

MMS Update

Presented to the
Offshore Operators Committee



Lars Herbst
Regional Director
Gulf of Mexico Region
Minerals Management Service
June 3, 2009

Discussion Topics

- MMS Organization
- 2008 Hurricane Recap
- Production Forecast and Deepwater
- Current 5 year Lease Program
- Draft Proposed 5 Year Program
- Safety and Compliance
- Regulations and NTLs
- Idle Iron

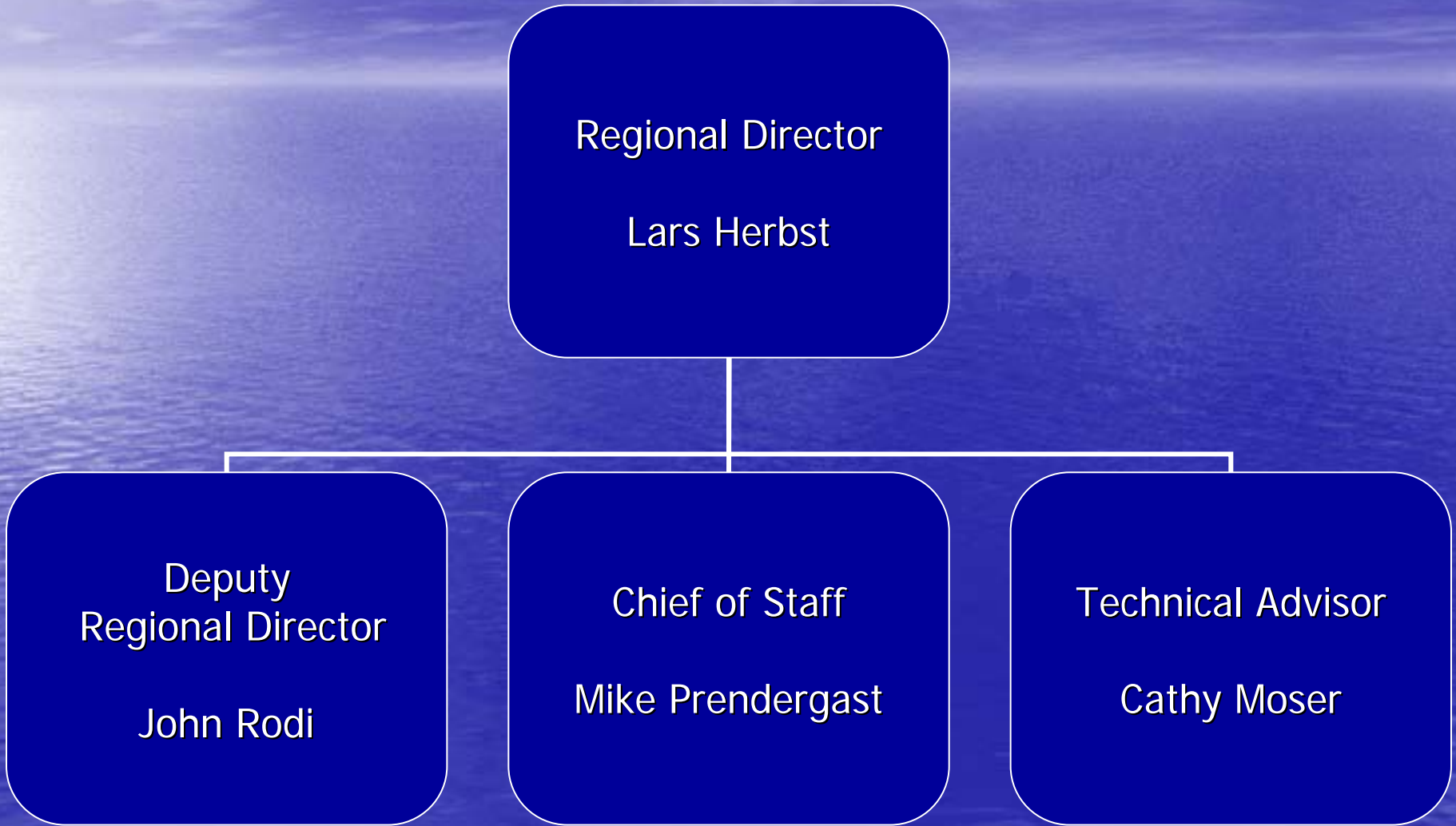
Regional Director's Office

Regional Director
Lars Herbst

Deputy
Regional Director
John Rodi

Chief of Staff
Mike Prendergast

Technical Advisor
Cathy Moser



GOM Program Offices



Office of Field Operations

Regional Supervisor

Mike Saucier

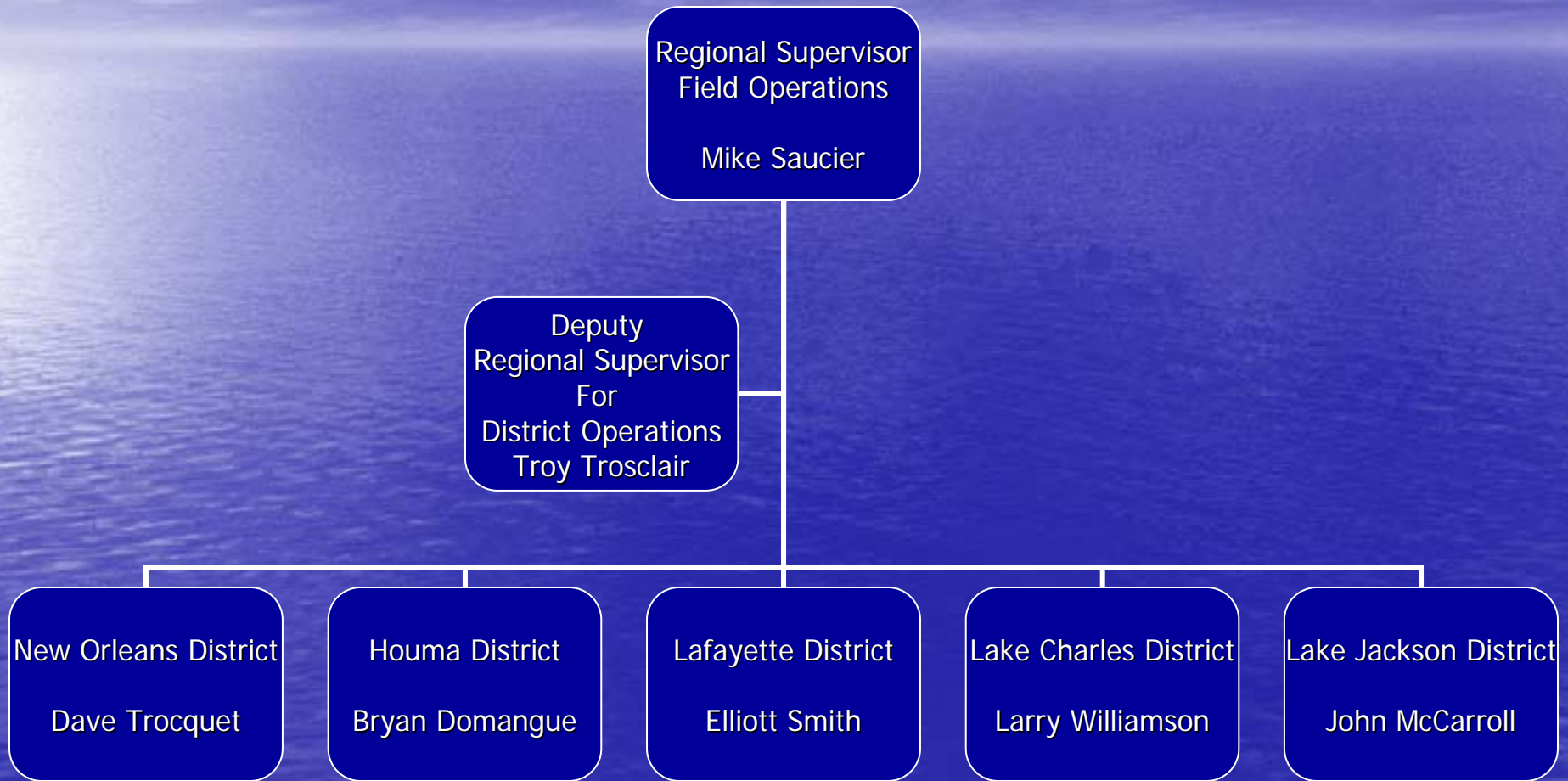
Deputy Regional Supervisor
For Regional Operations

Nick Wetzel

Deputy Regional Supervisor
For District Operations

Troy Trosclair

Field Operation "Districts"



