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.
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
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 1/7/2015

**60,694 Total Leases**
- Offshore: 6,239*
- Onshore: 47,600**
- Indian: 6,855***

**34,000 Producing Leases**
- Offshore: 1,437*
- Onshore: 26,096**
- Indian: 6,467***

**Products & % of Collections**
- Oil 90%
- Natural Gas 8%
- Coal 8%
- Carbon Dioxide 2%
- Copper 2%
- Geothermal 2%
- Hot Water 2%
- Lead 2%
- Limestone 2%
- Phosphate 2%
- Potash 2%
- Renewables 2%
- Sand & Gravel 2%
- Sodium 2%
- Sulfur 2%
- Other 2%

**Collect Payments**
- Royalties
- Rents
- Bonuses
- Penalties
- Other Revenue

**Verify & Disburse Funds**

**Audit & Ensure Compliance**

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* Administered by BOEM
** Administered by BLM
*** Administered by BIA

ONRR 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?

**Royalty ($$) = Sales Volume X Price X Royalty Rate**

(Price = Gross Sales Value – Transportation – Processing Costs)

**Example:**

Sales Volume = 100 bbls  
Price = $70.00  
Transportation = $1.00  
Royalty Rate = .125*

*The most common royalty rate is 12.5 %

Royalty due the Federal Government = 100 x ($70.00 - $1.00) x .125 = $862.50
Leasing Information Flow

- **BOEM**
  - Producing Lease
    - Lessee submits payment and Revenue Data on **Form 2014**
    - Yes: Lessee submits payment and Revenue Data on **Form 2014**
      - Operator submits Production Data on **OGOR**
      - Yes: Operator submits Production Data on **OGOR**
    - No: Is lease producing?
      - Yes: Distribution to States, Tribes, Treasury Accounts and OST (Individual Indian Mineral Owners)
      - No: Non-Producing Lease
        - Rent Paid by Lessee
  - Non-Producing Lease
    - Indian rental payments only
  - BLM
    - Lease Issued to Lessee
      - Lessee Subleases Operating Rights to Operator
        - Yes: Is lease producing?
          - Yes: Distribution to States, Tribes, Treasury Accounts and OST (Individual Indian Mineral Owners)
          - No: Non-Producing Lease
            - Rent Paid by Lessee
        - No: BIA
Data Accuracy Efforts

Up-Front System Edits

Data Mining
Missing Reports, Volume Comparisons, LVS/GVS, High Level Analyses of Sales Values, Royalty Values, Adjustments, etc.

Compliance Reviews

Audits

Timeline
1 Month
6-9 Months
2-3 Years
7 Years (Fed. oil & gas)

Industry Compliance
Accurate Revenues & Data
Professionalism & Integrity
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)

A national multi-stakeholder group (government, industry, and civil society) decides how their EITI process should work.

Companies disclose payments
- Licensing information
  - Licensing contracts
- Production data
  - Production monitoring
- Contract transparency (encouraged)
- Beneficial ownership (encouraged)

Government discloses receipts
- State ownership
- Social and infrastructure investments
- Transfers to local government
- Transit payments (encouraged)
- Beneficial ownership (encouraged)

Government revenues and company payments are disclosed and independently assessed in an EITI Report.

The findings are communicated to create public awareness and debate about how the country should manage its resources better.
State and tribal governments will be able to “opt in” to USEITI.

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

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.

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

DOI will unilaterally disclose all reported revenues to the extent allowable by law.
The USEITI Data Portal

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.>

Colorado

Oil Royalties: 
$47,276,400.22

Producing Leases: 2,180

Non-producing Leases: 2,780

Producing leases are leased Federal lands that are producing one or more commodities.

Non-producing leases are Federal lands that have been leased for exploration and development, but are not producing any commodities.

Royalties

$0

$1 billion

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)
  - 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.