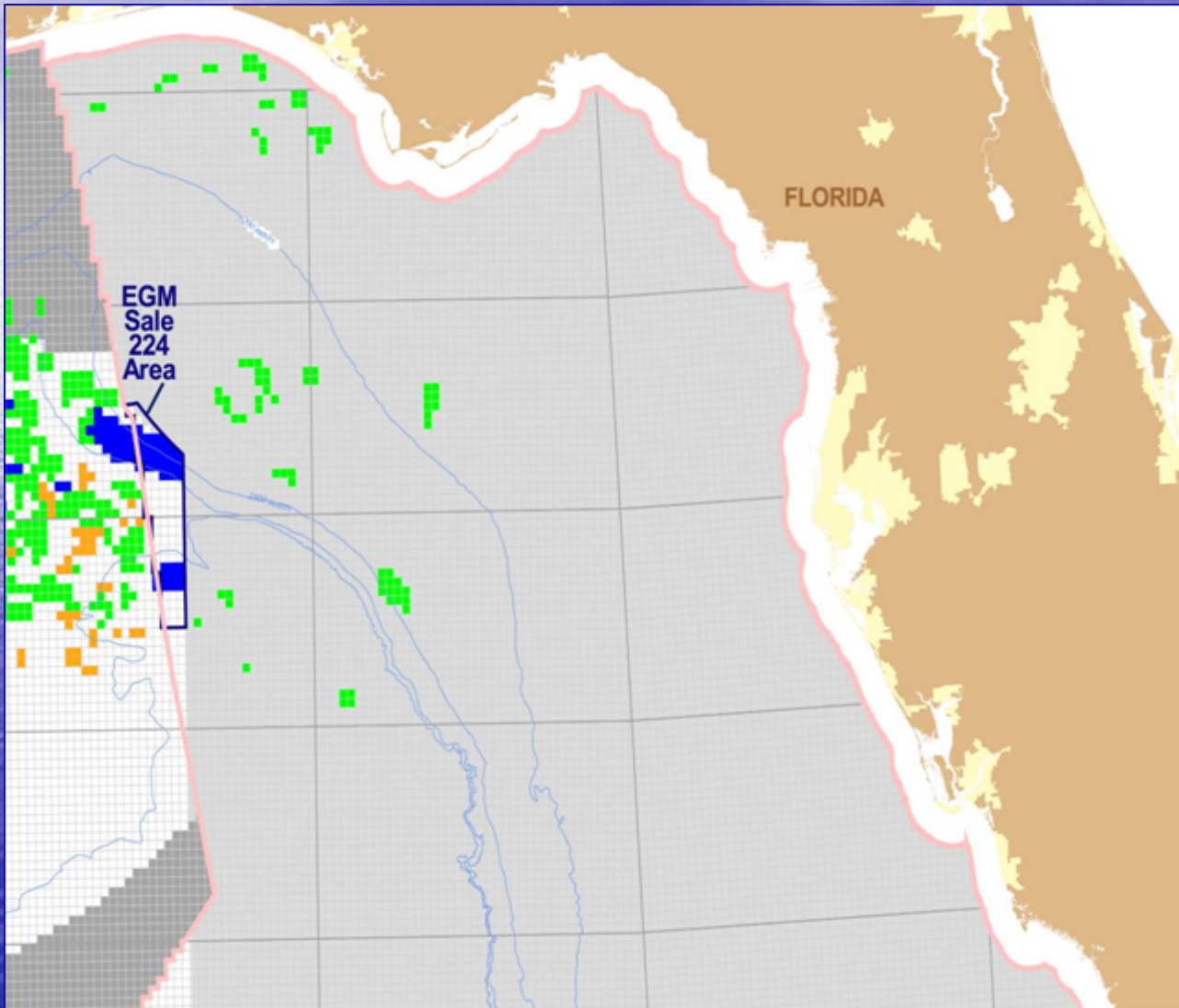
# Current Central GOM Active Leases



-  Bids received in WPA Sale 210 August 19, 2009
-  Leased in CPA Sale 208 March 2009
-  Leased in 2008 (CPA Sale 206, WPA Sale 207, and EPA Sale 224)
-  Leased before 2008
-  Blocks under Moratoria
-  Blocks Deferred
-  EPA Sale 224 Area



# Current Eastern GOM Active Leases



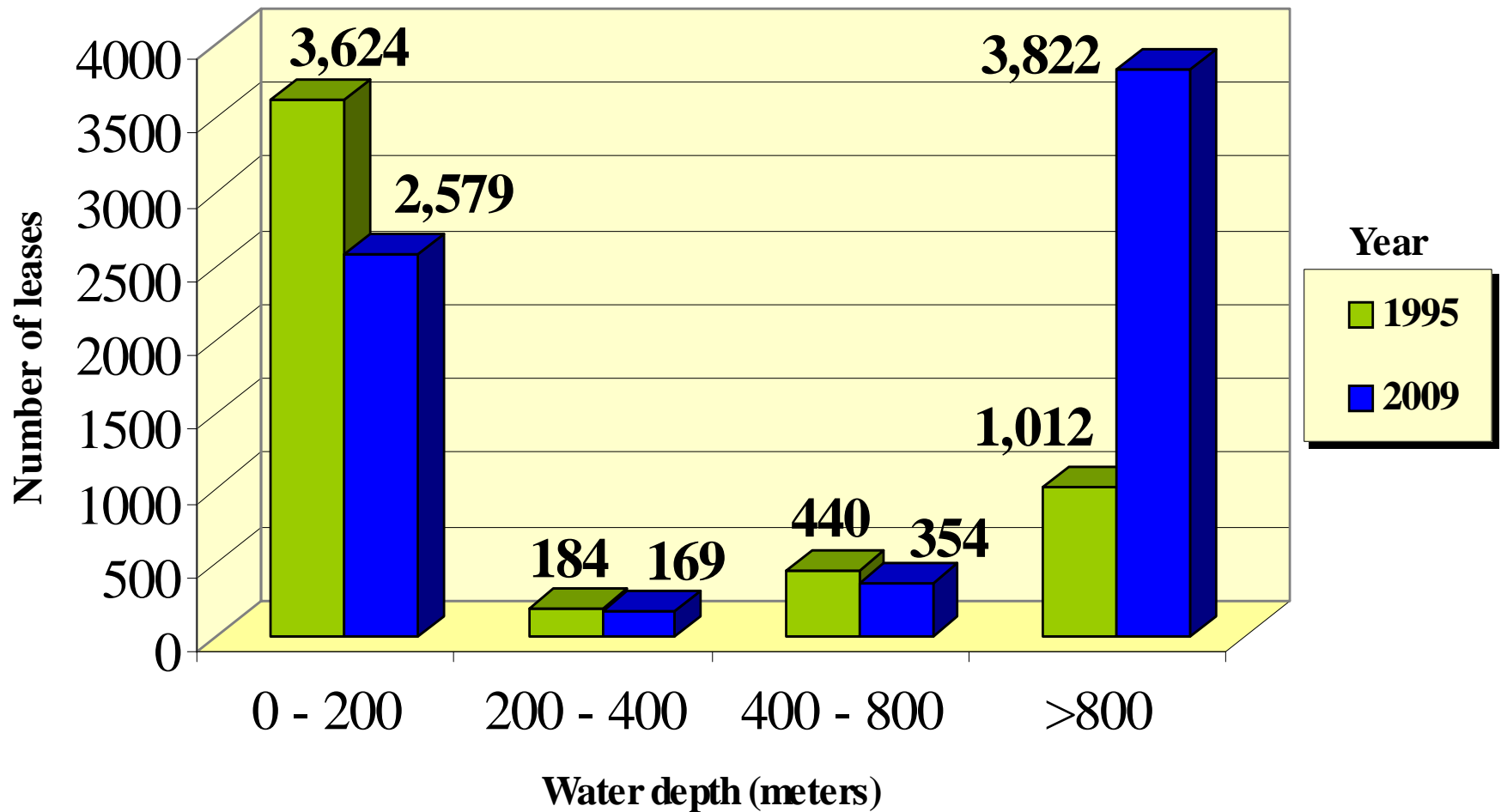


## Update on August 2009 Western GOM Sale 210

- **162** Blocks Bid On with High Bids Totaling: **\$115,466,321**
- **155** Leases Accepted with High Bids Totaling: **\$111,385,124**
- **7** Leases Rejected High Bids Totaling: **\$ 4,081,197**

# Expanded Deepwater Leasing in the Gulf

## Number of Leases by Water Depth

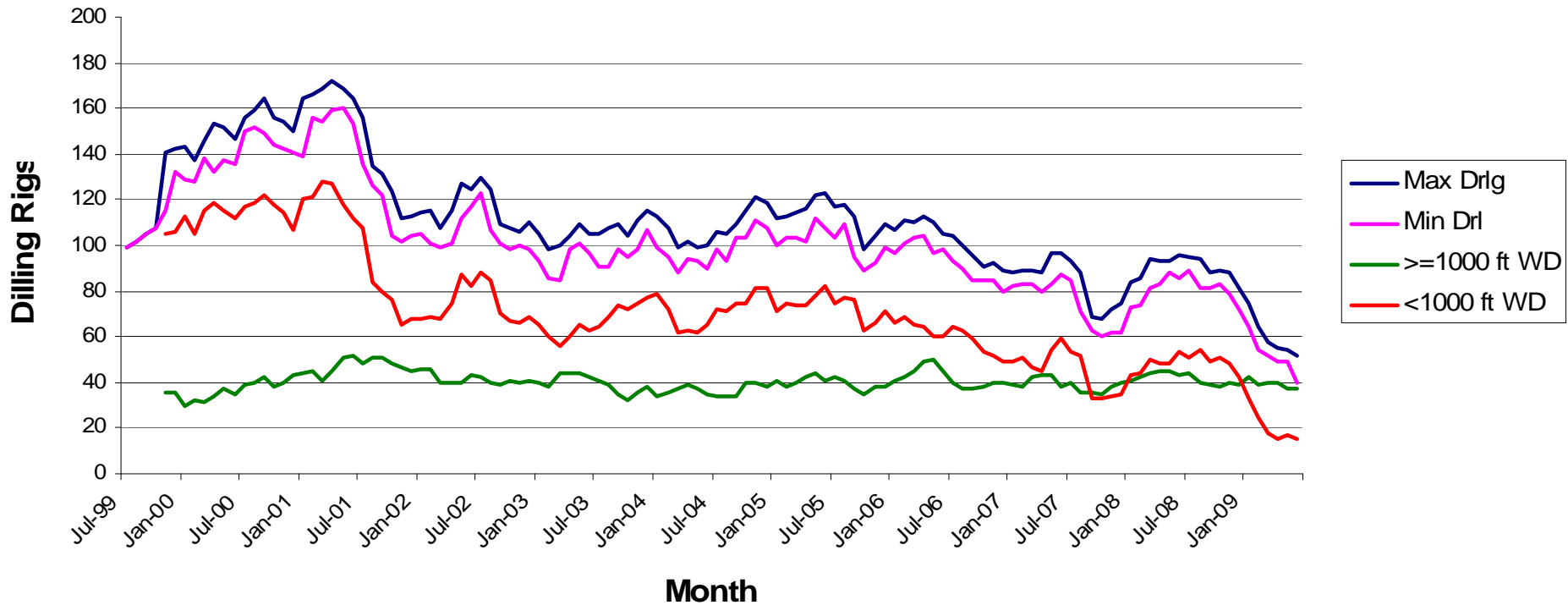




# Exploration and Development Activity

# Drilling Activity

## Drilling Gulf of Mexico OCS Region



# Gulf of Mexico Rig Activity 2009 versus 2008 Rig Count

- **43 Total Rigs Drilling**  
(65 a year ago)
- **83 Total Rigs Working**  
(104 a year ago)
- **43 Rigs Drilling in Water Depths > 1000 Feet**  
(39 a year ago)
- **41 Rigs Drilling in Water Depths > 1500 Feet**  
(38 a year ago)
- **15 Rigs Drilling in Water Depths > 5000 Feet**  
(14 a year ago)



