



The United States' demand for energy is expected to increase 30 percent over the next 20 years. Meeting our growing energy needs demands a proactive and aggressive Federal regulatory program, as well as private sector innovation. As we explore our oceans and technological frontiers in the coming decades we may yet discover astonishing alternative sources of energy to fuel our daily lives. However, we still face the ongoing challenge of meeting today's energy needs.

The Minerals Management Service (MMS), part of the U.S. Department of the Interior, is a key Federal energy agency that is helping secure America's energy future and quality of life through effective oversight of offshore energy production and mineral revenue collection. With passage of the Energy Policy Act of 2005, MMS has lead authority for renewable energy projects, such as wind, wave, solar, and underwater current on offshore lands, and other projects that make alternative use of existing oil and natural gas platforms. The Act granted MMS management authority for these types of projects through an amendment to the OCS Lands Act.

The MMS manages over 1.76 billion offshore acres of Federal land called the Outer Continental Shelf (OCS) and annually provides an average of \$9 billion in Federal onshore and offshore minerals revenue to the U.S. Treasury. An agency of about 1,700 people in 20 cities across the U.S., MMS has two primary programs: the Minerals Revenue Management program and the Offshore Minerals Management program.

Minerals Revenue Management

The MMS collects, accounts for, and disburses mineral revenues from Federal and American Indian leases. Since its inception in 1982, MMS has disbursed approximately \$165 billion to Federal, state and Indian accounts including:

\$101.1 billion to Treasury (\$7.4 billion in FY 06)

\$21.7 billion to Land and Water Conservation Fund (\$898 million in FY 06)

\$3.3 billion to National Historic Preservation Fund (\$150 million in FY 05)

\$13.2 billion to Reclamation Fund (\$1.6 billion in FY 06)


\$20.4 billion to 38 States (\$2.2 billion in FY 06)

\$5.2 billion to 41 Tribes and 30,000 individual American Indians (\$641 million in FY 06)

\$4.4 billion equivalent value to the Strategic Petroleum Reserve (\$1.2 billion in FY 05)

The MMS's extensive compliance program ensures accurate reporting and royalty payments and develops regulations and procedures necessary to implement royalty management legislation through extensive public processes.

One of the highlights of MMS's efforts to ensure receipt of fair value for the use of Federal lands is the "Royalty-in-Kind" program. The program generates revenues by receiving its oil and gas royalties in kind (in the form of product), rather than in cash, and competitively selling the commodities in the marketplace. By reducing regulatory costs



and reporting requirements and improving overall business efficiencies, The RIK program increases revenue to the U.S. Treasury by about one to three percent more than cash royalties.

Offshore Minerals Management

In the complex world of managing oil and gas exploration and development on the Nation's OCS, MMS is carrying out its mission by employing the best scientists, funding innovative studies and ensuring that the highest safety standards are met so that America gets needed energy while we protect the environment. From the Gulf of Mexico, MMS regulates the production of about 14 percent of the natural gas and 25 percent of the oil produced in the United States.

Deep water exploration is perhaps the most significant area of innovation in offshore energy production. Deep water oil and gas development in the Gulf of Mexico is a workhorse for U.S. domestic oil and gas production. Between 1995 and 2004, deep water oil production rose 550 percent and deep water gas production rose 650 percent.

Furthermore, MMS is responsible for all phases of mineral resource management on the OCS. Our scientists coordinate oceanographic research involving underwater archaeology, sea ice conditions in Alaska, deep-sea chemosynthetic communities, ocean currents and marine mammals. The MMS anticipates it will fund more than \$780 million in environmental studies and about \$20 million in studies evaluating offshore operations and safety technology of the offshore energy industry over 30 years.

Another critical MMS effort is the beach replenishment partnership program. This program helps local coastal communities protect the Nation's coastlines by providing access to sand and gravel from the Federal OCS. Coastal areas account for less than 10 percent of America's land area, but are home to half the population, and 40 percent of new commercial and residential development.

MMS manages offshore oil and gas exploration as well as renewable energy sources including wind, wave, solar, and underwater current on 1.76 billion acres of the OCS while protecting the human, marine, and coastal environments. MMS also collects, accounts for, and disburses mineral revenues from Federal and American Indian lands.

The MMS's offshore energy and minerals revenue activities provide major economic and energy benefits to taxpayers, states and the American Indian community.

For more information on the Minerals Management Service, visit www.mms.gov.

Ocean Energy and Value to America