Custodial Activity, Compliance Assessments and Pre-assessment Work in Process:

Management's best estimate of additional custodial revenues that may potentially be collected from compliance assessments and pre-assessment work in process as of September 30, 2013, is $29.8 million. This estimate is comprised of approximately $3.7 million in Audit and Compliance Management (ACM), approximately $24.3 million in state and tribal audit, and approximately $1.8 million in other compliance assessments and pre-assessment work in process.

The amounts disclosed are subject to significant variability upon final resolution of the compliance work, due to numerous factors such as the receipt of additional third party documentation including volume revisions from pipeline or gas plant statements, pricing changes from purchaser statements, revised transportation invoices, interim imbalance statements with retroactive adjustments, ongoing reconciliations, and other information subsequently received.

Oil and Gas Petroleum Royalties

Management of Federal Oil and Gas Resources

The DOI plays an integral part in the implementation of the President's *Blueprint for a Clean and Secure Energy Future*, designed to build a safe, secure energy future by using cleaner, alternative fuels to power our homes and economies, producing more oil and gas at home, and improving energy efficiency. The DOI is responsible for managing the nation's oil and natural gas resources and the mineral revenues on Federal lands, both onshore and on the OCS. This management process can be broken down into six essential analysis components: pre-leasing, post-leasing and pre-production, production and post-production, revenue collection, fund disbursement, and compliance.

Within DOI, four primary bureaus/offices perform these essential management functions.

The BOEM manages access to and exploration and development of the nation's offshore resources. It seeks to appropriately balance economic development, energy independence, and environmental protection through oil and gas leasing exploration and development activities, providing access for renewable energy development, and appropriate environmental reviews and studies to ensure that these activities are in the Nation's best interest.

The BLM manages vast stretches of public lands, including Federal onshore oil and gas leases that make significant contributions to the domestic energy supply. Additionally, BLM works to promote safety, protect the environment, and conserve resources onshore through regulatory oversight and enforcement.

The ONRR is responsible for the management and collection of revenues associated with Federal offshore and onshore mineral leases issued under the *Mineral Leasing Act of 1920* (MLA) and the *Outer Continental Shelf Lands Act of 1953* (OCSLA). The ONRR achieves optimal value by ensuring that all natural resource revenues are efficiently and accurately collected and disbursed to recipients in a timely manner and by performing audit and revenue compliance activities; all in accordance with the *Federal Oil and Gas Royalty Management Act of 1982* (FOGRMA) and 30 CFR Parts 1201-1290.

The BSEE works to promote safety, protect the environment, and conserve resources offshore through vigorous regulatory oversight and enforcement.

Stewardship Policies for Federal Oil and Gas Resources

The DOI's responsibilities as stewards of the physical Federal oil and gas resources begin when BLM and BOEM conduct pre-leasing analysis activities, which include the assessment of oil and gas resources that may be offered for lease. For onshore resources, even before an expression of interest by industry, the procedure to determine whether oil and gas leasing is compatible with other uses of the land begins with a land use planning process. Following the pre-leasing assessment, BLM and BOEM develop plans for offering those resources to developers. Once BLM makes a decision as to which onshore parcels to offer for lease, those parcels are posted publically prior to quarterly competitive lease sales. All onshore parcels are evaluated for resource conflicts. The Secretary implemented Onshore

Leasing Reform to ensure public involvement in all aspects of the leasing process. Since some form of onshore oil and gas leasing has been in effect since the 1920's, the process of determining mineral ownership is more complex than in the OCS. Mineral ownership may be divided jointly by more than one Federal jurisdictional agency, may be fragmented, or in some cases deeds may have shared ownership. In the case of oil and gas development overall, this planning process is designed to consider both the environmental and economic concerns of the nation by providing opportunities for input from the public, the private sector, states, and Congress. The BLM and BOEM conduct public planning processes for each individual lease sale.

Once a sale is completed, BLM and BOEM determine whether bids can be accepted and a lease issued. The BLM must adjudicate all protests to any onshore parcels with winning bids, prior to lease issuance. Once a lease is assigned to a winning bidder, BLM and BOEM begin post-leasing and pre-production activities. These activities include a permitting and approval process for exploration, development, and production activities proposed by the lease operators. The BLM and BSEE staff perform inspections to confirm that activities are conducted in an environmentally and physically safe manner. Similar inspections also occur during the production and post-production activities to help ensure the Federal Government is receiving accurate royalties from production and facilities are decommissioned in a manner that protects the environment.