# Gulf of Mexico OCS

## Announced Deepwater Discoveries 2009

<b>Area and Block</b>	<b>Prospect Name</b>	<b>Operator</b>	<b>Water Depth (Ft)</b>
Keathley Canyon 872	Buckskin	Chevron	6,920
Mississippi Canyon 519	Santa Cruz	Noble Energy	6,515
Walker Ridge 52	Shenandoah	Anadarko	5,750
Green Canyon 859	Heidelberg	Anadarko	5,000
Keathley Canyon 102	Tiber	BP	4,132
Mississippi Canyon 984	Vito	Shell	4,038
Green Canyon 490	Wide Berth	Mariner	3,700
Green Canyon 432	Samurai	Anadarko	3,400
Garden Banks 605	Winter	Newfield	3,400
Garden Banks 463	Bushwood I	Mariner	2,700
Garden Banks 293	Pyrenees	Newfield	2,100
Ewing Banks 998	NA	Walter Oil & Gas	1,315

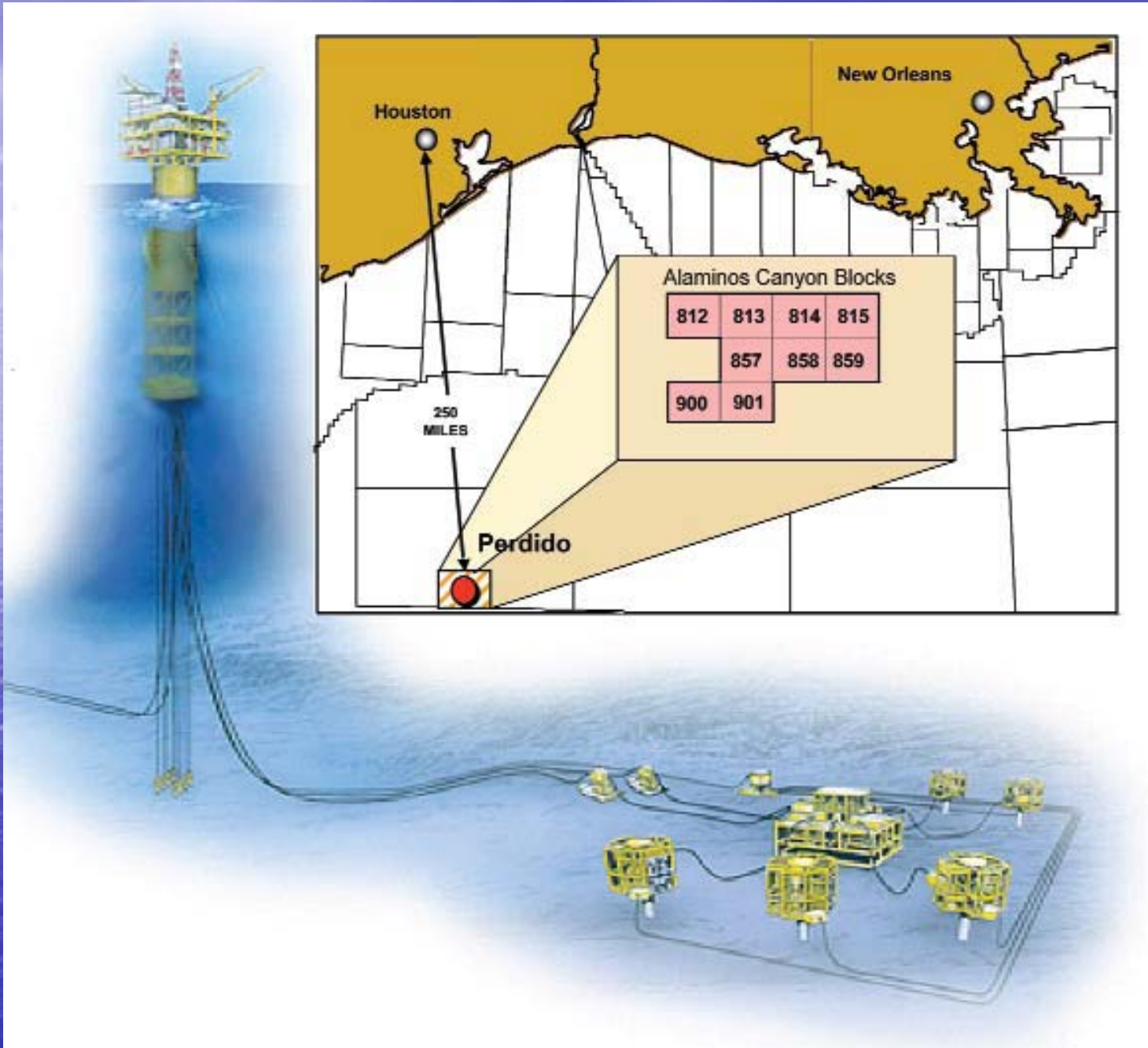
# Gulf of Mexico Deepwater Production Starts 2009 - 2011

Project or Facility	Area Block	Operator	Facility Type	Water Depth	First Production	Gas (MMcfpd)	Oil (MBopd)
Shenzi	GC653	BHP Billiton	Mini-TLP	4,300	Mar. 2009	50	100
Tahiti	GC641	Chevron	SPAR	4,000	May 2009	70	125
Thunder Hawk	MC736	Murphy	Semi-sub	5,724	July 2009	70	45
Perdido	AC857	Shell	SPAR	7,835	1 <sup>st</sup> Quarter 2010	200	100
ATP Titan	MC941	ATP	Mini-TLP	4,000	1 <sup>st</sup> Half 2010	50	25
Phoenix	GC237	Helix Energy	FPU (Ship) Producer I	2,820	1st Half 2010	72	45
Cascade Chinook	WR249	Petrobras	FPSO BW Pioneer	8,530	2 <sup>nd</sup> Half 2010	16	80
Droshky	GC244	Marathon	Subsea-GC065	2,950	Late 2010	70	40
Caesar /Tonga	GC683/726	Anadarko	Subsea-GC680	4,565	Early 2011	30	40
					<b>Total</b>	<b>628</b>	<b>600</b>