Final Assessment of Destroyed and Damaged Facilities

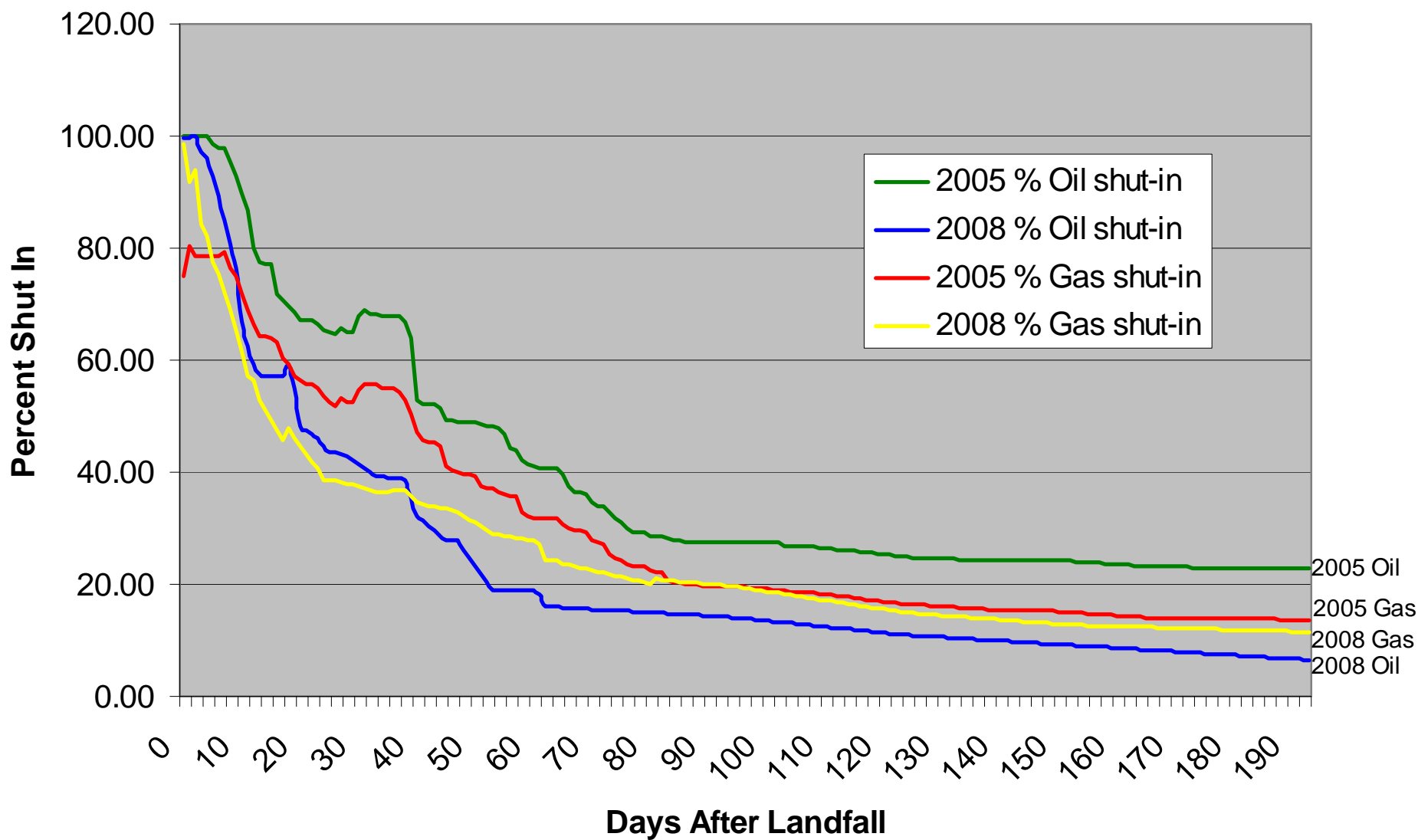
- 60 platforms were destroyed as a result of Hurricanes Gustav and Ike.
- The destroyed platforms produced 13,657 barrels of oil and 96,490,000 cubic feet of gas daily or 1.05% of the oil and 1.3% of the gas produced daily in the Gulf of Mexico.
- 31 platforms with extensive damage may take from three to six months to repair. These include facilities with underwater structural damage or major damage to pipelines carrying the oil or natural gas to shore.
- 93 platforms with moderate damage which may take from one to three months to repair. These include facilities with major topside damage to critical process equipment such as the platform's compressor or damaged risers or flex joints where pipelines connect to the platforms.

Hurricane Gustav/IKE

Shut-in Production

- Shut-in oil production is 85,000 BOPD which is equivalent to 6.5 % of daily production of oil in GOM, which is currently approximately 1.3 million BOPD.
- Shut-in gas production is 850 MMCFD which is equivalent to 11.5 % of the daily production of gas in the GOM, which is currently approximately 7.4 BCFPD.