Once a lease is in place, Federal oil and gas leasing laws, including the MLA, FOGRMA, or the OCSLA, and lease terms determine the Federal Government's share of production from both offshore and onshore operations. Through royalty revenue collection and fund disbursement, ONRR achieves optimal value by ensuring that all revenues from Federal oil and gas leases are efficiently, effectively, and accurately collected, accounted for, and disbursed to states and counties, other federal component entities, and the U.S. Treasury, in accordance with relevant statutory authorities. The ONRR also performs revenue compliance activities to ensure the Federal Government has received fair market value and that companies comply with applicable laws, regulations, and lease terms.

Through this mineral asset management process, DOI serves as the leading mineral asset manager for the Federal Government, the states, and the American people.

Schedule of Estimated Federal Oil and Gas Petroleum Royalties
Asset Present Value as of September 30, 2013
(in thousands)

Offshore[1]	Gulf of Mexico	Pacific[2]				Total
Oil and Lease Condensate	$ 33,329,143	$ 3,110,540				$ 36,439,683
Natural Gas, Wet After Lease Separation	4,199,464	440,941				4,640,405
Total Offshore	**$ 37,528,607**	**$ 3,551,481**				**$ 41,080,088**

Onshore	East Coast (PADD 1)	Midwest (PADD 2)	Gulf Coast (PADD 3)	Rocky Mountain (PADD 4)	West Coast (PADD 5)	Total
Oil and Lease Condensate	$ 494	$ 1,870,969	$ 4,122,449	$ 7,315,612	$ 1,646,984	$ 14,956,508
Natural Gas, Wet After Lease Separation	12,052	276,699	6,638,579	18,537,208	301,452	25,765,990
Total Onshore	**$ 12,546**	**$ 2,147,668**	**$ 10,761,028**	**$ 25,852,820**	**$ 1,948,436**	**$ 40,722,498**

[1]Offshore royalties include Section 8(g) royalties.

[2]Pacific royalties include royalties from Alaska Federal OCS proved reserves.

Onshore Regions are reported consistent with EIA Petroleum Administration for Defense Districts (PADD): (The underlined States have oil/condensate and gas production on Federal lands)

PAD District 1 (East Coast) is composed of the following three subdistricts:

- Subdistrict 1A (New England): Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

- Subdistrict 1B (Central Atlantic): Delaware, District of Columbia, Maryland, New Jersey, New York, Pennsylvania

- Subdistrict 1C (Lower Atlantic): Florida, Georgia, North Carolina, South Carolina, Virginia, West Virginia

PAD District 2 (Midwest): Illinois, Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, Ohio, Oklahoma, Tennessee, Wisconsin

PAD District 3 (Gulf Coast): Alabama, Arkansas, Louisiana, Mississippi, New Mexico, Texas

Total Offshore and Onshore	
Total Oil and Lease Condensate	$ 51,396,191
Total Natural Gas, Wet After Lease Separation	30,406,395
Total Offshore and Onshore	**$ 81,802,586**

PAD District 4 (Rocky Mountain): Colorado, Idaho, Montana, Utah, Wyoming

PAD District 5 (West Coast): Alaska, Arizona, California, Hawaii, Nevada, Oregon, Washington

The above tables present the estimated present value of future Federal royalty receipts on estimated proved reserves as of September 30, 2013. Inputs to these estimates were measured as of this effective date, or were extrapolated to this effective date. The Federal Government's estimated petroleum royalties have as their basis the Department of Energy's Energy Information Administration (DOE/EIA) estimates of proved reserves. The DOE/EIA proved reserves estimates are published annually, covering all Federal areas onshore and offshore. The DOE/EIA provides such estimates directly for Federal offshore areas and were adjusted to extract the Federal subset of onshore proved reserves. Key to these adjustments is the assumption that the Federal portion of each state's onshore proved reserves corresponds to the fraction of production from Federal lands, as compared to total production from the state for calendar year 2011, the most recent published DOE/EIA proved reserves report. The Federal proved reserves were then further adjusted to correspond with this effective date. The DOE/EIA's reserves estimates are effective a full 21 months prior to the effective date of this disclosure. Over this 21-month period, reserves values change with subtractions from production and additions through discoveries. Adjustments were made for each region by assuming that reserves are changing at a constant rate relative to production, and 3-year historical averages of these relationships were applied to interim production to adjust the reserves to this effective date. Production of the reserves was projected over time to simulate schedules of when the oil and natural gas would be estimated to be produced. Each region has characteristics that create unique assumptions that affect these projections, i.e., in a developing region, production rates may be low in comparison to abundant proved reserves, indicating that rates will continue to build for a time before beginning their natural decline.