# Update on Some Specific Development Projects





Houston

New Orleans

Alaminos Canyon Blocks

812	813	814	815
	857	858	859
900	901		

250  
MILES

Perdido





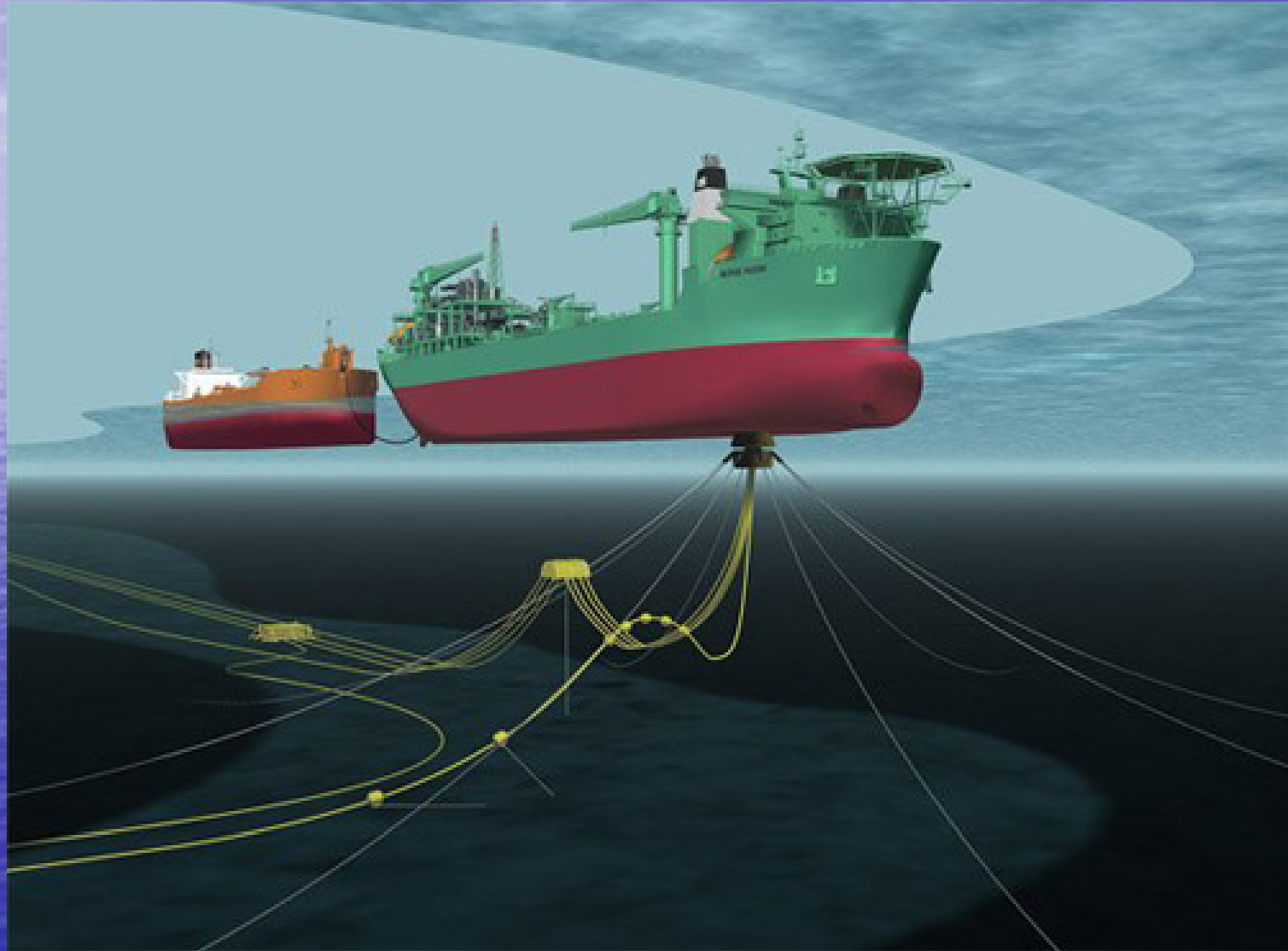
03/17/2009

**Perdido  
Regional  
Host**

**Design Throughput : 100,000 BOPD  
200,000 MMSCFD**

# Cascade-Chinook

Floating Production Storage Offloading (FPSO) Facility





# Cascade –Chinook FPSO- BW Pioneer





# Production



OCS Report  
MMS 2009-012

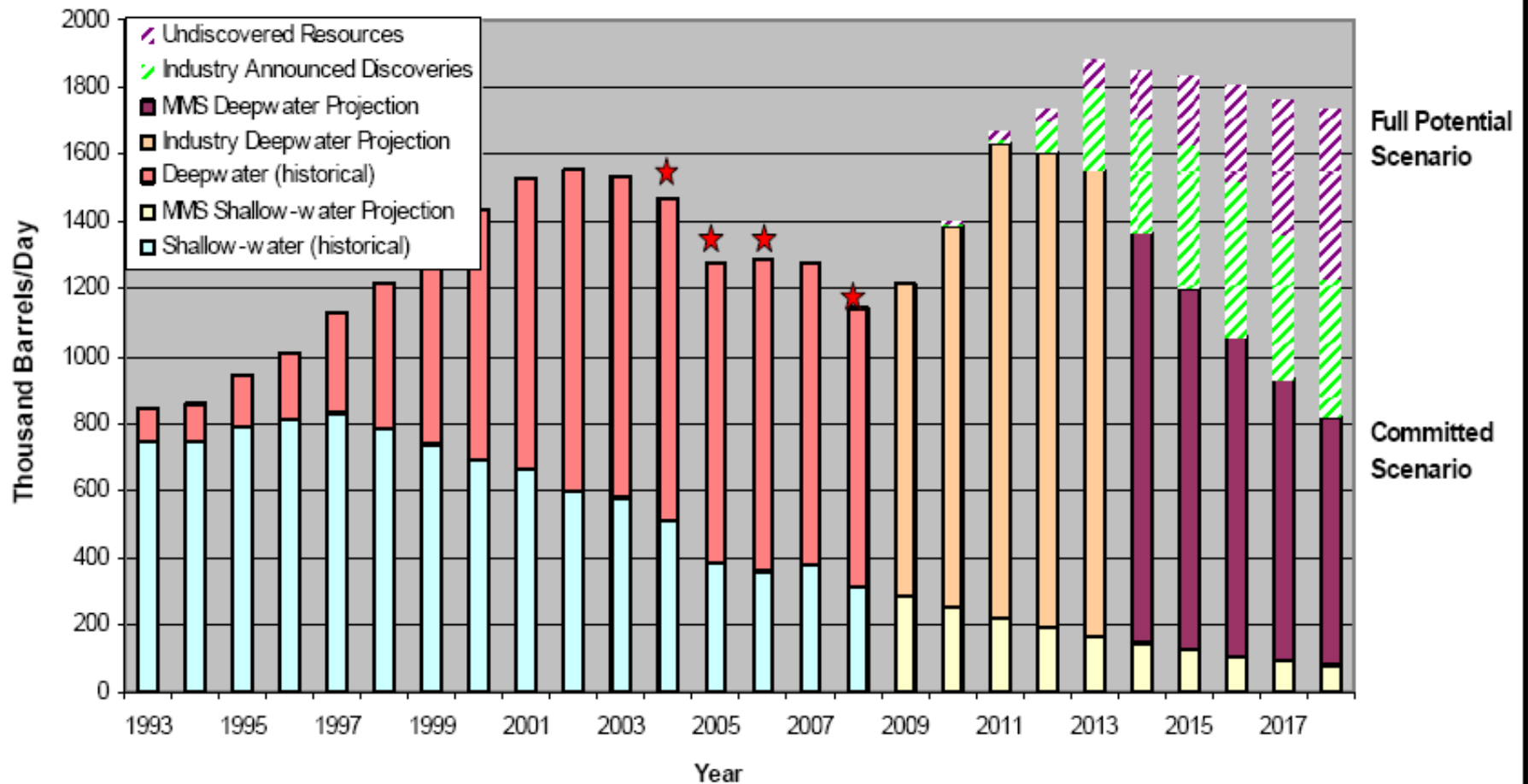
# Gulf of Mexico Oil and Gas Production Forecast: 2009-2018



**MMS** U. S. Department of the Interior  
Minerals Management Service  
Gulf of Mexico OCS Region

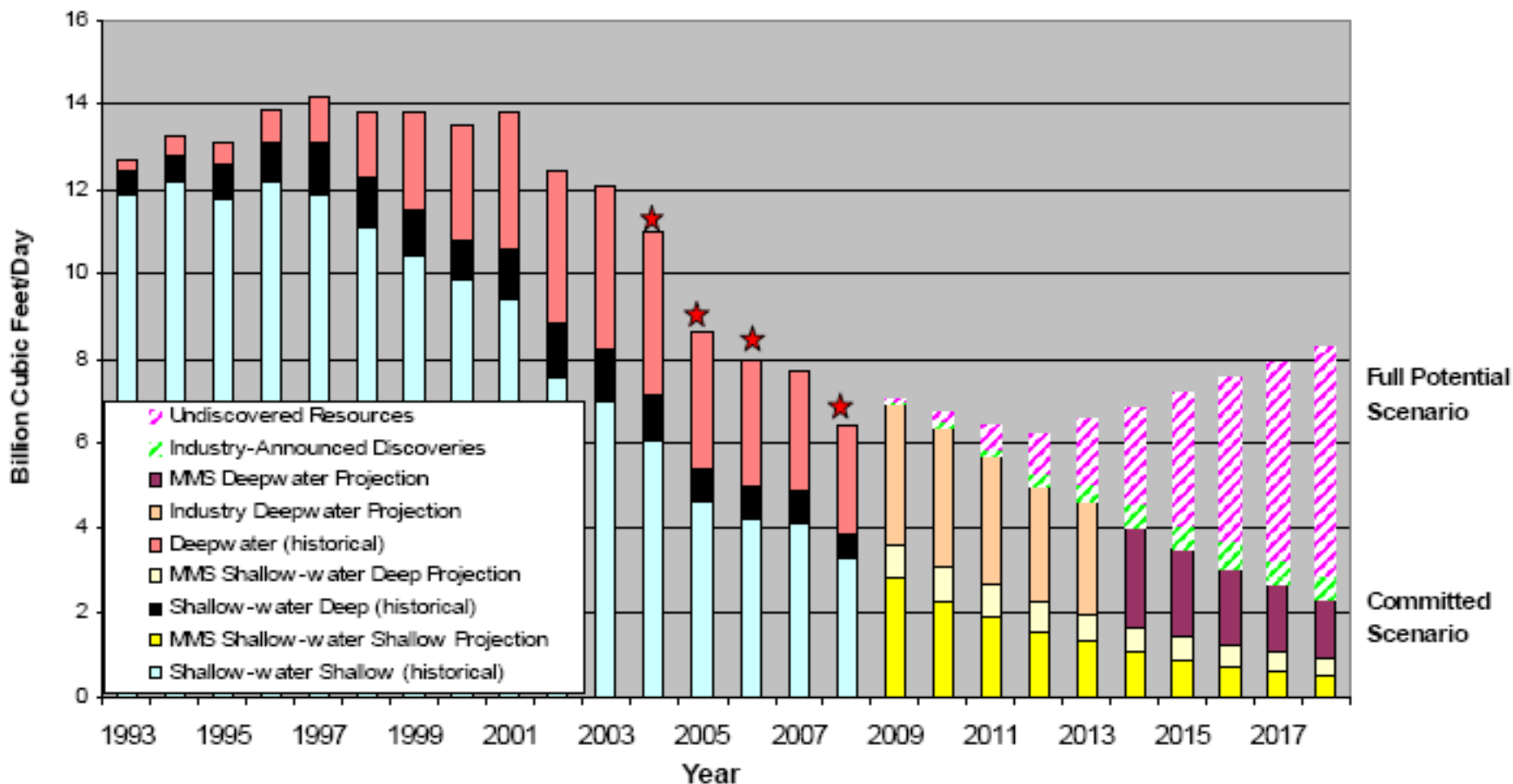


# Oil Production Forecast 2009-2018



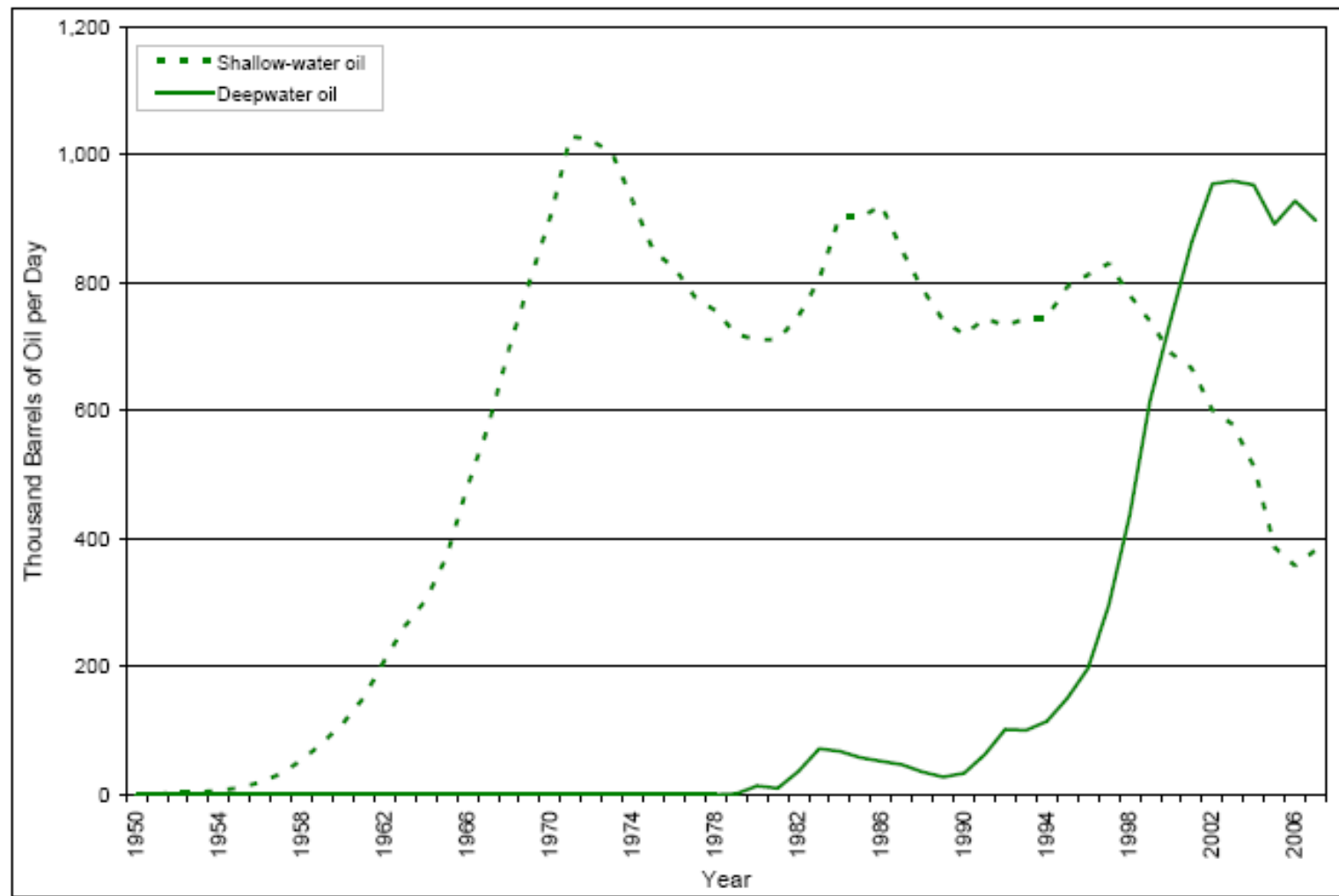
★ Indicates years with known anomalous data due to hurricane affected shut-in