2005 versus 2008 Hurricane Recovery



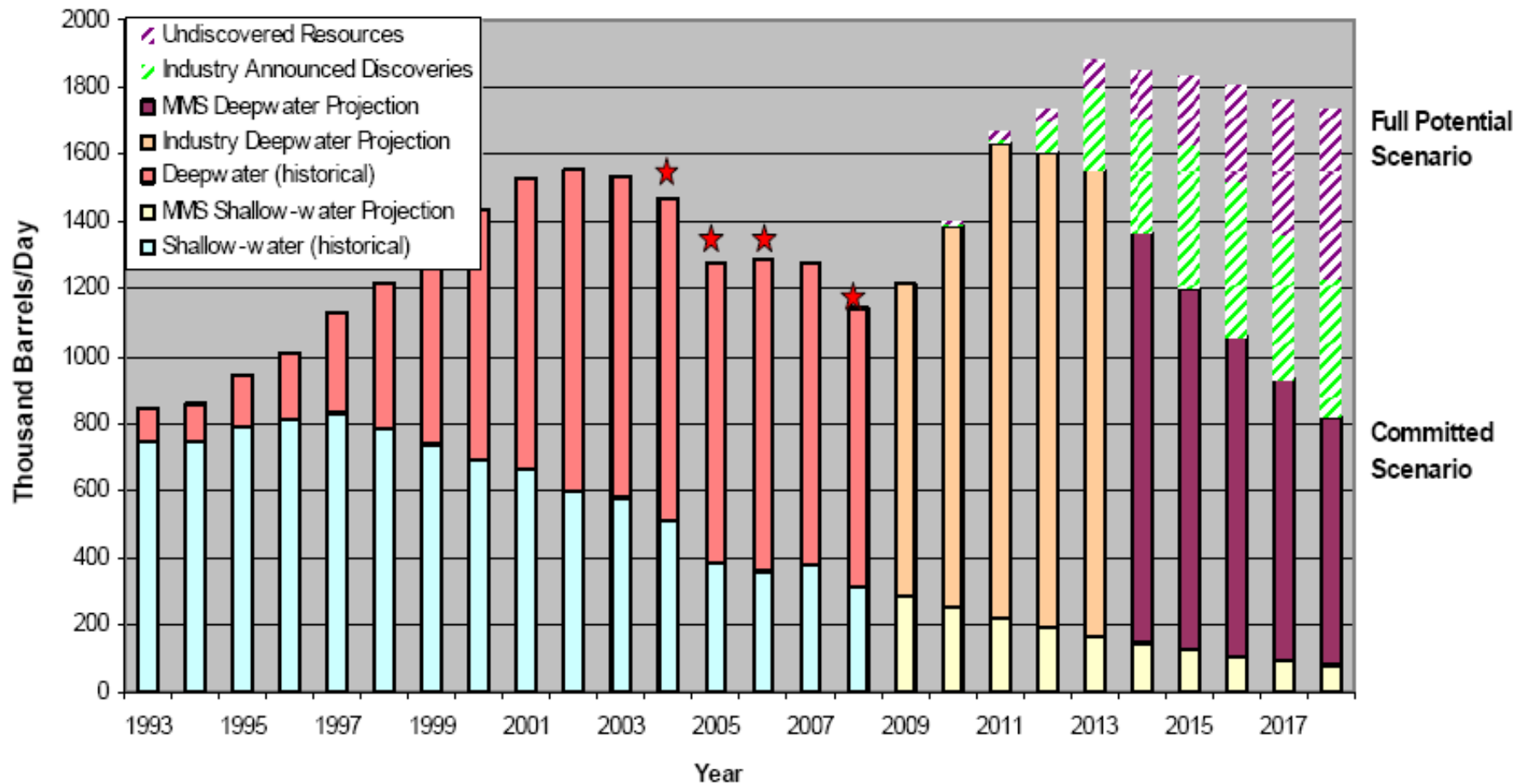
OCS Report
MMS 2009-012

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



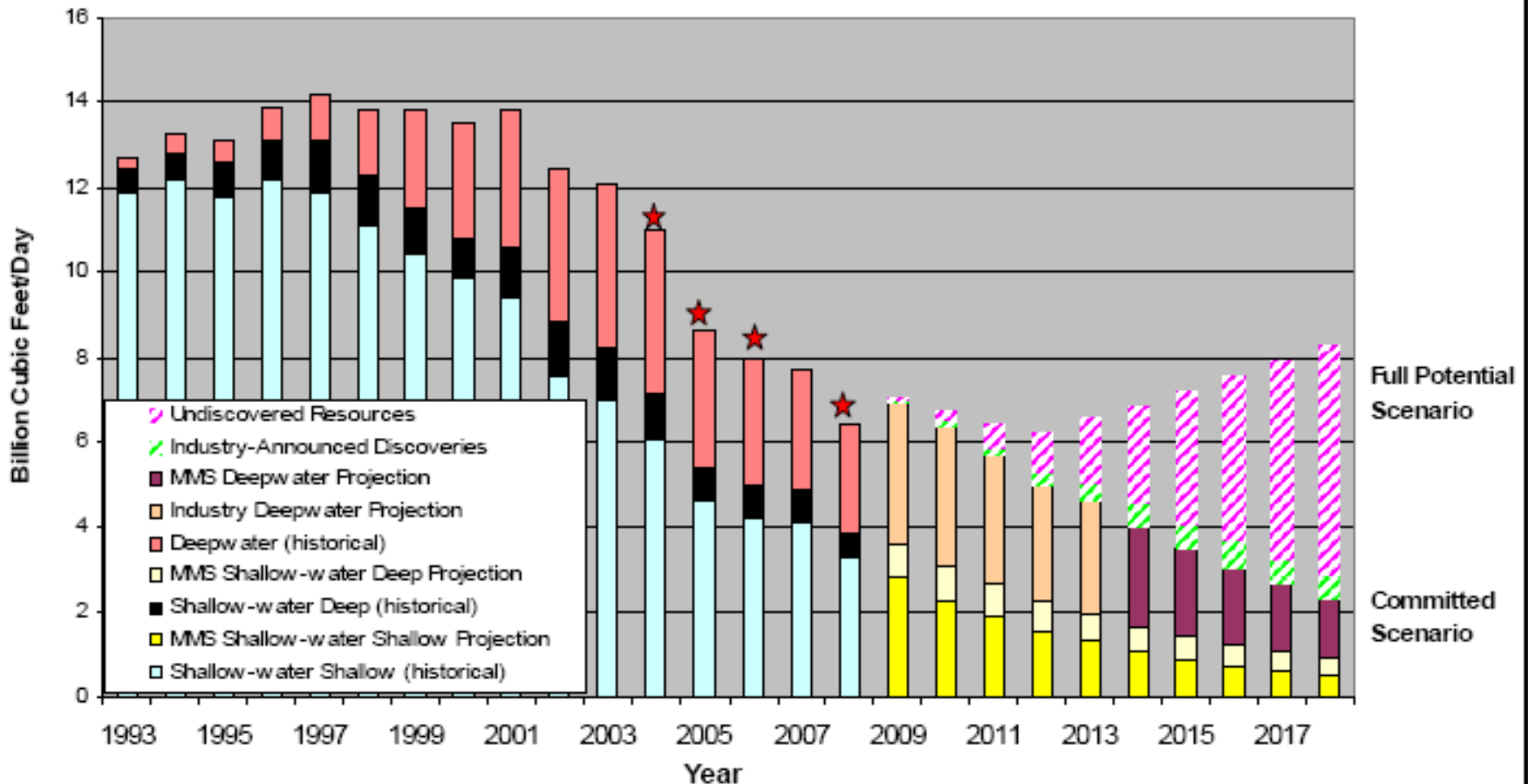
MMS U. S. Department of the Interior
Minerals Management Service
Gulf of Mexico OCS Region

Oil Production Forecast 2009-2018