Future royalties were then estimated from these production streams by applying future price estimates by OMB, and effective royalty rates. The OMB price estimates are 11-year estimates prepared for the mid-session review of the Administration's FY 2014 budget. The nominal price estimates are based on futures contract averages. Beyond the 11-year OMB forecasts, the prices in the projections are assumed to continue at the constant rates established in the last years of the OMB forecast. Those growth rates are 1.9 percent per year for oil and 5.5 percent per year for gas. Unique gas price projections were calculated for each region based on the proportion of gas related revenue received over the last 3 years from wet gas royalties, dry gas royalties, and NGL royalties. Assuming that this 3-year average proportional relationship continues, gas prices were adjusted to account for the proportional relative values of each of these gas related products. This method is assumed to capture the value of royalties from the 3 gas related products from the single wet gas production stream, reported together as 'Natural Gas, Wet After Lease Separation' to most accurately reflect the actual wellhead volumes of unprocessed gas at the lease. Effective royalty rates are also unique for each region and are based on the assumption that the royalty relationships established in the prior 3-year average will remain. Effective royalty rates were calculated by dividing the region's last 3 years royalties by the sales values resulting in the fraction of sales value actually received as royalties. This method automatically accounts for transportation allowances and allowable deductions on regional bases that reduce the nominal royalty rates to the effective rates, and also implicitly convert the market based prices from OMB to First Purchase Prices for oil and Wellhead Prices for gas. The present value of these royalties was then estimated by discounting the revenue stream back to the effective date at a public discount rate assumed to be equal to the OMB's estimates of future 30-Year Treasury Bill rates. The OMB rates are 11-year estimates prepared for the mid-session review of the Administration's 2014 budget. The rates begin at 3.13 percent for FY 2013 and rise to 5.35 percent for FY 2022 and 2023. The rates were assumed to remain at 5.35 percent beyond FY 2013, as regional production estimates vary in amount by year and may last longer or shorter than the 30-year maturity period. The 30-year Treasury Bill rates were chosen because this maturity life most closely approximates the productive lives of the proved reserves estimates, and therefore, the Government's "cost of capital" for investments with this length of maturity.

Schedule of Estimated Federal Oil and Gas Petroleum Royalties to be Distributed to Others as of September 30, 2013 *(in thousands)*	
	FY 2013
Other Federal Bureaus and Agencies	
Department of the Treasury	$ 44,741,844
Interior - Reclamation Fund	15,204,930
Other Federal Bureaus and Agencies	2,161,281
States and Others	19,694,531
Total Estimated Petroleum Royalties to be Distributed to Others	**$ 81,802,586**

The above table presents an estimate of Federal oil and gas petroleum royalties (proved reserves) to be distributed to others, based upon the average annual share of Federal royalties distributed to others over the preceding 12 months.

Revenue Reported by Category Fiscal Year 2013 *(in thousands)*			
	Federal Offshore	**Federal Onshore**	**Total**
Royalties from Oil and Lease Condensate	$ 5,320,145	$ 1,425,388	$ 6,745,533
Accrual Adjustment - Oil and Lease Condensate	75,724	24,766	100,490
Royalties from Natural Gas	659,411	1,263,856	1,923,267
Accrual Adjustment - Natural Gas	14,641	25,201	39,842
Subtotal	$ 6,069,921	$ 2,739,211	$ 8,809,132
Rent	225,964	53,427	279,391
Bonus Bid	2,301,845	207,377	2,509,222
Subtotal	$ 2,527,809	$ 260,804	$ 2,788,613
Total	**$ 8,597,730**	**$ 3,000,015**	**$ 11,597,745**

The above table of revenue reported by category presents royalty revenue reported to DOI in FY 2013 for oil and lease condensate, and for natural gas, as well as rent revenue and bonus bid revenue by offshore and onshore leases. The revenue accrual adjustments represent activity for current month production for which reporting of volumes and categories occurs in the months following production; and for royalty payments that have been received but have not been matched with related royalty reports, and therefore are not yet associated to volumes or categories. Amounts include oil and gas revenue only, and do not include revenue reported in the financial statements for other commodities.

Rent is defined as annual payments, normally a fixed dollar amount per acre, required to preserve the rights to a lease while the lease is not in production. A rent schedule is established at the time a lease is issued. Bonus Bid is defined as cash consideration paid to the United States by the successful bidder for a mineral lease, awarded through a competitive bidding process. The payment is made in addition to the rent and royalty obligations specified in the lease.