# Natural Gas Production Forecast 2009-2018



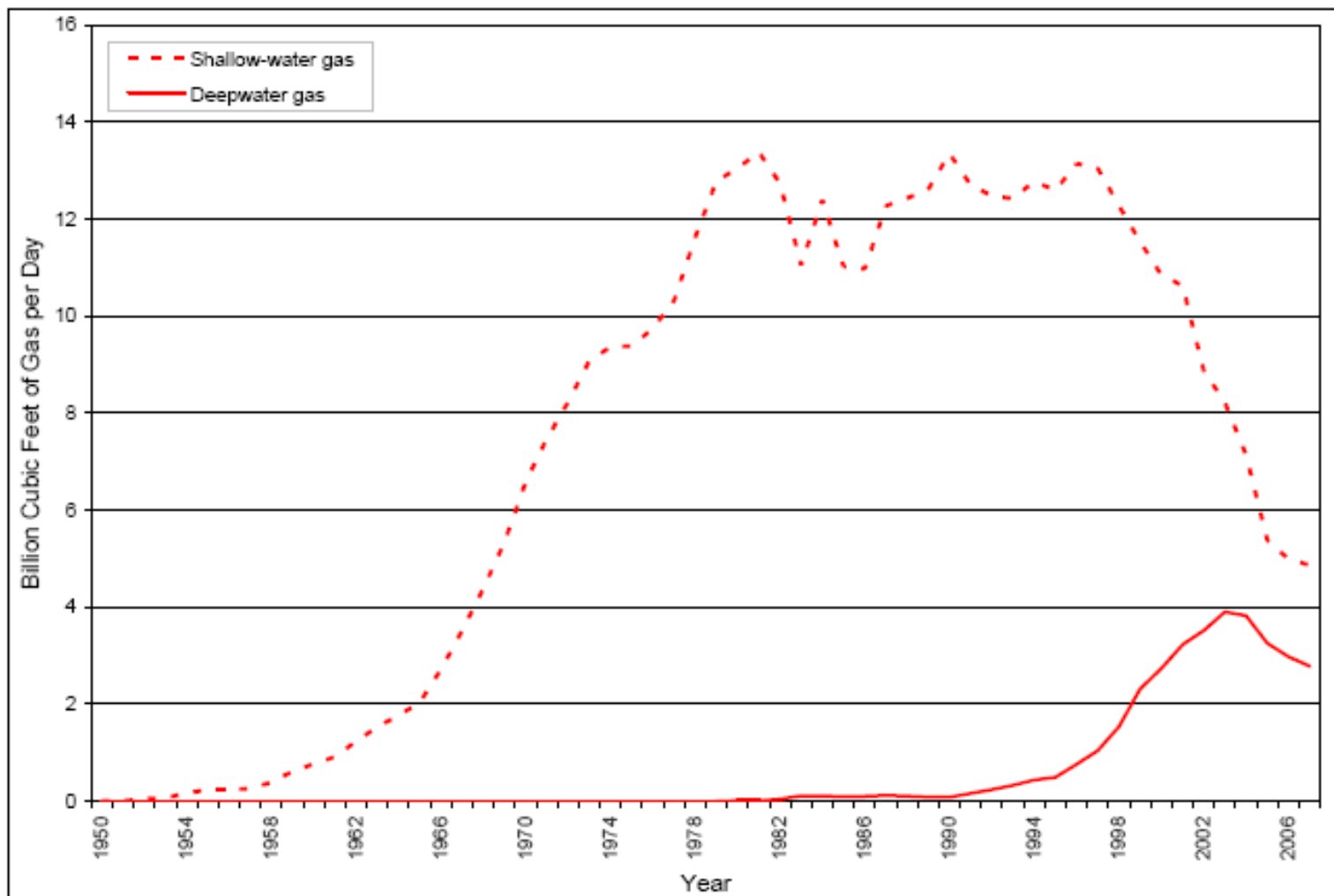
★ Indicates years with known anomalous data due to hurricane affected shut-in

# Shallow versus Deepwater Oil Production





# Shallow versus Deepwater Gas Production



# 5 Year Leasing Program

# Remaining Sales in Current 2007-2012 Oil and Gas Program

<b>Sale Location and Number</b>	<b>Scheduled Sale Year</b>
Central GOM Sale 213	2010
Western GOM Sale 215	2010
Central GOM Sale 216	2011
Western GOM Sale 218	2011
Virginia Sale 220	2011
Central GOM Sale 222	2012



# Proposed Notice of Sale 213

# Lease Terms in Proposed Notice of Sale For SALE 213

Water Depth (meters)	Term (years)
0 to <400	5 years and +3 years for drilling >25,000 feet TVD
400 to <800	5 years and +3 years for drilling
800 to <1600	7 years and +3 years for drilling
1600+	10 years

# Sale 213 Rental Rates per Acre or Fraction Thereof

Water Depth in meters	Years 1-5	Years 6, 7, & 8	Years 9+
0 to <200	\$7.00	\$14.00, \$21.00 & \$28.00	\$28.00
200 to <400	\$11.00	\$22.00, \$33.00 & \$44.00	\$44.00
400 to <800	\$11.00	\$16.00	\$16.00
800+	\$11.00	\$16.00	\$16.00



# PNOS 213

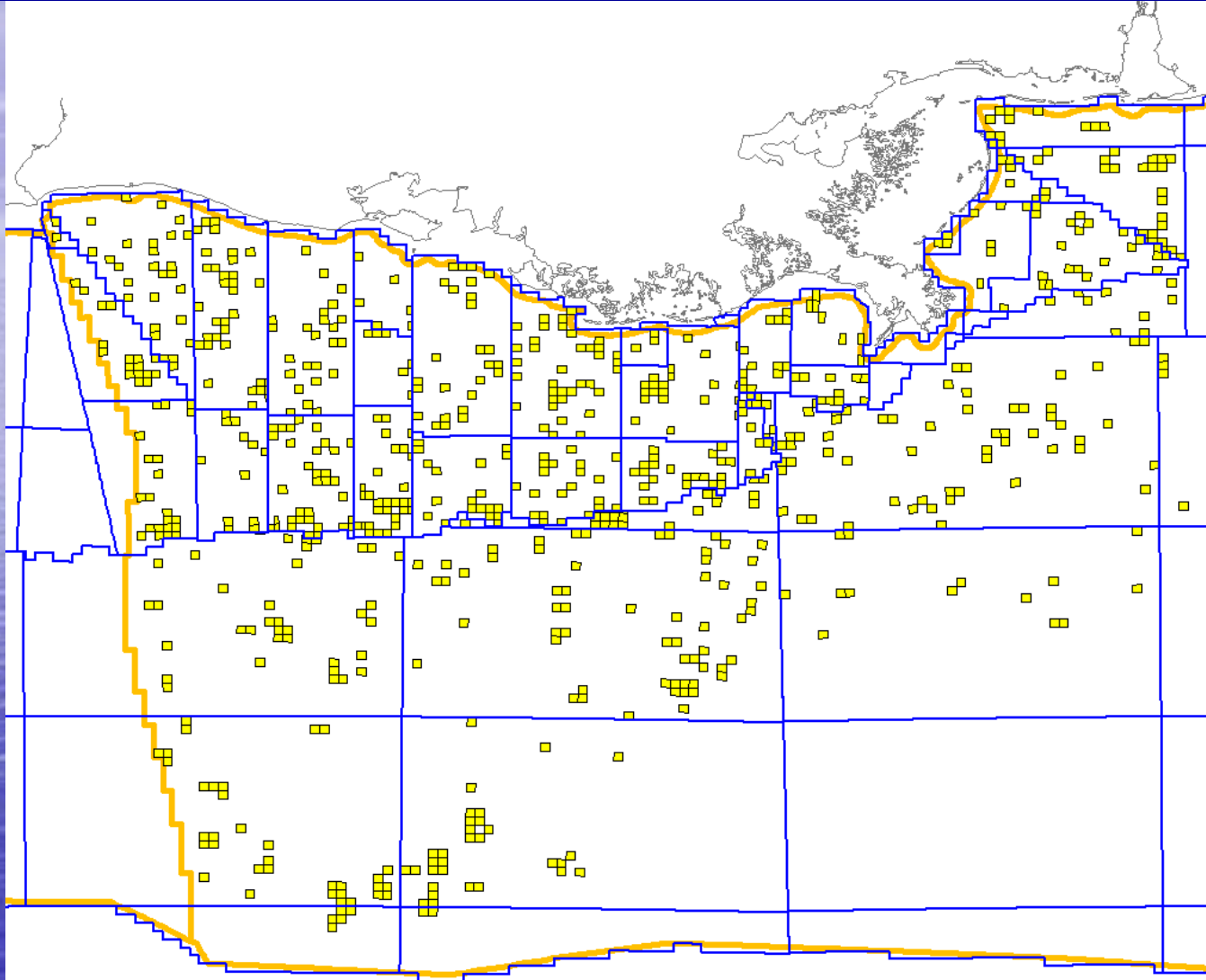
## Royalty Rates and Suspensions

- Rate of 18-3/4
  - Deep and Ultra-Deep Gas Royalty Suspensions
  - Deepwater Royalty Suspensions
- \* Royalty Suspensions subject to conditions and thresholds