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

Natural Gas Production Forecast 2009-2018

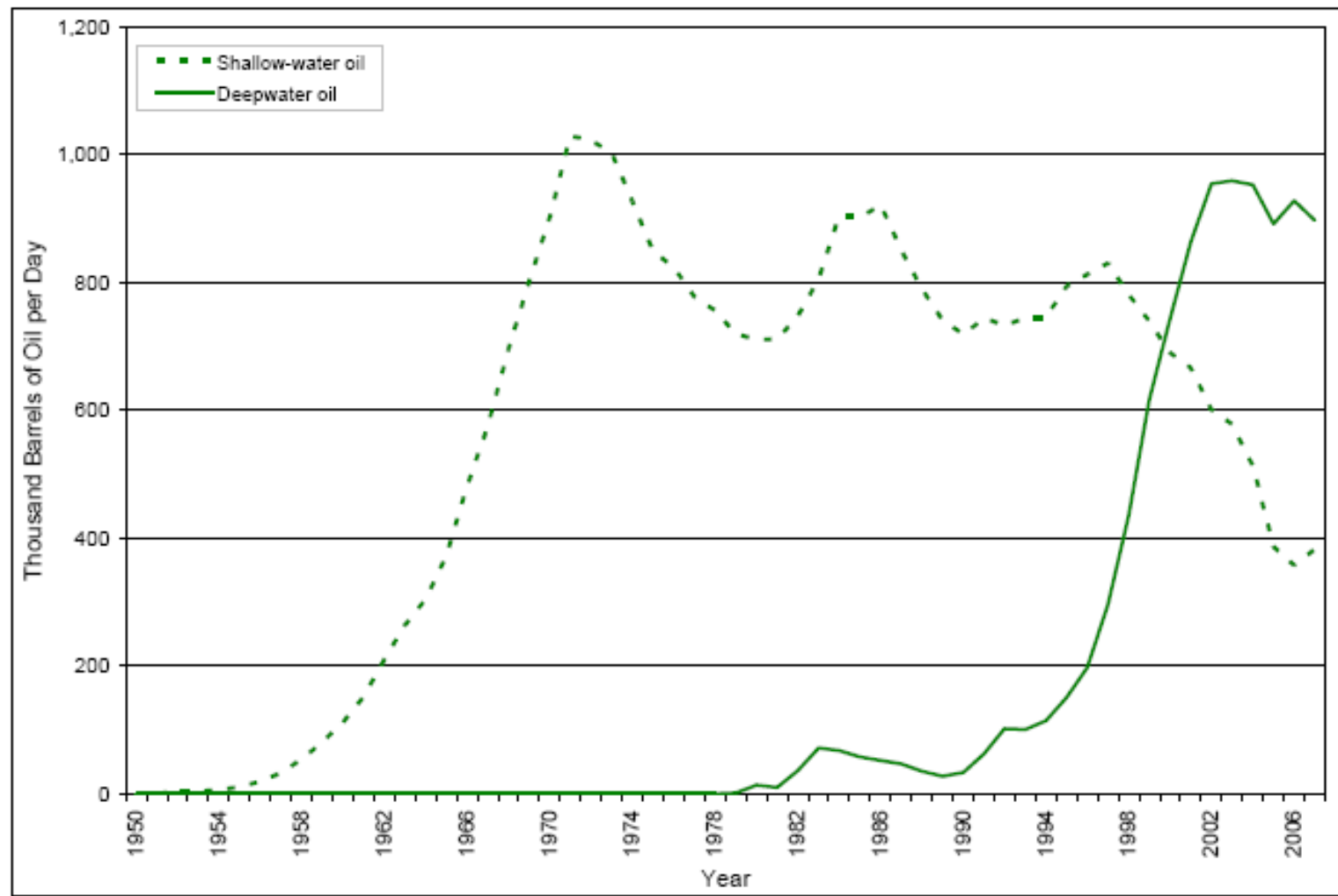


★ Indicates years with known anomalous data due to hurricane affected shut-in

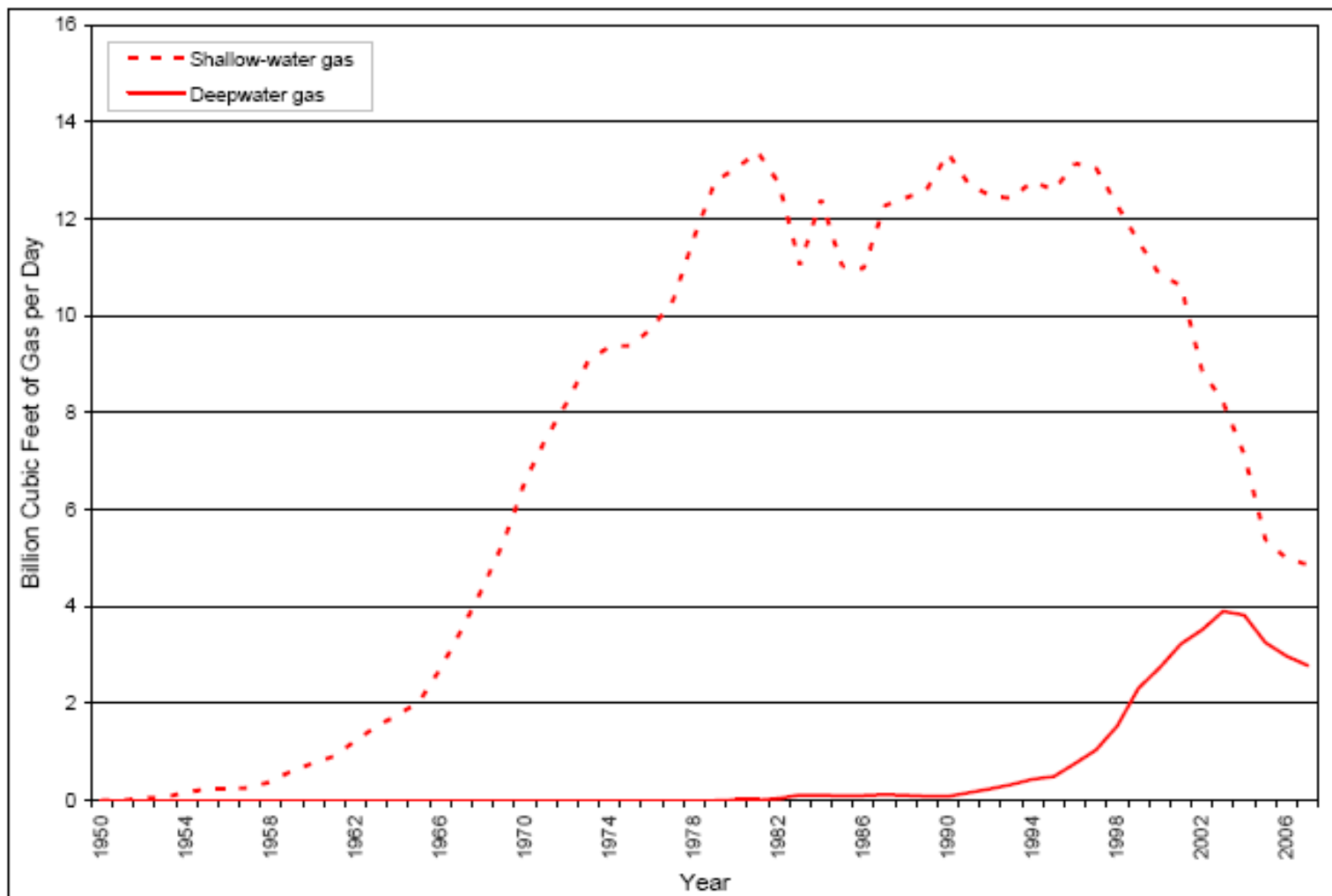
Deepwater Gulf of Mexico 2009: Interim Report of 2008 Highlights