Estimated Petroleum Royalties (Proved Reserves)
End of Fiscal Year 2013
(in thousands)

Oil and Lease Condensate (Bbl)					
Federal Offshore		**Quantity (in thousands)**		**Average Purchase Price ($)[1]**	**Average Royalty Rate (%)**
Gulf of Mexico[2]	$	4,092,794	$	106.41	13.65%
Pacific (including Alaska Federal OCS)		319,336		96.02	16.95%
Subtotal Federal Offshore	$	4,412,130			
Federal Onshore					
East Coast (PADD 1)		71	$	93.01	12.50%
Midwest (PADD 2)		258,227		90.05	12.32%
Gulf Coast (PADD 3)		531,419		89.71	12.28%
Rocky Mountain (PADD 4)		961,890		85.91	12.03%
West Coast (PADD 5)		232,771		103.28	11.64%
Subtotal Federal Onshore	$	1,984,378			
Total	**$**	**6,396,508**			

Natural Gas, Wet After Lease Separation (Mcf)					
Federal Offshore		**Quantity (in thousands)**		**Average Purchase Price ($)[1]**	**Average Royalty Rate (%)**
Gulf of Mexico[2]	$	7,754,245	$	4.12	13.65%
Pacific (Alaska Federal OCS has no proved gas reserves)		689,079		4.46	14.80%
Subtotal Federal Offshore	$	8,443,324			
Federal Onshore					
East Coast (PADD 1)		26,522	$	3.52	11.09%
Midwest (PADD 2)		575,065		4.42	12.05%
Gulf Coast (PADD 3)		13,820,319		3.94	10.94%
Rocky Mountain (PADD 4)		42,575,415		3.93	10.11%
West Coast (PADD 5)		566,188		4.75	12.46%
Subtotal Federal Onshore	$	57,563,509			
Total	**$**	**66,006,833**			

The tables above provide the estimated quantity, regional average purchase price, and regional average royalty rate by category of estimated Federal proved reserves at the end of FY 2013. The prices and royalty rates are based upon historical averages, include estimates, exclude prior period adjustments, and are affected by such factors as accounting adjustments and transportation allowances, resulting in effective royalty rates. Prices are valued at the lease rather than at the market center, and differ from those used to compute the asset estimated present values, which are forecasted and discounted based upon OMB economic assumptions.

[1]Average Purchase Price ($) represents the average of the regional average, and is generally defined for oil as the First Purchase Price which is the actual amount paid by the first purchaser for crude oil as it leaves the lease on which it was produced. For natural gas it is generally defined as the Wellhead Price which is the value of the purchased natural gas at the mouth of the well for unprocessed gas or for processed gas an imputed wellhead price based on the residue gas and natural gas liquid volumes and values.

[2]Gulf of Mexico proved reserves are royalty bearing volumes. In the Gulf of Mexico, an additional 964,803 Mbbl of proved oil reserves and 1,798,247 MMcf of proved gas reserves are not reflected in these totals as they are estimated to be producible royalty free under various royalty relief provisions. The net present value of the royalty value of the royalty free proved reserves volumes in the Federal Gulf of Mexico is estimated to be $8,780,532,470.

Federal Regional Oil and Gas Information
FY 2013
(in thousands)

Oil and Lease Condensate Information

Offshore

Region	Sales Volume (Bbl)		Sales Value ($)		Royalty Revenue Earned ($)		Estimated Value for Royalty Relief ($)
Gulf of Mexico	$	347,097	$	36,695,389	$	5,028,720	$ 1,324,592
Pacific		18,356		1,732,619		291,425	0
Totals		**365,453**	**$**	**38,428,008**	**$**	**5,320,145**	**$ 1,324,592**

Natural Gas Information

Offshore

Region	Sales Volume (Mcf)		Sales Value ($)		Royalty Revenue Earned ($)		Estimated Value for Royalty Relief ($)
Gulf of Mexico	$	1,165,662	$	4,698,539	$	652,289	$ 147,633
Pacific		12,799		54,490		7,122	0
Totals		**1,178,461**	**$**	**4,753,029**	**$**	**659,411**	**$ 147,633**

Oil and Lease Condensate Information

Onshore

Region	Sales Volume (Bbl)		Sales Value ($)		Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)
East Coast (PADD 1)	1	$	123	$	15	$ 0
Midwest (PADD 2)	17,196		1,460,256		179,334	0
Gulf Coast (PADD 3)	50,316		4,359,007		535,297	0
Rocky Mountain (PADD 4)	52,278		4,284,872		515,927	0
West Coast (PADD 5)	16,303		1,672,692		194,815	0
Totals	**136,094**	**$**	**11,776,950**	**$**	**1,425,388**	**0**

