



Overview of the Office of Natural Resources Revenue

November 3, 2015

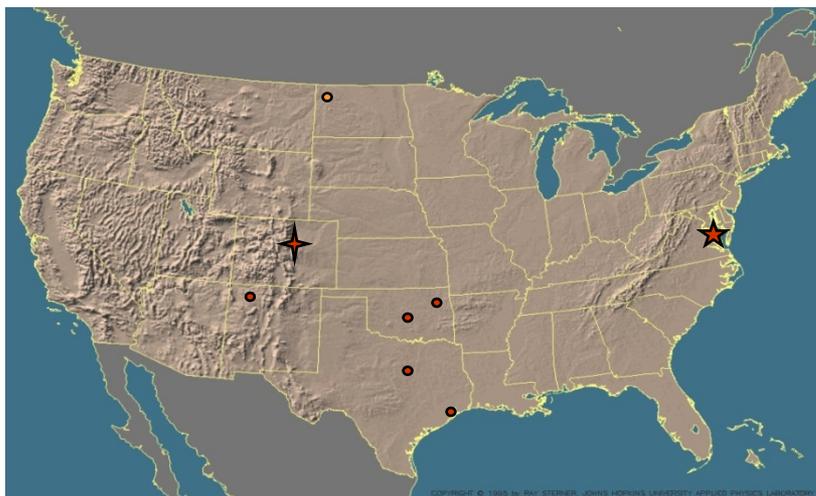




Who We Are

- ◆ Established within the Office of the Secretary under the Assistant Secretary for Policy, Management and Budget on October 1, 2010.
- ◆ **Mission:** To collect, disburse and verify Federal and Indian energy and other natural resource revenues on behalf of all Americans
- ◆ ONRR serves a leadership role in Department-wide collaboration and implementation of key natural resource revenue related initiatives such as the Extractive Industries Transparency Initiative.

- Dallas
- ★ Denver
- Farmington
- Ft. Berthold

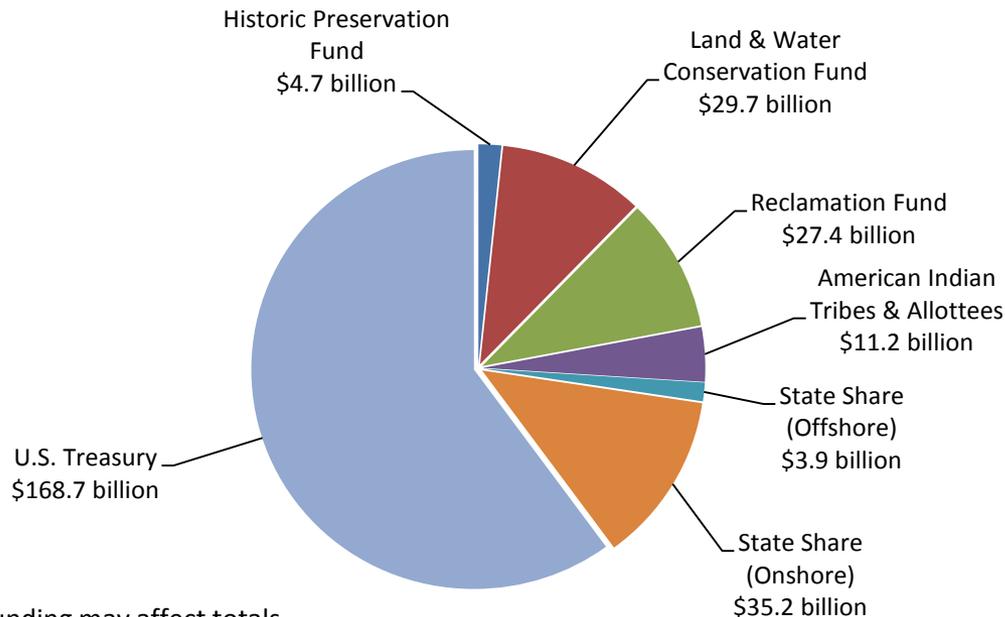


- Houston
- Oklahoma City
- Tulsa
- ★ Washington D.C.