Shallow versus Deepwater Oil Production



Shallow versus Deepwater Gas Production



Gulf of Mexico Leasing Activity March 2009

□ Bids Received - CPA Sale 208, March 2009

ACTIVE LEASES

■ 2008 Lease Sales (Sale 224, 207, and 206)

■ 2007 Lease Sales (Sale 205 and 204)

■ Prior to 2007

■ Blocks Under Moratoria

■ Blocks Deferred

□ Sale 224 Area

■ Newly Available Blocks

— Planning Area Boundary

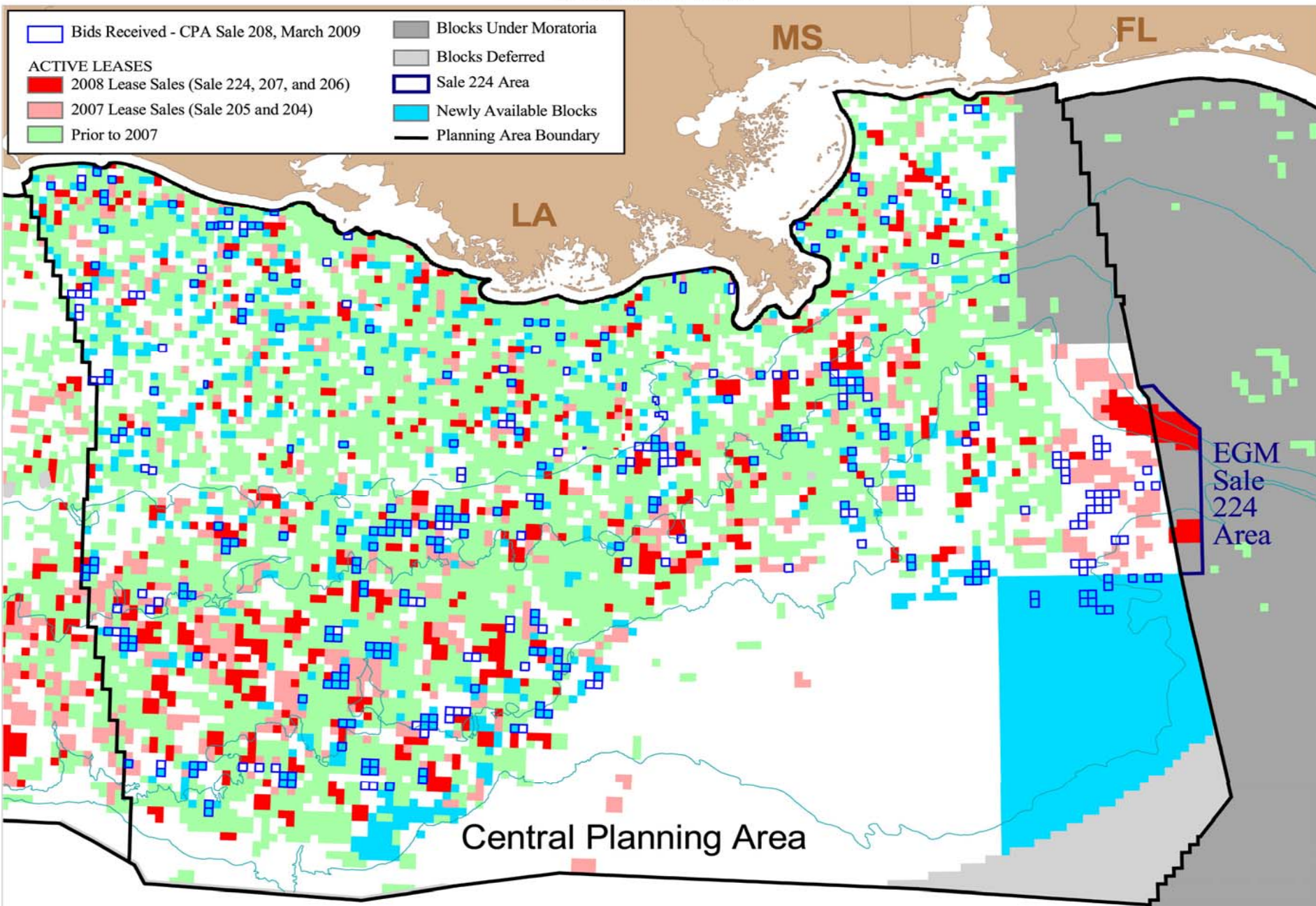
MS

FL

LA

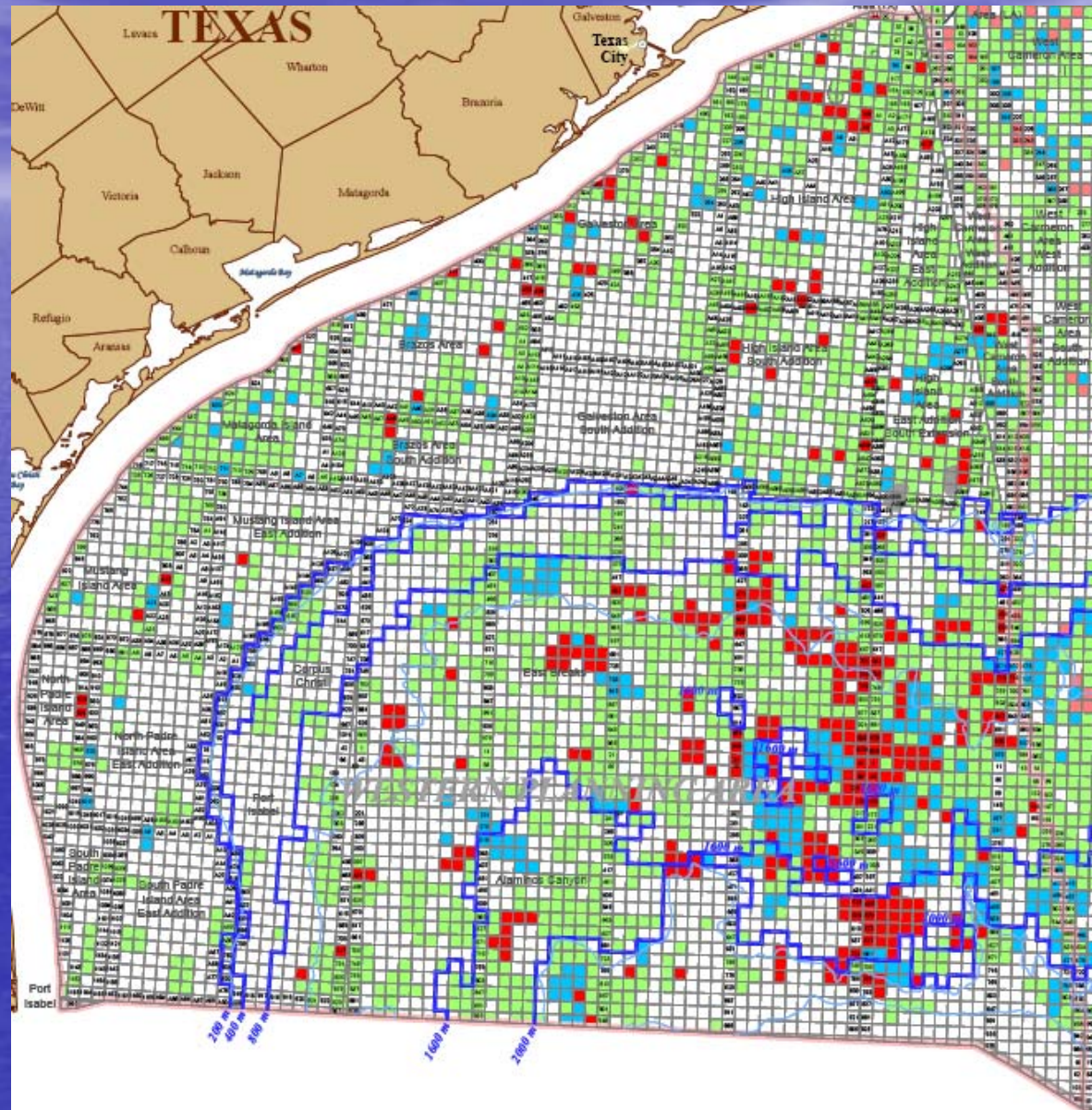
EGM
Sale
224
Area

Central Planning Area



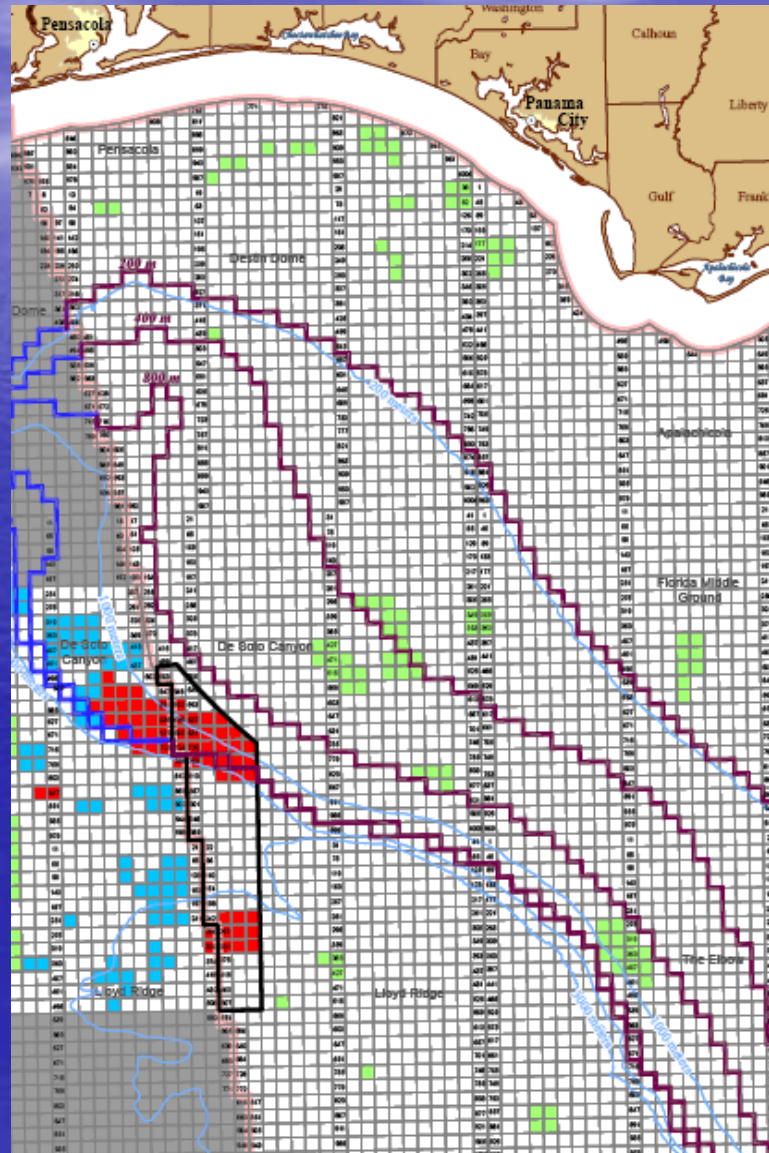
Current Western GOM Active Leases

- Bids in 2008
- Leased in 2007
- Leased Before 2007



Current Eastern GOM Active Leases

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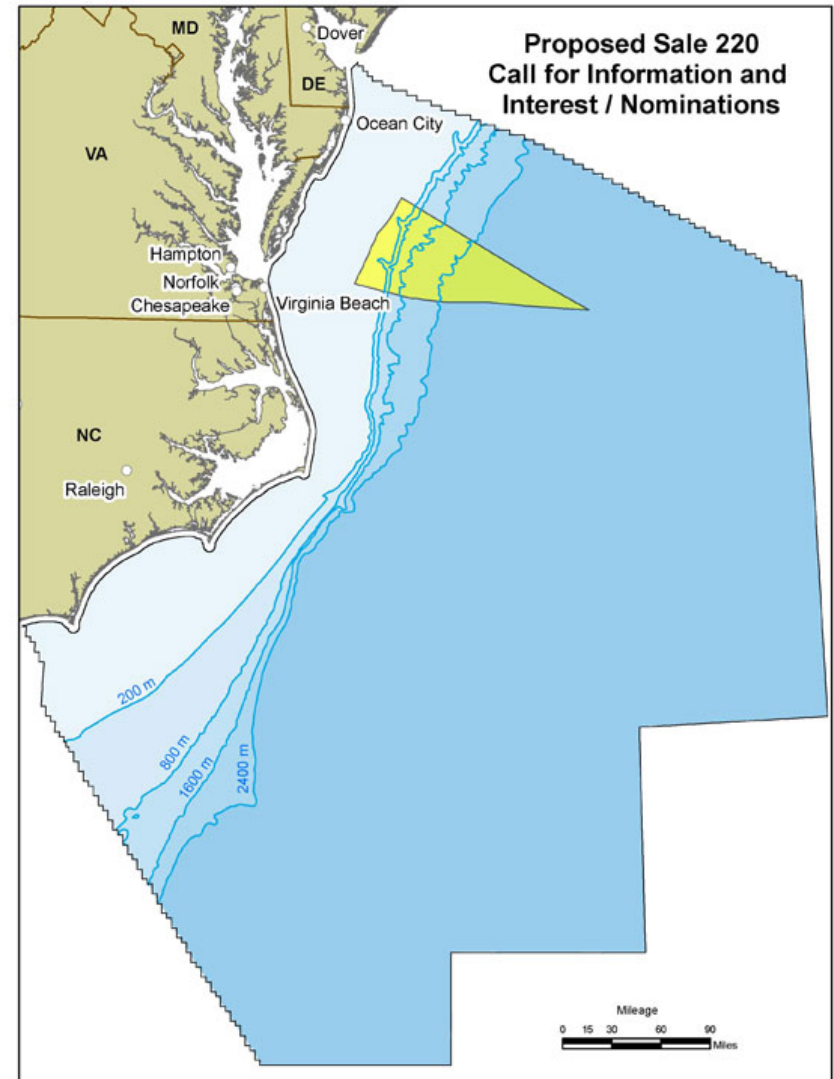


Remaining Sales in Current 2007-2012 Oil and Gas Program

Sale Location and Number	Scheduled Sale Year
Western GOM Sale 210	2009
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


Ongoing Activities Regarding 2011 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 2011, 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.
- Lease Sale 220 offshore Virginia is tentatively scheduled for 2011 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.
- Comments on the Call/NOI were due to MMS by ***December 29, 2008.***



5 Year Program Lawsuit

- Courts ruling could be interpreted as vacating the entire 5 year program based on EIS environmental sensitivity analysis in Alaska.
- Department has filed for clarification of ruling
- Courts clarification should be received fairly quickly