# Sale 213- Central GOM

- Final Notice of Sale in Federal Register – February 10, 2010
- Sale Date March 17, 2010
- 828 Newly available tracts

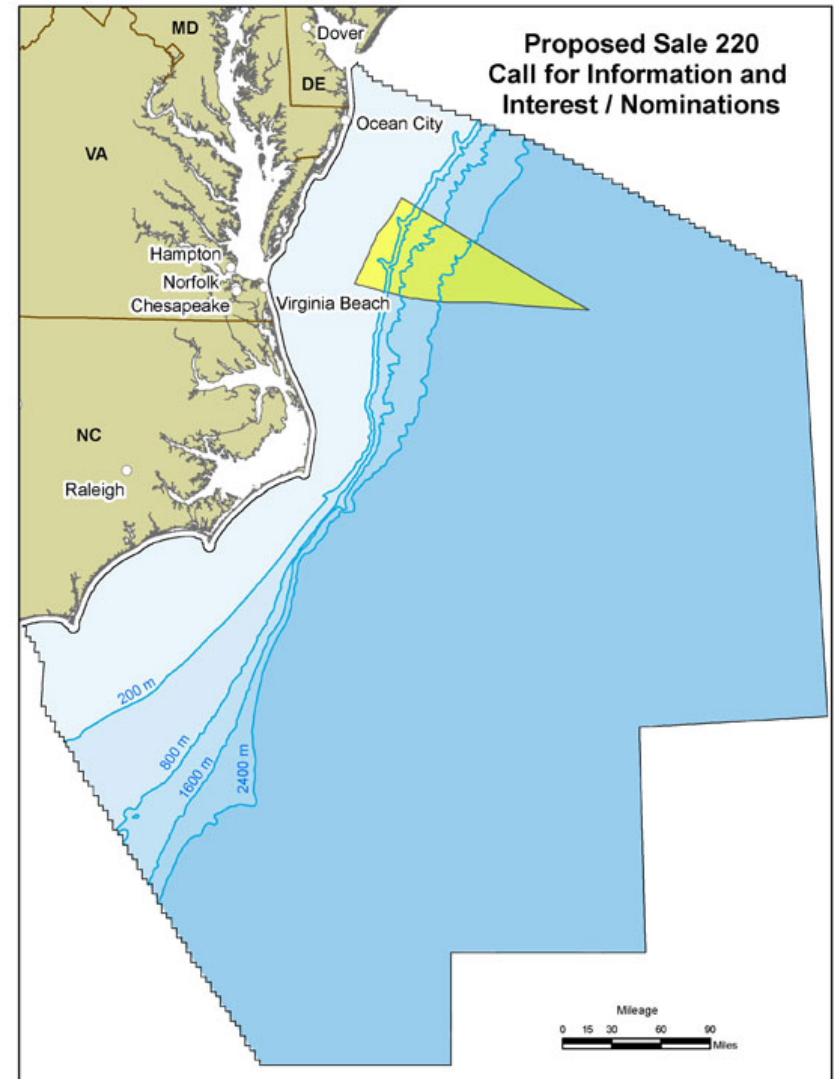
# Sale 213: 828 Newly Available Tracts






# Ongoing Activities Regarding Virginia Sale 220

- Call for Information and Interest/Nominations and Notice of Intent to Prepare an EIS (Call/NOI) for Lease Sale 220 in the *Federal Register* on November 13, 2008.
- The sale will be held no earlier than 2012, tentatively covering 2.9 million more than 50 miles offshore Virginia.
- MMS estimates the area may contain 130 million barrels of oil and 1.14 trillion cubic feet of natural gas.
- Call/NOI is the first step in the information gathering, evaluation, and public participation process.
- MMS continues to analyze holding the sale in accordance with the OCS Leasing Program 2007-2012 .
- The area was included in the current 5-Year plan at the request of the Commonwealth of Virginia.





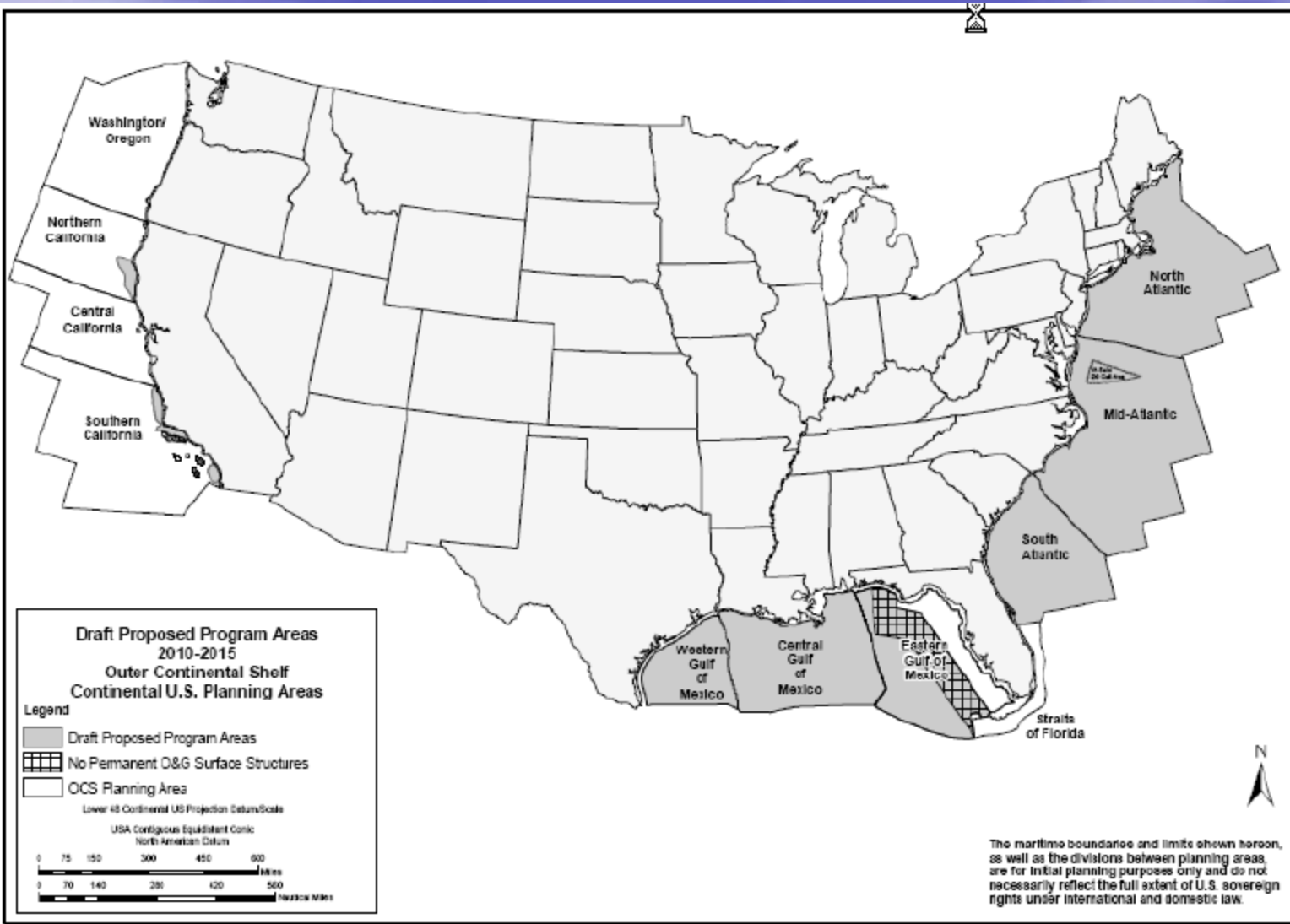
Draft Proposed  
5 Year  
Lease Program

**Table A**  
**Draft Proposed Program for 2010-2015—Lease Sale Schedule**

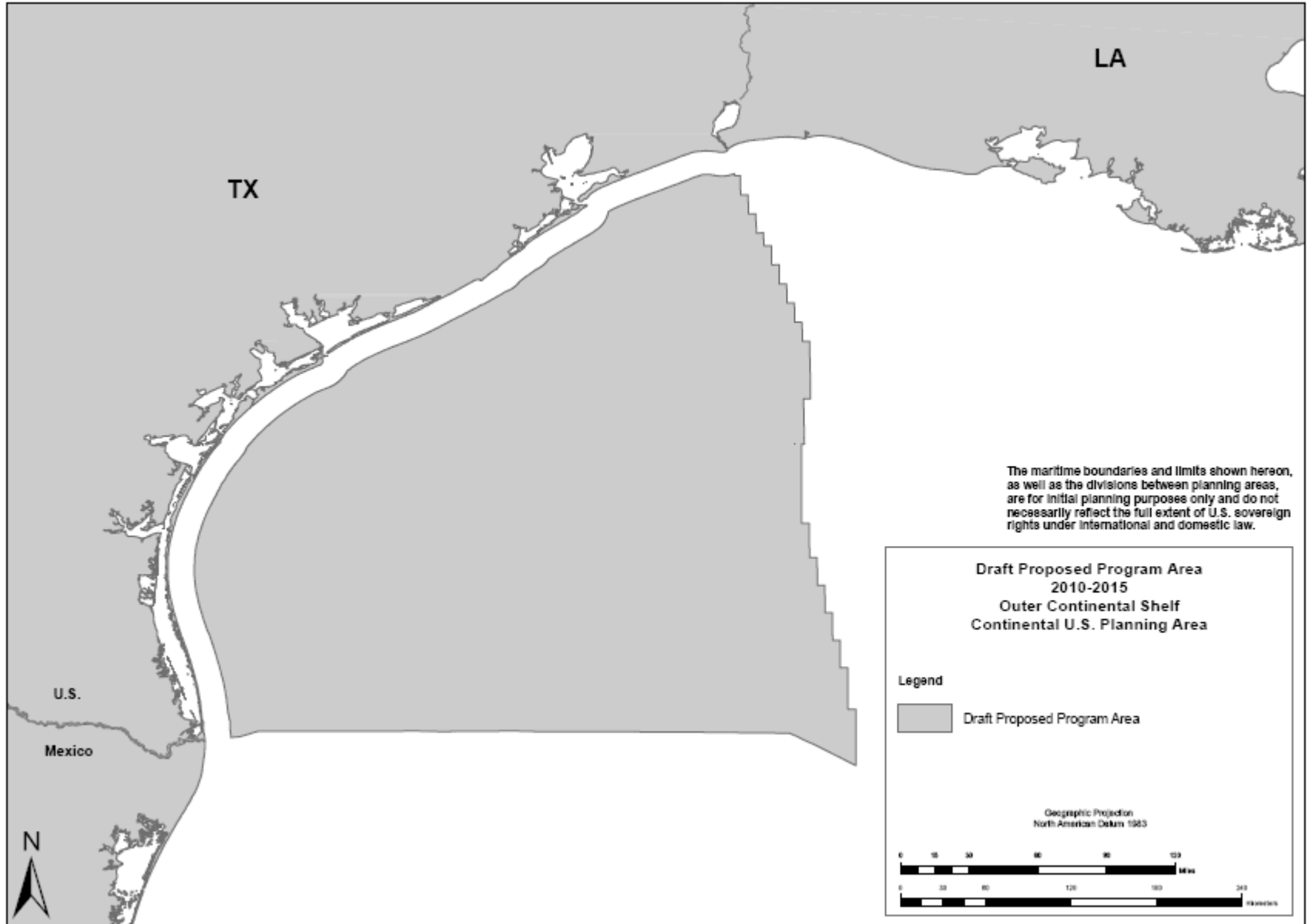
<b>Sale No.</b>	<b>Area</b>	<b>Year</b>
225	Eastern Gulf of Mexico	2010
215	Western Gulf of Mexico	2010
212	Chukchi Sea	2010
216	Central Gulf of Mexico	2011
218	Western Gulf of Mexico	2011
226	Eastern Gulf of Mexico*	2011
227	Central Gulf of Mexico*	2011
214	North Aleutian Basin	2011
219	Cook Inlet	2011
220	Mid-Atlantic	2011
222	Central Gulf of Mexico	2012
221	Chukchi Sea	2012
228	Southern California	2012
229	Western Gulf of Mexico	2012
230	Mid-Atlantic	2012
231	Central Gulf of Mexico	2013
217	Beaufort Sea	2013
232	North Atlantic	2013
233	Western Gulf of Mexico	2013
234	Eastern Gulf of Mexico*	2013
235	Central Gulf of Mexico	2014
236	Northern California	2014
237	Chukchi Sea	2014
238	Western Gulf of Mexico	2014
239	North Aleutian Basin	2014
240	South Atlantic	2014
241	Central Gulf of Mexico	2015
242	Beaufort Sea	2015
243	Southern California	2015
244	Cook Inlet	2015
245	Mid-Atlantic	2015