Cumulative Revenue Disbursement \$280.7 Billion

Cumulative Mineral Lease Revenue Disbursement (1982 - 2015)



Note: rounding may affect totals

- Since 1982, ONRR has distributed \$280.7 billion in revenues from onshore and offshore lands to the Nation, states, and American Indians
- ONRR's distribution to the U.S. Treasury is one of the Federal government's greatest sources of non-tax income
- \$9.87 Billion in FY15



Offshore Land and Resource Management

Bureau of Ocean Energy Management (BOEM)

Responsible for the sustainable development of the Outer Continental Shelf's conventional and renewable energy resources, including resource evaluation, planning, and other activities related to leasing

Bureau of Safety and Environmental Enforcement (BSEE)

Responsible for ensuring comprehensive oversight, safety, and environmental protection in all offshore energy activities





Onshore Land and Resource Management

Bureau of Land Management (BLM)

Responsible for onshore leasing and related functions such as drilling permits, production verification, diligence, onsite inspections, and enforcement

Bureau of Indian Affairs (BIA)

Responsible for oversight of mineral leases on Indian lands, onsite compliance, resource appraisal, conducts oil and gas lease sales, and approves easements on trust lands

Office of the Special Trustee for American Indians (OST)

Responsible for making royalty payments to individual Indian mineral owners based on availability of funds from ONRR and ownership information from BIA





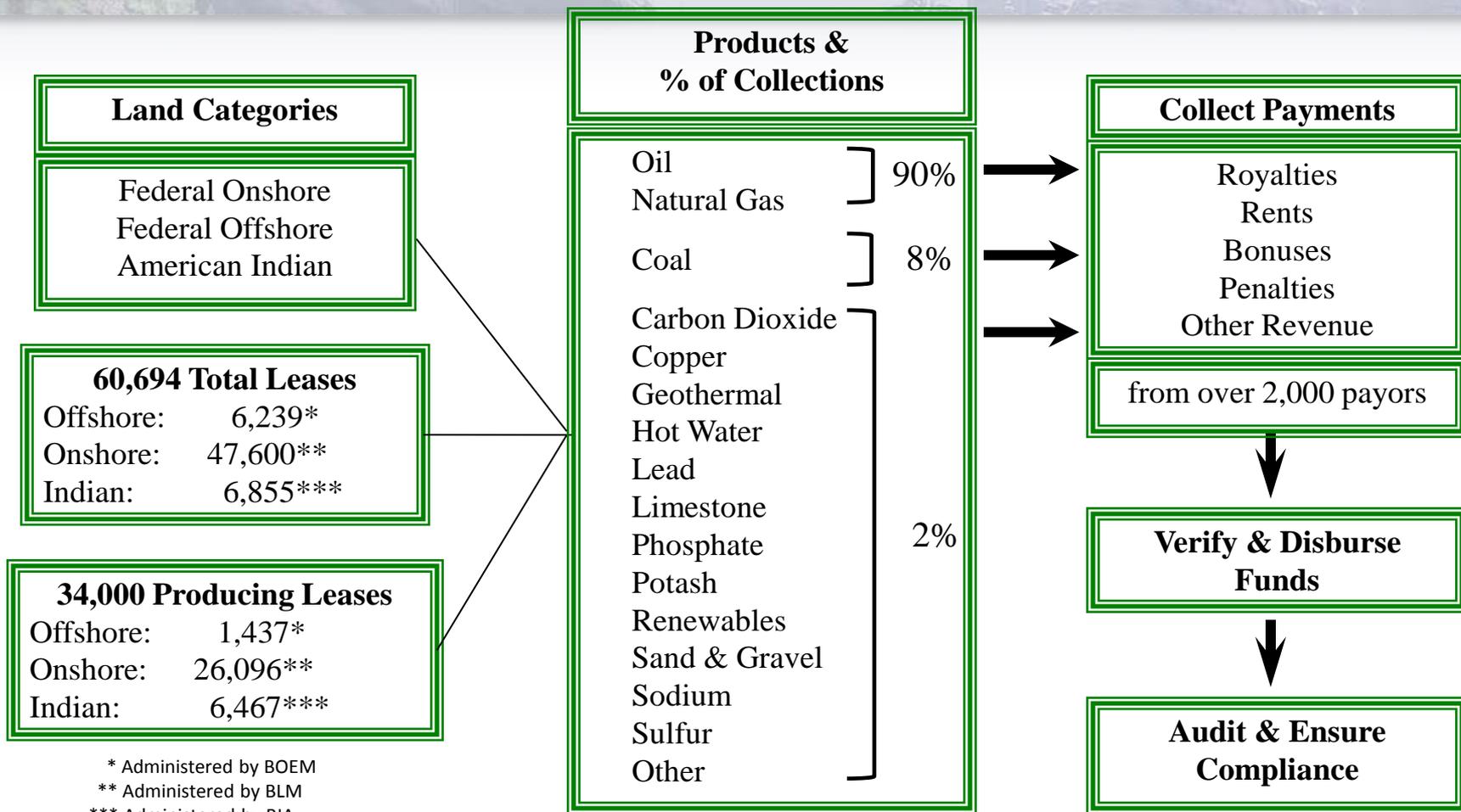
Leasing Federal and Indian Lands for Mineral Development