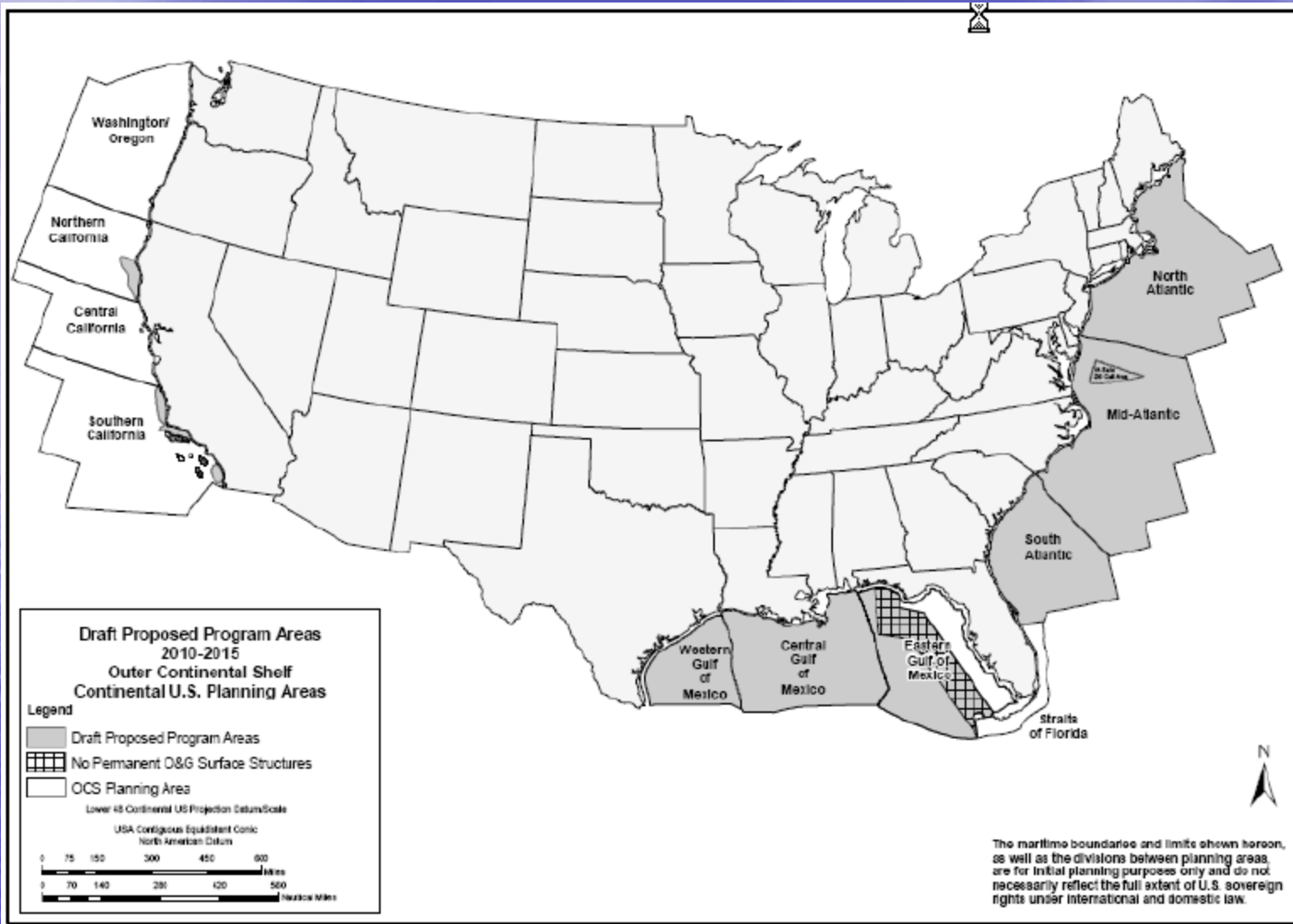


Draft Proposed
5 Year
Lease Program

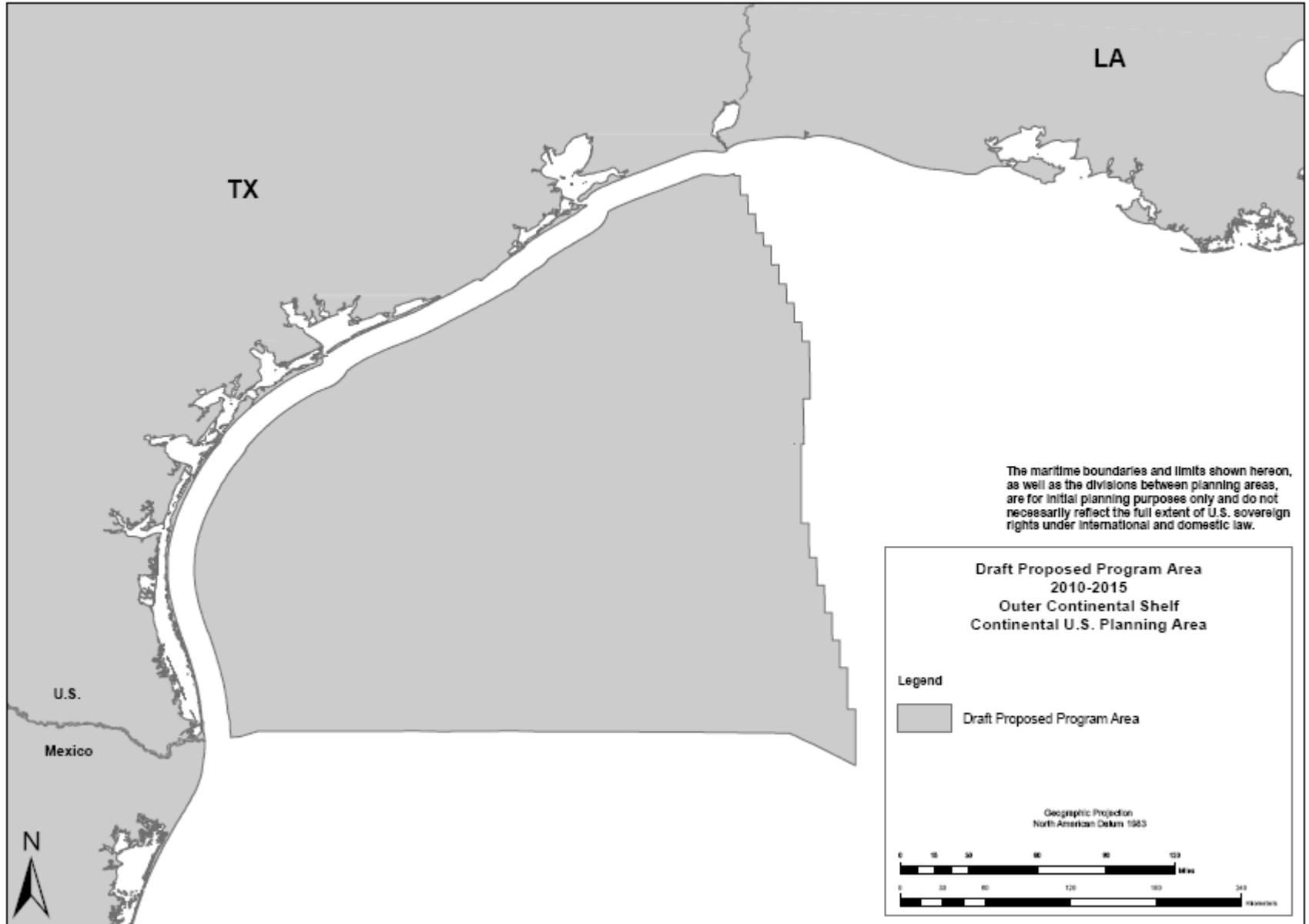
Table A
Draft Proposed Program for 2010-2015—Lease Sale Schedule

Sale No.	Area	Year
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



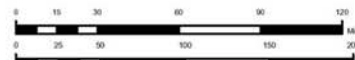
Central Gulf of Mexico Program Area



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

 Draft Proposed Program Area

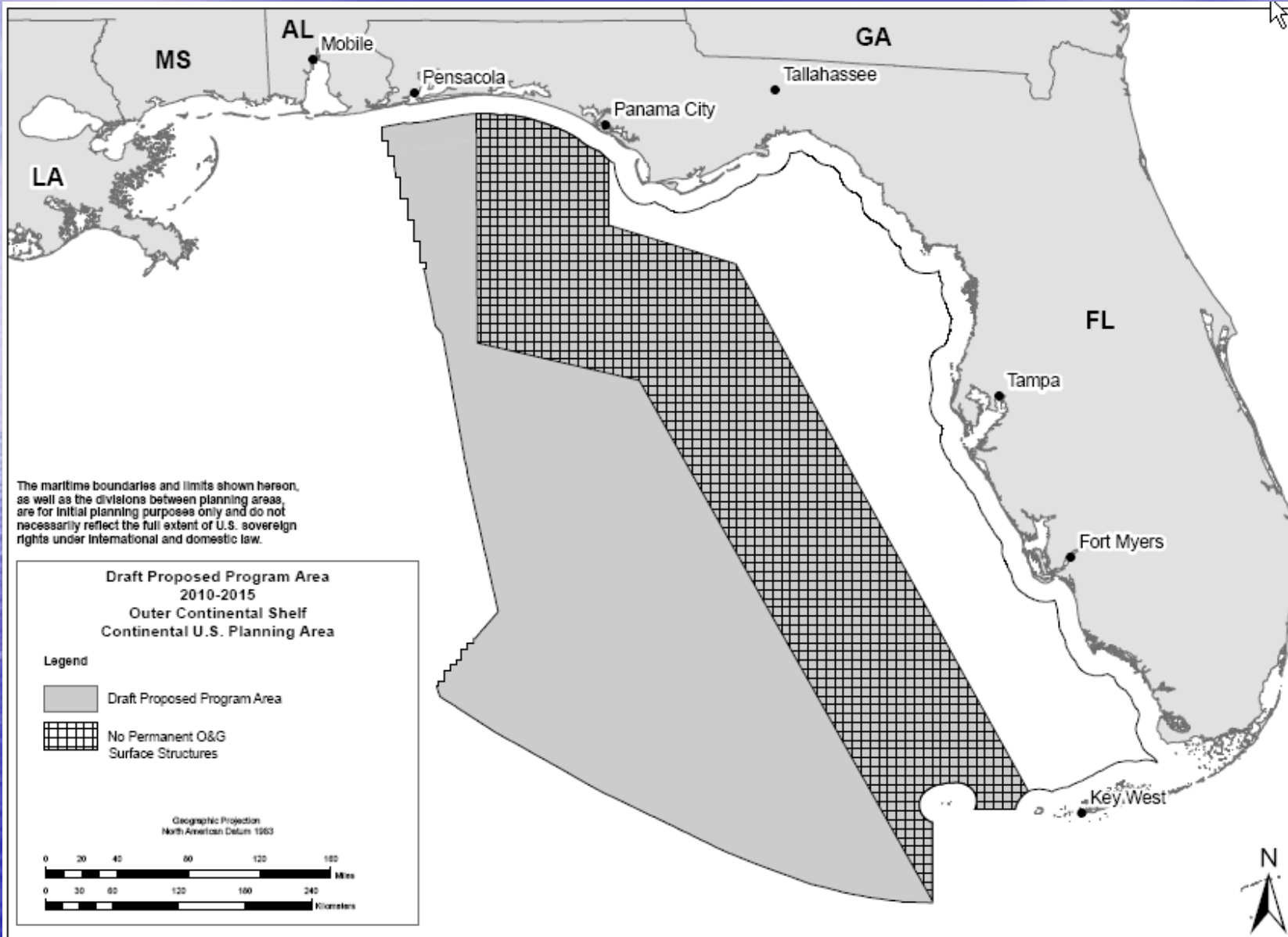
Geographic Projection
North American Datum 1983



