



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

SPECIAL INFORMATION

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Barney Congdon
(504) 736-2595

**Clarification on the Disposition of Associated Gas Related to Oil Production
from a Floating Production, Storage, and Offloading (FPSO)
in the Gulf of Mexico Region**

A recent publication indicated the Minerals Management Service (MMS) had changed its position with regard to the disposition of associated gas resulting from oil production from floating production, storage, and offloading vessels (FPSO's) in the Gulf of Mexico. Simply stated, there has been no change in MMS's position. The following information is offered for better understanding of the MMS position on the issue.

Under current MMS policy, produced associated gas related to FPSO oil production may be:

- Marketed via pipeline.
- Converted to liquid natural gas (LNG) or methanol (gas to liquid conversion) and marketed.
- Used to generate electricity that is used on or off lease for oil and gas operations and/or marketed.
- Injected into a producing oil reservoir to increase oil recovery with the expectation that once the oil is depleted, the recoverable gas will be produced and marketed.
- Injected into a nonproducing reservoir with the expectation that prior to lease or field abandonment, the injected gas will be produced and marketed.

At this time, the MMS will not approve a Conservation Information Document (CID) or Development Operations Coordination Document (DOCD) that does not provide for the eventual marketing of produced associated gas under the current lease(s). Likewise, no CID or DOCD will be approved because it is not technically or commercially feasible to produce and market the gas. This is in keeping with the conservation mandates of MMS.

The MMS is fully aware of the rationale that if the gas were injected into a reservoir with no commitment for future recovery that this gas is not lost and could be recovered by another lessee in the future. The MMS, however, is not convinced that this solution will result in the recovery of this valuable resource at a future time, and could easily result in this gas never being recovered.

MMS is the federal agency in the U.S. Department of the Interior that manages the nation's oil, natural gas and other mineral resources on the outer continental shelf in federal offshore waters. The agency also collects, accounts for and disburses mineral revenues from federal and Indian leases. These revenues totaled nearly \$10 billion in 2001 and more than \$120 billion since the agency was created in 1982. Annually, nearly \$1 billion from those revenues go into the Land and Water Conservation Fund for the acquisition and development of state and federal park and recreation lands.

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MMS's Website Address: <http://www.mms.gov>

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