*\*Program area for lease sales would be expanded if Congress passes new legislation to lift any or all of the moratorium mandated by the Gulf of Mexico Energy Security Act of 2006 (GOMESA).*





# Western Gulf of Mexico Program Area



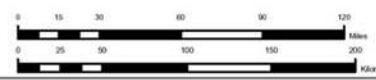
# Central Gulf of Mexico Program Area



**Draft Proposed Program Area - 2010-2015**  
**Outer Continental Shelf - Continental U.S. Planning Area**  
**Legend**

 Draft Proposed Program Area

Geographic Projection  
North American Datum 1983

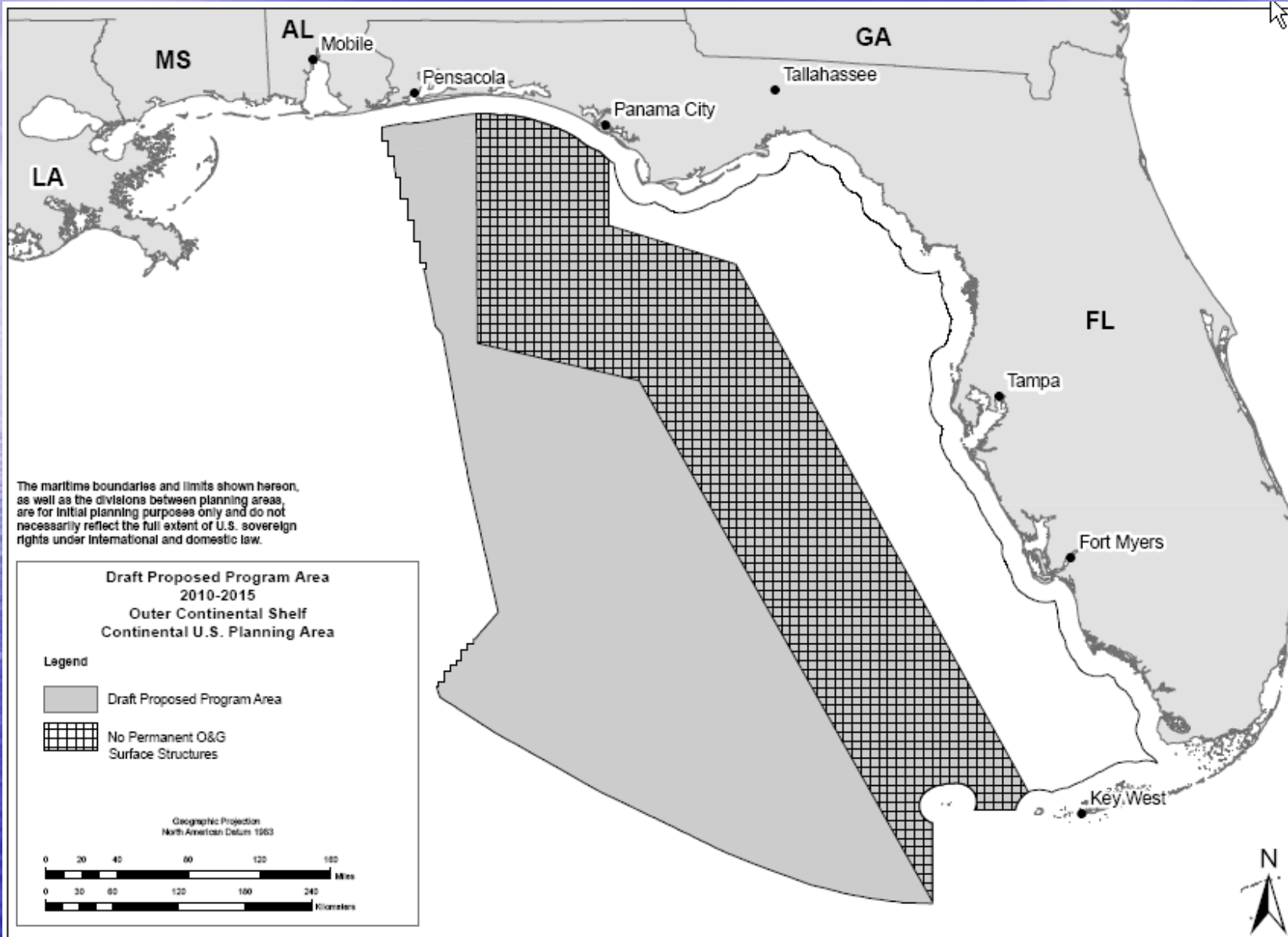


The maritime boundaries and limits shown hereon, as well as the divisions between planning areas, are for initial planning purposes only and do not necessarily reflect the full extent of U.S. sovereign rights under international and domestic law.