- A Federal and Indian mineral lease grants to the “lessee” the exclusive right to explore for and develop the leased mineral resources
- Lessee must timely explore for and develop the lease during the primary term of the lease and pay annual rent
- Once a discovery is made and production of the mineral resource occurs, the lessee must pay a monthly production royalty (unless royalty relief applies)
- The lease remains in effect until the lessee ceases production or returns the lease





Mineral Leases as of 1/7/2015¹



¹ONRR maintains lease data for the sole purpose of collecting, verifying and disbursing mineral revenues. For official lease data, please refer to the DOI leasing agencies.



Federal Oil and Gas Lease Revenue Payments

- **Bonus:**
 - Cash consideration paid to government by the successful bidder
 - Paid prior to obtaining a lease
- **Rent (Non-producing leases):**
 - Annual rental payment due at beginning of each year until lease becomes producible
 - Annual rental rates -- \$1.50 to \$44.00 per acre for Federal onshore and Federal Outer Continental Shelf (OCS) lands
- **Royalty (Producing leases):**
 - Royalty payment due monthly.
 - Calculated as a percentage of the amount or value of production saved, removed or sold from the lease.
 - Onshore Federal lands – standard royalty rate of 12.5%
 - Outer Continental Shelf (OCS) Federal lands
 - Standard rate – 18.75% (all new leases in the Gulf of Mexico beginning in 2008)
 - Frontier areas – 12.5% (e.g. Alaska)



How are Federal oil and gas royalties calculated?

$$\text{Royalty (\$\$)} = \text{Sales Volume} \times \text{Price} \times \text{Royalty Rate}$$

$$(\text{Price} = \text{Gross Sales Value} - \text{Transportation} - \text{Processing Costs})$$

Example:

Sales Volume = 100 bbls

Price = \$70.00

Transportation = \$1.00

Royalty Rate = .125*

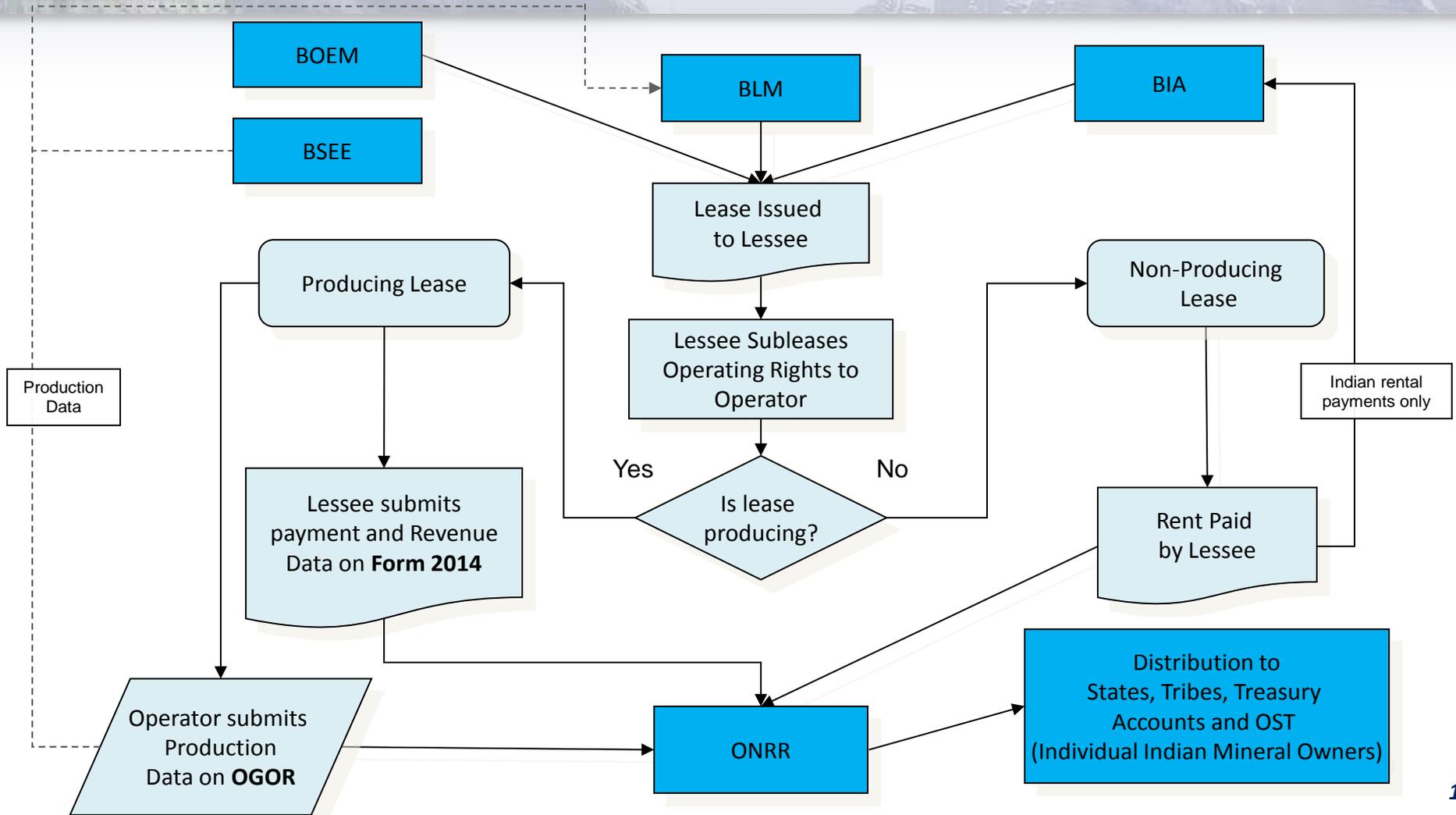
*The most common royalty rate is 12.5 %



$$\text{Royalty due the Federal Government} = 100 \times (\$70.00 - \$1.00) \times .125 = \$862.50$$