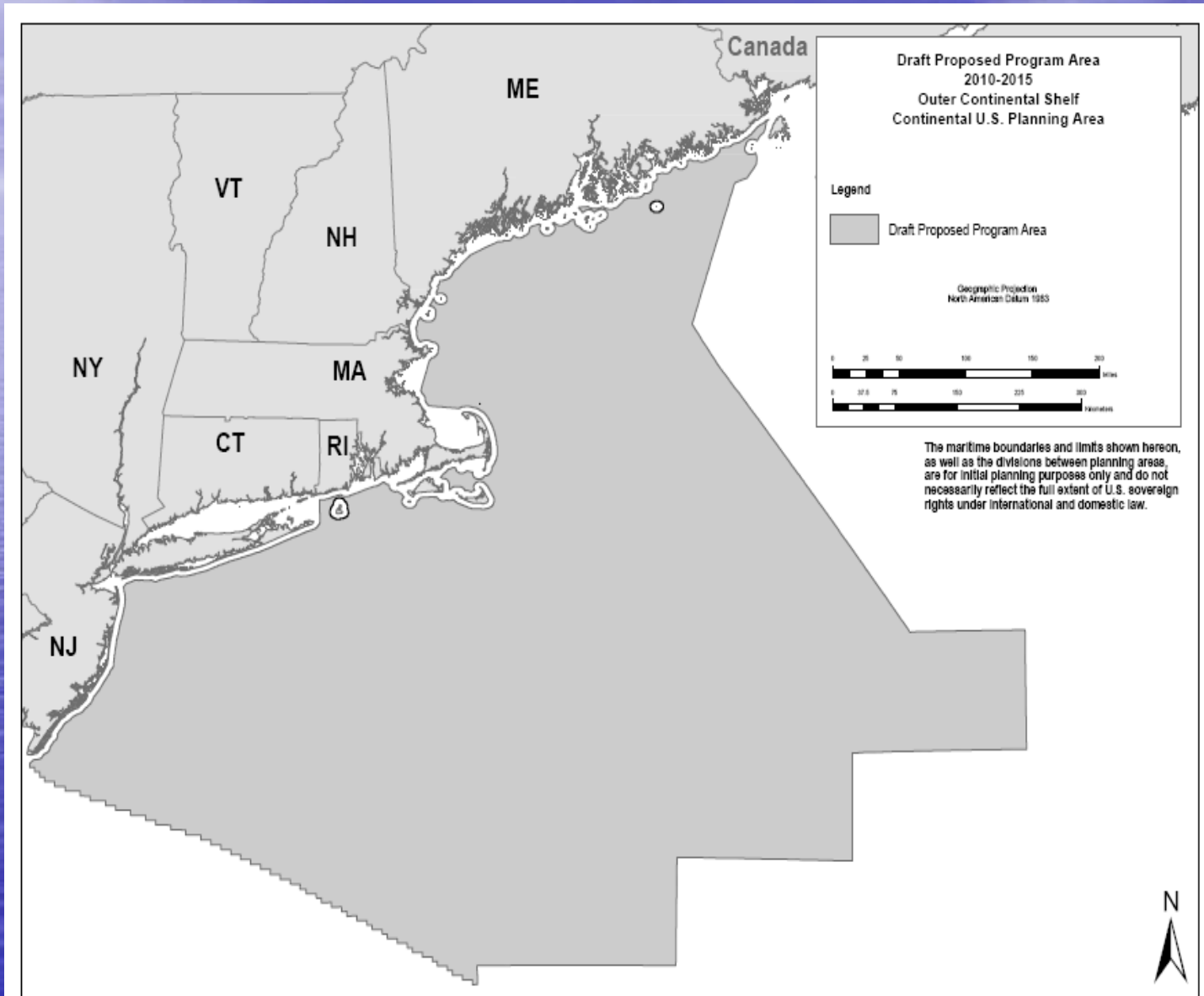
The maritime boundaries and limits shown hereon, as well as the divisions between planning areas, are for initial planning purposes only and do not necessarily reflect the full extent of U.S. sovereign rights under international and domestic law.