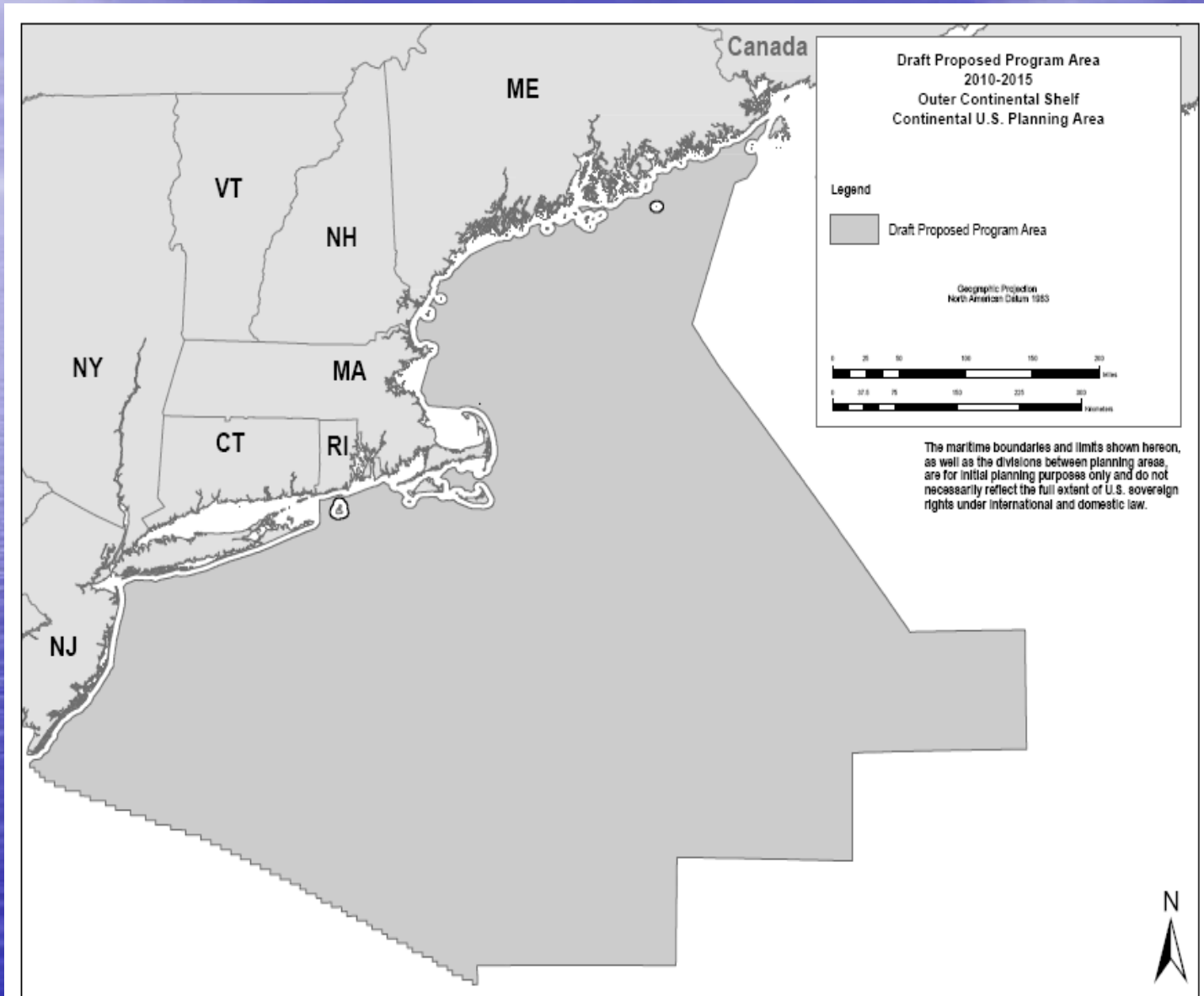




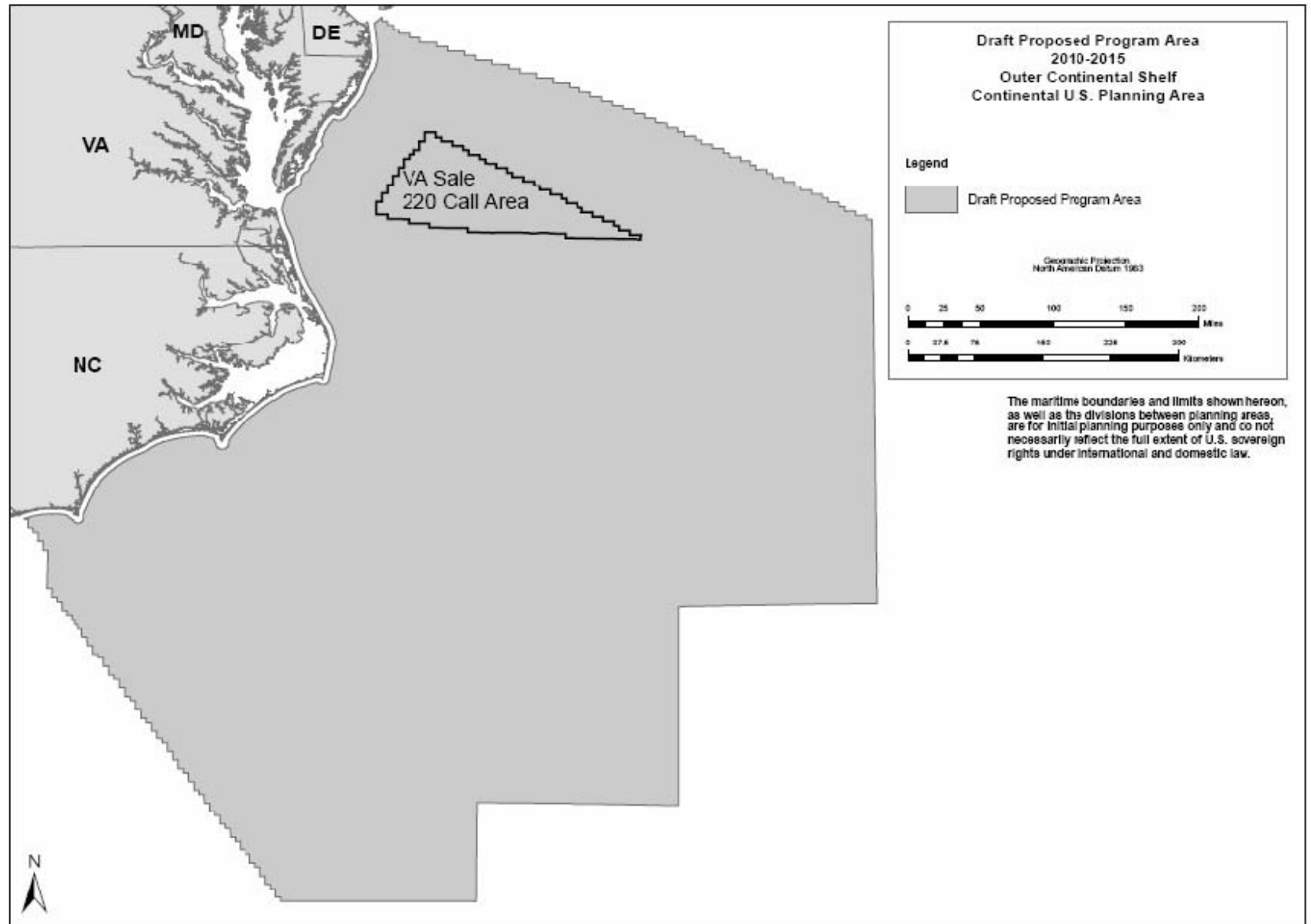
# Eastern Gulf of Mexico Program Area



# North Atlantic Program Area

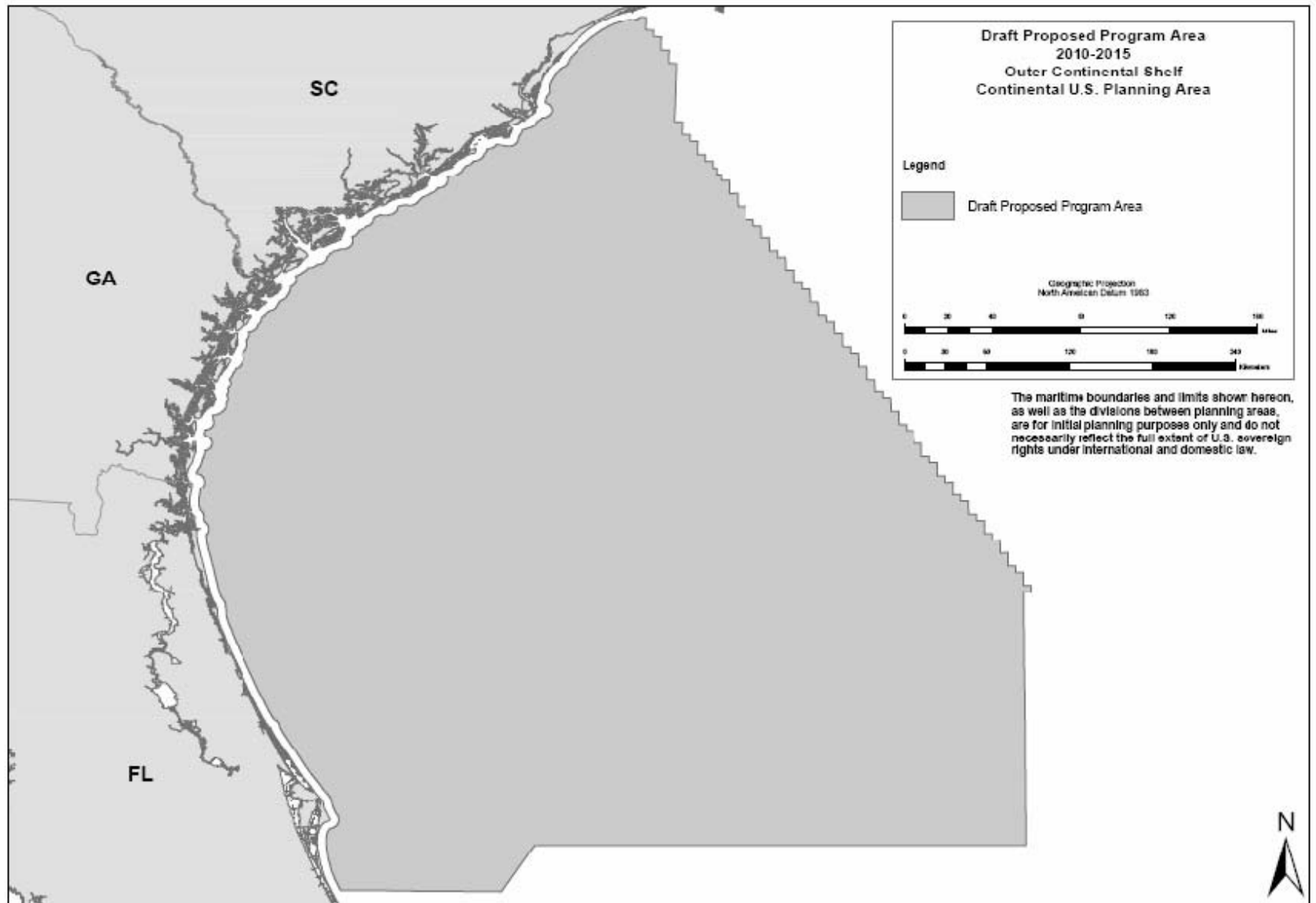


# Mid Atlantic Program Area





# South Atlantic Program Area





OCS Report  
MMS 2009-015



**Report to the Secretary,  
U.S. Department of the Interior**

**Survey of Available Data on OCS Resources  
and Identification of Data Gaps**



# Report to the Secretary on OCS Oil, Gas, and Renewable Resources

# Rule Status



# Final Rules Published -2009

- AD41 - rule revised the proprietary term of geophysical information submitted to MMS.
- AD50 - rule made technical changes to subparts L and O – waivers for meter proving and clarify training definitions
- AD30 Renewable Energy Framework - Established framework to allow access for operations of alternative energy projects and alternate uses of existing facilities in the OCS

# Proposed Rules Published -2009

- AD06 Rewrite of 30 CFR 256 Leasing and Bonding Regulations. The proposed rule also updates the bonding requirements
- AD15 - The proposed rule would require operators to develop and implement a Safety and Environmental Management System to address oil and gas operations in the Outer Continental Shelf.
- AD47 –Rule addresses requirements for sustained casing pressures in producing oil and gas wells on the OCS

# Final rule published -2010

- AD45 - rule updates API Spec 14A and adds a new requirement for the submittal of information concerning safety valve design and testing used in wells with working pressures greater than 15,000 psi.

# Final Rules Likely To Be Published - 2010

- AD12 – Revision of Subpart K, Production requirements.
- AD11 – Final rule will include update pipeline requirements, including all NTL's and LTL's, and incorporate several industry standards
- AD15 - The rule will require operators to develop and implement elements of a Safety and Environmental Management System
- AD06 - Rewrite of 30 CFR 256 Leasing and Bonding Regulations. The rule will update bonding requirements.
- AD47 - AD47 –Rule addresses requirements for sustained casing pressures in producing oil and gas wells on the OCS
- AD54 - Update of documents incorporated by reference – updates by referencing new editions of documents already incorporated into our regulations



# Proposed Rules Likely To Be Published - 2010

- **AD13 - proposed rule would clarify the bonding requirements for RUE holders, conditions for terminating a RUE, and decommissioning requirements for a RUE.**
- **AD53 – Proposed to incorporate 17 new MPMS documents into the regulations**
- **AD57 – Proposed rule would address job safety analysis for lifting activities, submittal of Performance Improvement Plans for poor performers, prohibit operators from becoming designated operators on additional properties while on probation, incorporate the annual performance review into regulations, and clarify safety requirements for completion and workover operations (2 barrier concept)**
- **Revision to Lease Suspension Requirements**
- **Revision to Subpart Q-Decommissioning**

# Safety and Compliance

# GOM Safety Statistics

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Fatalities	10	3	5	10	5	11	4
Injuries	39	41	54	275	415	318	213
Blowouts	4	4	4	2	7	8	4
Collisions	14	19	19	27	20	22	23
Fires	104	64	78	132	110	138	129
Pollution >50 bbls	11	22	4	11	2	5	5

# GOM Region Drilling Compliance

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009*</b>
Warning INCs	93	124	94	48	58
Component SI INCs	26	80	31	16	34
Facility SI INCs	33	40	30	7	20
Total INCs	152	244	155	71	112
Rig Inspections	1292	1183	999	870	760
INC/Inspection Ratio	.12	.21	.16	.08	.15

\* As of January 5, 2010



# GOM Region Production Compliance

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009*</b>
Warning INCs	1268	1126	1149	775	958
Component SI INCs	1030	1155	1040	737	1018
Facility SI INCs	81	95	91	79	97
Total INCs	2379	2376	2280	1591	2073
Components Inspected	54926	47144	46323	51634	54315
INC/Component Ratio	.04	.05	.05	.03	.04

\* As of January 5, 2010

# Civil Penalty Program

	2004	2005	2006	2007*	2008	2009**
Total Cases	32	28	41	45	23	33
Paid	27	20	38	37	21	8
Dismissed	5	8	3	7	2	4
Total INCs	35	25	88	72	36	9
Total Collected	\$953,750	\$548,000	\$2.45MM	\$3.1MM	\$1.16MM	\$210,000
Assessment Amount (Avg\$/INC/day)	\$11,190	\$11,460	\$10,710	\$20,472 ^	\$12,924	\$18,888

\* One case pending

^ CPI adjustment 3/2007

\*\* Pending cases = 21

# Idle Iron

# IDLE IRON

- MMS is focused on facilities that are no longer useful for operations or wells that are not useful for lease operations and are not capable of oil, gas, or sulphur production in paying quantities.
- MMS has started enforcing the plugging and abandonment of wells that have been inactive for an amount of time that is considered no longer useful for lease operations.
  - ❑ 515 (idle) wells are being concentrated during this first effort.
  - ❑ Meetings have been conducted with operators to discuss the plans and schedules to complete the well abandonment work.