Leasing Information Flow



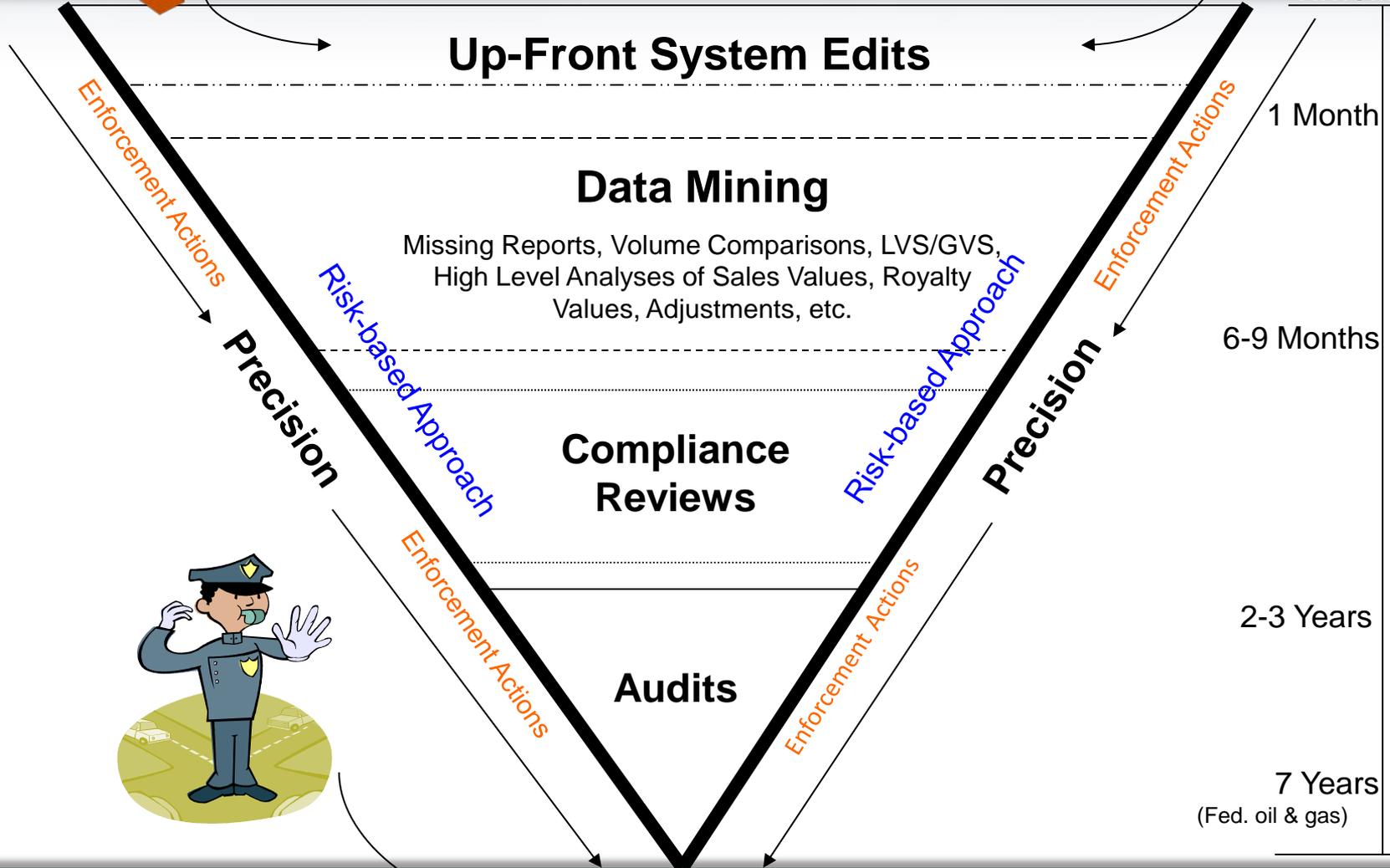


Data Accuracy Efforts

2014S

OGORS

Timeline





Financial and Production Management (FPM)

Financial Management

- Collect, verify, distribute all rent, royalties and bonuses
- Receive, process and verify industry-submitted royalty reports
- Perform Data Mining functions



Production Reporting & Verification

- Receive, process and verify industry-submitted production reports
- Error correction for all Federal and Indian production
- Oversee meter inspections for production verification



Audit and Compliance Management (ACM)

All audits performed according to Generally Accepted Government Auditing Standards

A 3-year cycle to review and/or audit revenues was established

Compliance reviews are an analysis that determines the reasonableness of reported revenues

Properties and companies are selected for review or audit using a risk assessment across the entire universe of properties and companies



Audit and Compliance ensures that Federal and Indian mineral revenues are accurately reported and paid



Coordination, Enforcement, Valuation, and Appeals (CEVA)

Enforcement and Appeals:

- Alternative Dispute Resolution
- Litigation
- Enforcement Operations
- Royalty Appeals Processing



Asset Valuation:

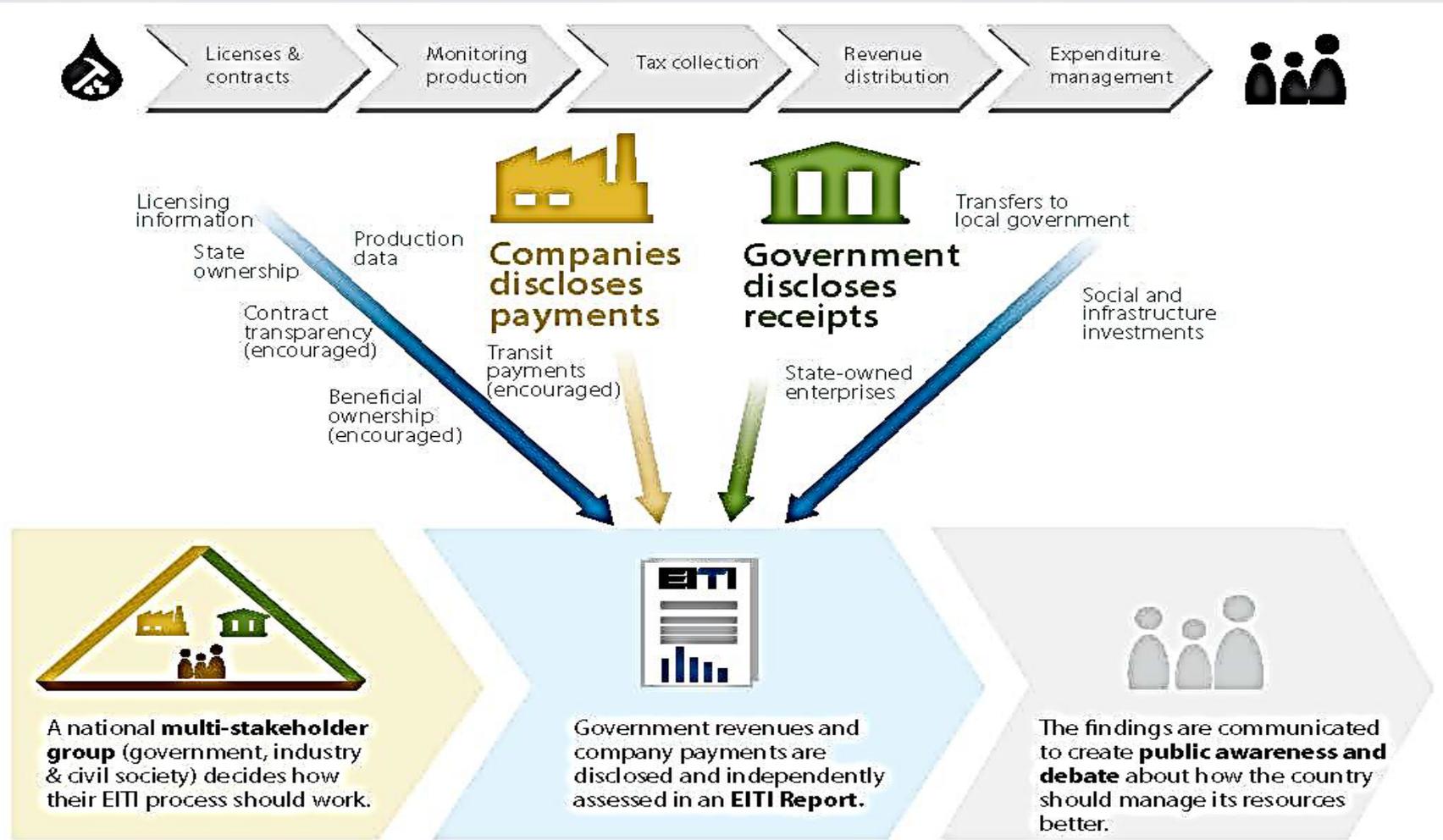
- Issue valuation guidance and determinations
- Review and respond to transportation and processing allowance requests
- Draft and publish valuation rulemakings

State and Indian Coordination:

- Advocate for the fulfillment of ONRR trust responsibility
- Focal point for Indian mineral issues and contact with the Indian community, Indian mineral owners, and involved state and federal agencies



The Extractive Industries Transparency Initiative (EITI)





USEITI Implementation



The Report will include data on oil, gas, coal, other leasable minerals, non-fuel minerals, geothermal, solar, and wind.

It will include revenues from rents, royalties, bonuses, fees & taxes.

A third party will reconcile DOI receipts with company payments (for companies that meet a certain threshold).

The Report will provide contextual background information about the US extractive industry.



State and tribal governments will be able to "opt in" to USEITI

DOI will unilaterally disclose *all* reported revenues to the extent allowable by law.



The USEITI Data Portal



Home About This Site U.S. Natural Resource Sectors Data (by company, location...) Documentation Search related resources...

Natural Resource Revenues

from U.S. Federal Lands

The U.S. earns revenue on natural resources extracted from its Federal lands, both onshore and offshore. This is a major source of revenue for both the country and local municipalities.

Learn about U.S. natural resource sectors, how resources become revenues, and where the money goes. Go on, scroll down.