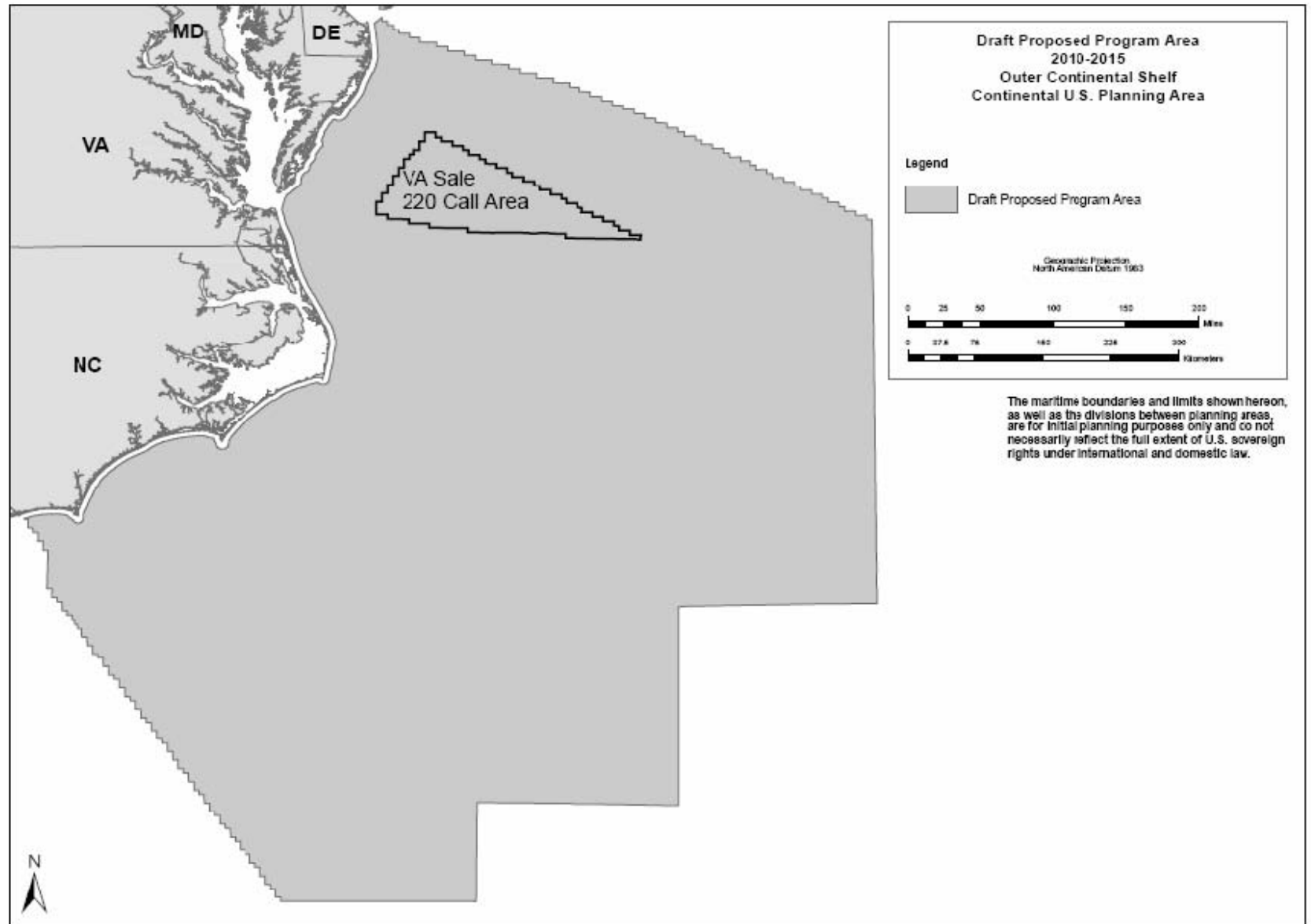
Eastern Gulf of Mexico Program Area



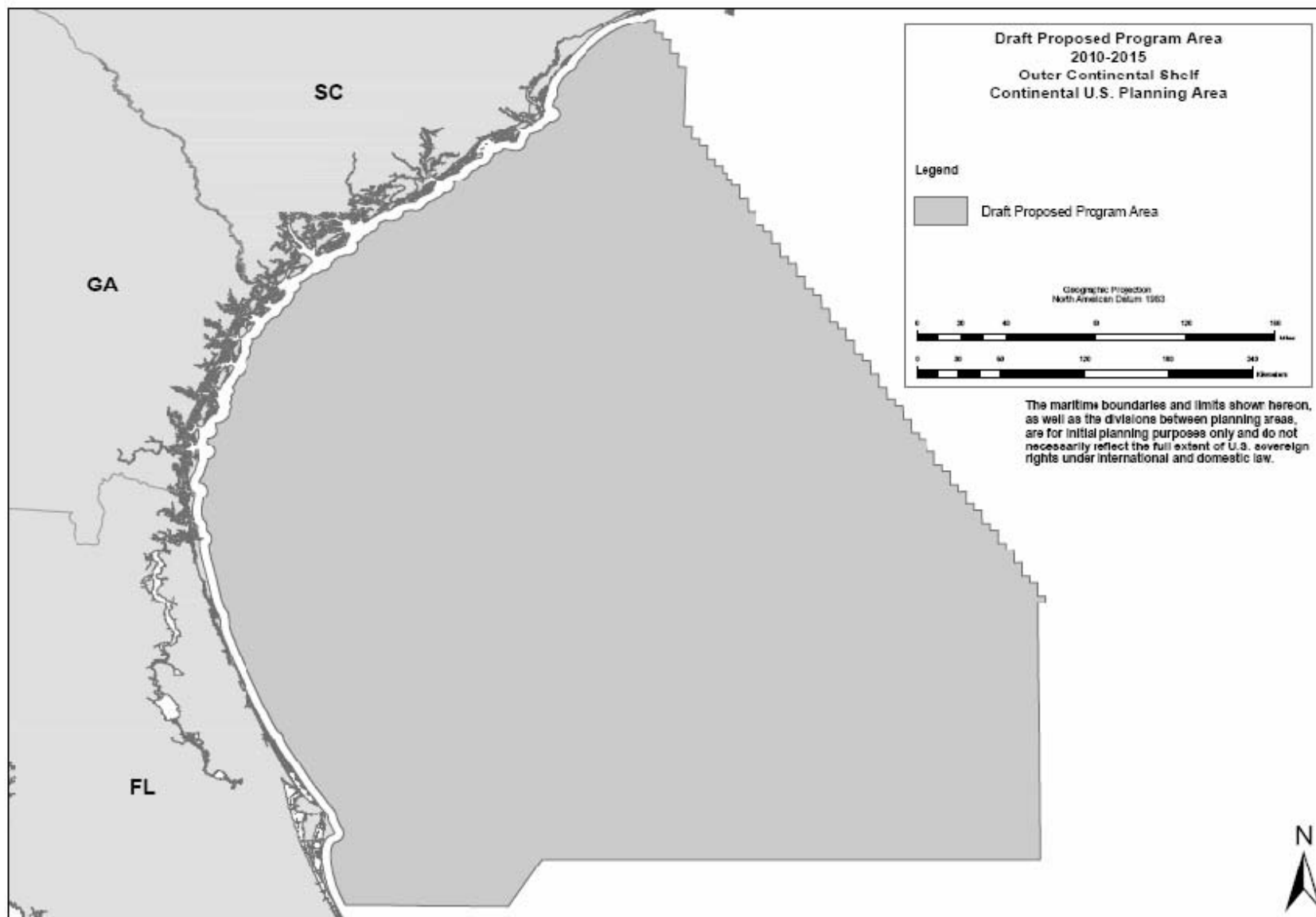
North Atlantic Program Area



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

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

GOM Safety Statistics

	2003	2004	2005	2006	2007	2008	2009
Fatalities	10	3	5	10	4	11	3
Injuries	39	41	54	111	333	318	89
Blowouts	4	4	4	1	7	8	1
Collisions	14	19	19	21	14	22	12
Fires	104	64	78	133	103	138	39
Significant Pollution	11	22	4	11	2	5	3

TIMS data as of 05/03/09

GOM Region Production

	2004	2005	2006	2007	2008
Warning INCs	1652	1272	1140	1153	777
Component SI INCs	1360	1036	1157	1048	740
Facility SI INCs	81	81	95	91	79
Total INCs	3093	2389	2392	2449	1596
Components Inspected	58694	54926	47144	47206	51830
INC/Component Ratio	.05	.04	.05	.05	.03

GOM Region Drilling

	2004	2005	2006	2007	2008
Warning INCs	79	94	124	95	48
Component SI INCs	15	26	80	30	17
Facility SI INCs	25	33	40	30	7
Total INCs	119	153	244	155	72
Rig Inspections	1278	1292	1183	999	870
INC/Inspection Ratio	.09	.12	.21	.16	.08

Civil Penalty Program

	2004	2005	2006	2007*	2008**
Total Cases	32	28	41	45	23
Paid	27	20	38	37	16
Dismissed	5	8	3	7	1
Total INCs	35	25	88	94	23
Total Collected	\$953K	\$548K	\$2.5MM	\$3.1MM	\$529K
Assessment Amount (Avg \$/INC/day)	\$11,190	\$11,460	\$10,710	\$20472^	\$12,706

* One case pending ** Six cases pending

^ CPI adjustment 3/2007

Top Five INCs Which Resulted in a Civil Penalty Case

2004	2005	2006	2007	2008
P103 (15)	P103 (11)	P103 (21)	P103 (24)	G111 (8)
G110 (3)	G110 (5)	G110 (10)	G112 (14)	P103 (6)
G111 (2)	G112 (1)	P307 (10)	G110 (9)	G112 (4)
P130 (2)	G111 (1)	P308 (10)	E103 (4)	P280 (2)
P283 (2)	E102 (1)	P301 (6)	E100 (4)	G110 (1)

Civil Penalty INCs

- P103 – Bypassed Safety Device
- P130 – Operable Firefighting System
- P283 – Tubing Plug Inspection & Test
- P307 – SSV Inspection & Test
- P308 – FSV Test
- P301 – PSH Test
- E103 – Automatic Sump System
- E100 – Pollution Prevention & Reporting
- E102 – Curbs, Gutters, & Drip Pans

Lifting Incidents

- Since 1995
 - 24 fatalities from lifting operations
 - 269 workers injured during lifting operations
 - Lifting incidents account for approximately 20% of all OCS fatalities and injuries.
- MMS letter dated April 27, 2009 to API, OOC, and IADC requesting feedback
- MMS conducts blitz inspections May 2009

Crane Blitz Results

- Conducted in both Houma (May 11-15) and Lafayette (May 18-22) Districts
- 16 Operators
 - INC/Comp ratio \geq industry rate of .03
 - 97 Cranes inspected
- 7 INC's issued

Crane Blitz INC's

- I-131 Incorrect load chart (1)
- I-145 Quarterly inspection records not readily available for moderate/heavy usage cranes (2)
- I-116 Non-functioning anti-two block device (1)
- G-150 Holes and corrosion on crane engine exhaust muffler (2)
- G-112 Excess oil accumulation around base of crane pedestal. (1)

Crane Conference

- Encourage participation at the upcoming “API Offshore Safe Lifting Conference” - July 14-15, 2009
 - Accident Investigations – crane and material handling
 - We are providing incident data to OOC for analysis and dissemination at the Safe Lifting Conference.

NTL's for 2009

- Jack-up Drilling Rig Fitness Requirements
 - Added check list – API 95J
 - NTL 2009-G10
- MMS Requirements for Evacuation Statistics
 - Same as last year (a few contact changes)
 - NTL 2009-G12
- GPS Systems for MODU's
 - NTL 2009-G08



Proposed NTL's MMS Gulf of Mexico OCS Region May 3, 2009

- T-128 Policies for Shutting-In Producing Wells During Rig Moves – clarifies that the policies apply to all rig moves, not just drilling rig moves. Will supersede NTL No. 2004-G09.
- T-162 Incidents of Noncompliance – update. Will supersede NTL No. 96-08.
- T-185 Well Naming and Numbering Standards – 5 year review
- T-186 Expiration of Pipeline Right-of-way Grants – clarifies policy. New.
- T-191 Information Requirements for Platform Decommissioning Applications - clarifies policy
- T-200 Structure Assessment Before Moving a Platform Rig – establishes policy
- T-207 Rigs to Reef Proposals – clarifies policy

Proposed NTL's MMS Gulf of Mexico OCS Region May 3, 2009

- T- 208 Decommissioning Platforms on Active and Inactive Leases - clarifies policy
- T-209 Containment Requirements for Bolted or Welded Stock Tanks– five year review
- T-210 Proposed and As-Built Pipeline Location Data– five year review
- T-212 Hydrogen Sulfide (H₂S) Requirements – five year review
- T-213 Temporary Abandonment of Wells and Maintenance, Protection, and Removal of Underwater Casing Stubs – five year review
- T-214 Minimum Interim Requirements for Site Clearance (and Verification) of Abandoned Oil and Gas Structures in the Gulf of Mexico – five year review

Pipeline and Pipeline Right-of-Way Proposed Rule 30 CFR 250 Subpart J

- Proceeding with the rulemaking
- Expect to publish the final rule this fall
- Rule will update the pipeline and right of way requirements
- Rule will address requirements for both DOI and DOT pipelines

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

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

Designation of Operator on Expired Leases

- MMS does not allow changes of operator on an inactive lease. The operator at the time that the lease was last active (the "official lease operator") is the only entity that can file applications for permits to plug and abandon the existing wells and remove any existing platforms or other structures. The official lease operator can do one of three things: 1) file applications for permits and perform the necessary work themselves, 2) file applications for permits and allow another party to perform the necessary work on a contract basis, or 3) designate another party as a local agent, allow the other party to file applications and permits on their behalf, and allow the other party to perform the necessary work on a contract basis

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**



Thank You
Questions?