# Idle Iron

- (The 800 lb. Gorilla): Addressing the approximately 4937 completed wells and 483 structures are idle for more than 5 years on active leases outside of the mudslide area.
  - 109 Operators.
  - Idle wells represent approximately 35% of all completed wells.
  - 12% of all structures are idle.

# IDLE IRON

## Terminated Leases

- MMS is tracking platforms and facilities that have a surface location on expired or terminated leases.
- In order for MMS to consider for approval of a time extension on terminated leases:
  1. A RUE or ROW proving future utility has been requested.
  2. Time extensions will be approved providing that a signed contract has been entered into with an abandonment contractor to perform the work.
  3. The specific date (day, month, year) through which you are requesting the time extension to be granted needs to be specified.
  4. A schedule to ensure that the completion of the well and platform abandonment and site clearance operations is needed if proposed beyond one year date.

# IDLE IRON

## Terminated Leases

5. Extensions may be granted if it is deemed necessary to plug wells that may pose greater danger to the environment if toppled by a hurricane. A schedule needs to be in place and followed. The delay for platform removal will not be allowed to extend indefinitely.

# PATH FORWARD

- Follow through addressing Idle Wells in mudslide area and on terminated leases with operators.
- Proactive policy to address Idle Wells and Platforms on producing and terminated leases through the issuance of an NTL.
- Revise Subpart Q to include language to address idle iron



# Decommissioning NTL

- Defines capable of production in paying quantities on a well basis
- Defines no longer useful for lease operation for wells and facilities
- Provides clarification on timing of abandonment for wells and facilities that are no longer useful for lease operations and not producing in paying quantities.
- Allows for downhole isolation prior to final permanent abandonment
- Addresses use of toppled structures as rigs to reef material

# Rigs To Reef Update

# Rig to Reef Guidance

Reef sites must be free from all potentially hazardous/nonstructural material:

- a. Standing Decks – all nonstructural components must be removed (i.e., equipment, vessels, piping/tubing, wiring, etc.) and a facility inspection must be conducted/documentated by MMS or a third-party prior to reefing;
- b. Submerged Decks – all decks and their separated components/equipment must be removed;

# Rigs to Reef Guidance

Pending additional policy coordination between necessary State and Federal agencies and the opportunity for public participation, MMS GOMR will only grant Rigs-to-Reef departures for platform-removal applications proposing the structure's siting within any

- 1. New reef sites within the existing Texas General Reef Permit Area, Louisiana Artificial Reef Planning Areas, or Mississippi Artificial Reef Development Zone 4;
- 2. Existing/established artificial reef sites (i.e., previously reviewed and approved by MMS GOMR) both within and outside of the areas previously mentioned in Section 5.C.1; and
- 3. Platform-removal permit applications with Rigs-to-Reef proposals received prior to implementation will be exempt from the Reef-Approval Guidelines; however, they will be subject to the applicable Engineering, Stability, and Environmental Reviewing Standards noted above.



# Supplemental Bonding

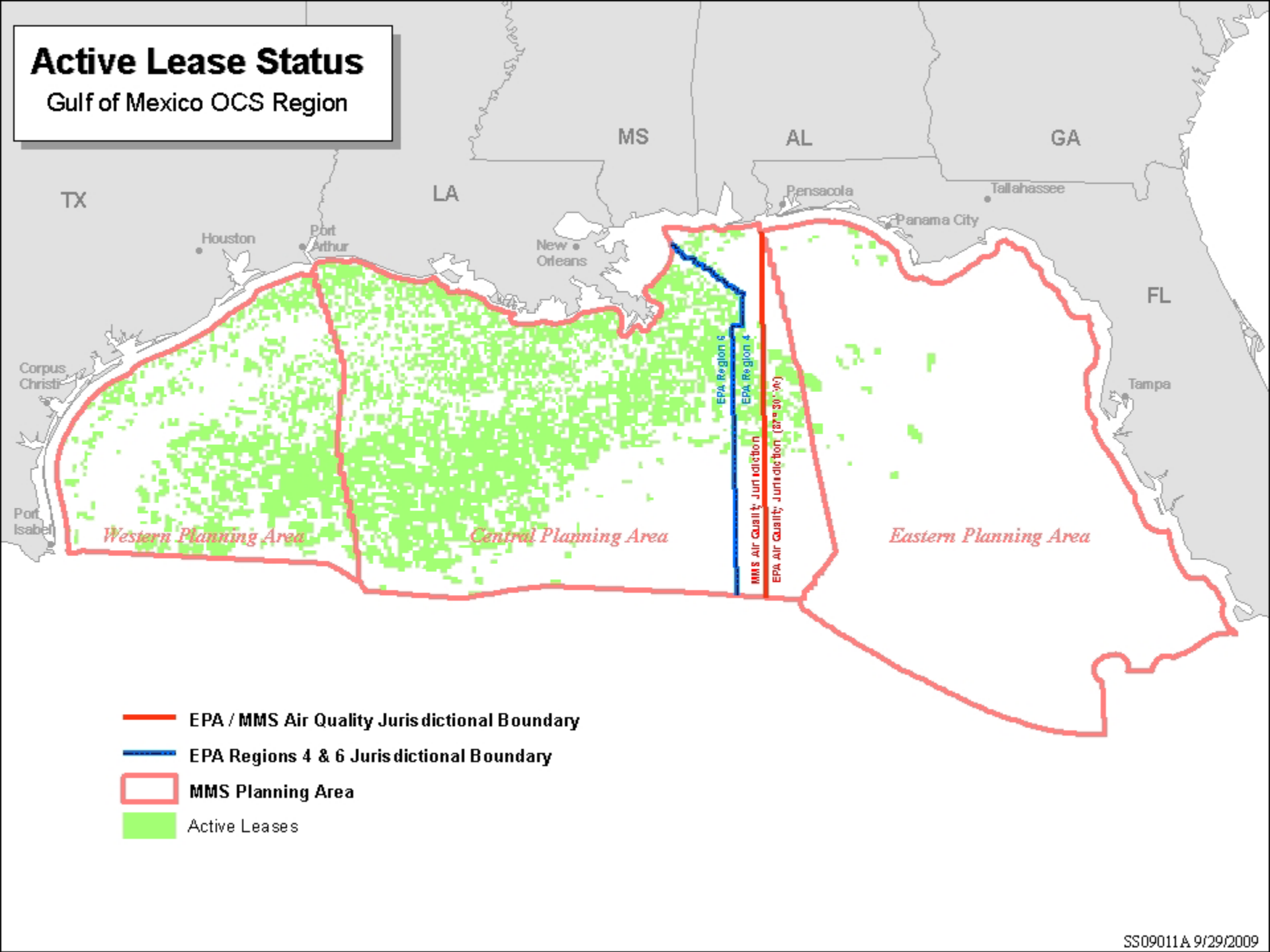
- Complete review of all “Hurricane Damaged” facilities in the GOMR
- Reducing the amount of idle iron can reduce an operators amount of bonding required if non exempt
- MMS has received the updated cost data from a funded technical study. This new set of cost data will lead to increased supplemental bonding for non exempt companies

# OCS Air Jurisdiction

- The Outer Continental Shelf Lands Act (43 U.S.C. 1334(a)(8)) requires the Secretary of the Interior to promulgate and administer regulations that comply with the National Ambient Air Quality Standards (NAAQS) pursuant to the Clean Air Act (42 U.S.C. 7401 et seq.) and to the extent that authorized activities significantly affect the air quality of any State. For sources located in areas under MMS jurisdiction, regulations are promulgated by 30 CFR 250 Subpart C.
- The Clean Air Act Amendments of 1990 directed the U.S. Environmental Protection Agency (USEPA) to regulate emissions from OCS sources located offshore of States along the Gulf of Mexico **eastward of 87° 30' W longitude**, and along the Atlantic, Pacific, and Arctic. EPA promulgated implementing regulations in 40 CFR 55 on Sept 4, 1992.

# Active Lease Status

Gulf of Mexico OCS Region



# FY 2010 DOI Appropriations ACT

- Inspection fee required (Section 115)
- 90 days to produce a timeline for an Atlantic OCS EIS for Seismic Activities



# *New Law Directs MMS to Collect \$10 Million for Inspections*

- Result of legislation passed by Congress and signed by the President on Oct. 30, 2009. *Public Law 111-88, Department of the Interior, Environment, and Related Agencies Appropriations Act, 2010*
- Will help MMS and taxpayers recover some of the costs associated with offshore inspections, which include safety and environmental compliance inspections of facilities and equipment during FY 2010
- The MMS inspection fees cover all bottom-founded structures and floating production facilities on the Outer Continental Shelf in the Gulf of Mexico

More information can be found in NTL 2009-N13

# Inspection Fee Schedule

The law establishes the fee for inspection activities based on the number of wells per facility.

The inspection fees for 2010 include:

- \$2,000 for facilities with no wells, but with processing equipment and gathering lines;
- \$3,250 for facilities with one to 10 wells, with any combination of active or inactive wells; and
- \$6,000 for facilities with more than 10 wells, with any combination of active or inactive wells.

# Atlantic Seismic Permitting

- MMS has received several permit applications the to conduct surveys in broad areas of Atlantic
- Currently there is no NEPA coverage for these permits
- MMS is examining a path forward for conducting a Programmatic EIS for Atlantic Seismic

# Atlantic OCS PEIS for G&G activities

- ACT directs the MMS to conduct a Programmatic Environmental Impact Statement (PEIS) to evaluate potential significant environmental effects of multiple geological and geophysical activities in the Atlantic OCS, and
- Provide a detailed timeline for completion of the PEIS no later than 90 days after the enactment of the ACT





Thank You  
Questions?