Federal resource royalties by sector

Revenues from the sale of natural resources on Federal lands totaled **\$127.4 billion** between 2003 and 2013.

These revenues are made up of:

- royalties[?] of \$98.8 billion,
- bonuses[?] of \$24.8 billion,
- rents[?] of \$3.2 billion, and
- other revenues[?] of \$684 million.

Explore resource royalties by sector on the right, or read more about U.S. natural

resources such as oil, natural gas, geothermal energy. [more >>](#)

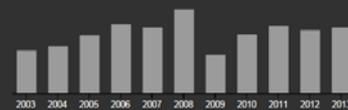
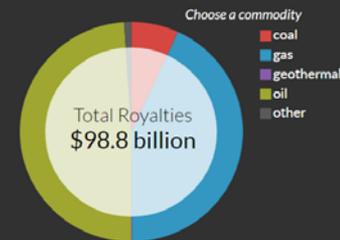
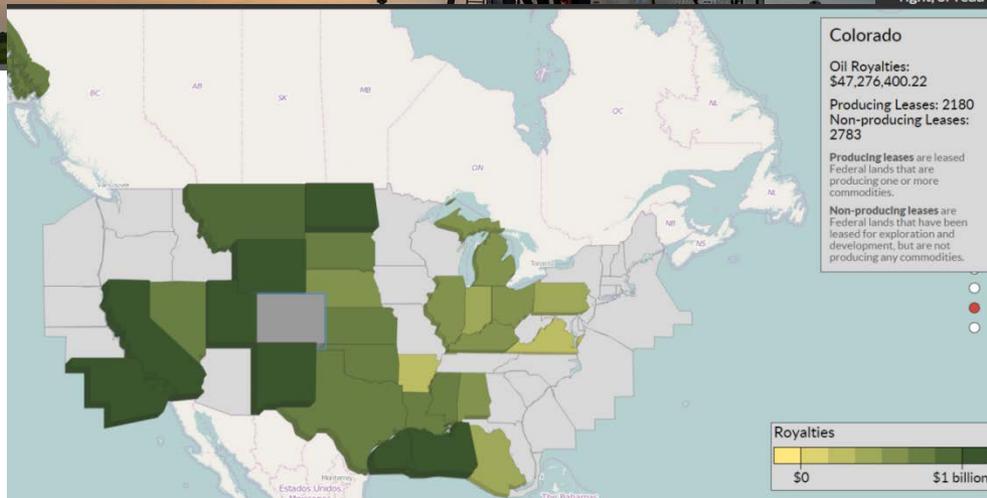


Chart notes.

Calendar year 2003 - 2013 data. Chart data available here.

Categories: coal[?], gas[?], geothermal[?], oil[?], other[?].



useiti.doi.gov



Contact Information

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Appendix A: Statutory Authority

- Authority to collect and manage mineral lease revenues:
 - Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA)
 - Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (RSFA)

- Statutes relevant to onshore leases:
 - Leasing of Allotted Lands for Mining Purposes, Act of March 3, 1909
 - Mineral Leasing Act of 1920 (MLA)
 - Indian Mineral Leasing Act of 1938
 - Geothermal Steam Act of 1979
 - Indian Mineral Development Act of 1982

- Statutes relevant to offshore leases:
 - Outer Continental Shelf Lands Act of 1953 (OCSLA)
 - Deepwater Royalty Relief Act of 1995 (DWRRA)
 - Energy Policy Act of 2005 (EPAAct)
 - Gulf of Mexico Energy Security Act of 2006 (GOMESA)





Appendix B: Revenue Sharing Provisions

Onshore Federal Leases

- **Mineral Leasing Act** – provides that states receive 50% of revenues resulting from the leasing of mineral resources on federal public domain lands within their borders

Offshore Federal Leases

- **Outer Continental Shelf Lands Act (OCSLA)** – provides that coastal states receive 27% of revenues collected from leases within the 8(g) zone, which is approximately three nautical miles seaward of the State/Federal boundary
- **Gulf of Mexico Energy Security Act (GOMESA)** – provides that 37.5% of qualified revenues are shared among four States and their coastal political subdivisions. And, 12.5% of revenues are allocated to the Land and Water Conservation Fund

Onshore Indian Leases

- 100% of all revenues are disbursed to the Tribe or individual Indian mineral owners