Natural Gas Information

Onshore

Region	Sales Volume (Mcf)		Sales Value ($)		Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)
East Coast (PADD 1)	474	$	1,692	$	194	$ 0
Midwest (PADD 2)	34,999		151,358		19,202	0
Gulf Coast (PADD 3)	954,186		3,754,451		422,216	0
Rocky Mountain (PADD 4)	2,131,679		8,763,380		809,525	0
West Coast (PADD 5)	21,788		102,371		12,719	0
Totals	**3,143,126**	**$**	**12,773,252**	**$**	**1,263,856**	**0**

Federal Regional Oil and Gas Information
FY 2013 (Continued)
(in thousands)

Oil and Lease Condensate Information

Offshore and Onshore

	Sales Volume (Bbl)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)
Totals	**501,547**	**$ 50,204,958**	**$ 6,745,533**	**$ 1,324,592**

Natural Gas Information

Offshore and Onshore

	Sales Volume (Mcf)	Sales Value ($)	Royalty Revenue Earned ($)	Estimated Value for Royalty Relief ($)
Totals	**4,321,587**	**$ 17,526,281**	**$ 1,923,267**	**$ 147,633**

The above tables of Federal regional oil and gas sales information reflect reported sales volume, sales value, royalty revenue, and estimated value for royalty relief for FY 2013.

Sales volume represents the quantity of a mineral commodity sold during the reporting period. Sales value represents the dollar value of the mineral commodity sold during the reporting period. Royalty revenue earned represents a stated share or percentage of the value of the mineral commodity produced.

Royalty relief is the reduction, modification, or elimination of any royalty payment due, to promote development, increase production, or encourage production of marginal resources on certain leases or categories of leases. The value for royalty relief is based upon amounts reported to ONRR in accordance with royalty reporting requirements, less estimated transportation costs.

The sales volume, sales value, royalty revenue earned, and the value for royalty relief are presented on a regional basis, and include adjustments and estimates. The information is presented on a regional basis to provide users of the financial statements with the regional variances in oil and gas activity for decision-making purposes, and to reflect the estimated amount of royalty relief granted in the fiscal year.

Other Significant Federal Oil and Gas Resources

In 2013* BOEM estimates the remaining resource endowment of the Federal OCS to be 188 billion barrels of oil equivalent (BBOE). Of these resources, 18 percent (33 BBOE) are reserves in OCS areas currently available for leasing and/or development. The remaining 82 percent (155 BBOE) are Undiscovered Technically Recoverable Resources (UTRR) defined as oil and gas that may be produced as a consequence of natural pressure, artificial lift, pressure maintenance, or other secondary recovery methods, but without any consideration of economic viability. The UTRR are primarily located outside of known fields. Of these 155 BBOE of UTRR, 36 BBOE are located in Pacific, Atlantic, Alaska, and Eastern Gulf of Mexico OCS areas currently not being considered for leasing.

In 2013 BLM estimates the remaining undiscovered resource endowment of Federal Onshore Mineral Estate to be 52 billion barrels of oil equivalent (BBOE). Of these resources, 40 percent are currently available for leasing and/or development. The remaining 60 percent (31.2 BBOE) are undiscovered technically recoverable resources (UTRR) defined as oil and gas that may be produced as a consequence of natural pressure, artificial lift, pressure maintenance, or other secondary or tertiary recovery methods, but without any consideration of economic viability. The coastal plain of the Arctic National Wildlife Refuge in Alaska contains about 16 BBOE of UTRR that are presently off limits to leasing and development due to an existing Congressional legislative mandate. In addition, the Naval Petroleum Reserve-Alaska contains at least 6 BBOE. Many of the UTRR onshore oil reserves are associated with shale oil resources contained within PADDs II, III and IV that includes the Rocky Mountain and Midwest regions of the U.S. The highly-visible Bakken Shale and Three Forks formations in North Dakota (PADD II) and Montana (PADD IV) contains an estimated 7.3 BBOE and lesser amounts, totaling about .3 BBOE, are contained within the Mancos Formation in Utah (PADD IV), the New Mexico Permian Basin (PADD III), and Niobrara Formation of Colorado and Wyoming (PADD IV) shale oil basins. In 2012, due to environmental concerns, including ground water protection issues associated with the use of hydraulic fracturing (HF) to produce these resources, BLM drafted a proposed HF rule that was published in May 2012 inviting comments. The BLM received about 177,000 comments and revised the rule. The revised rule was published on May 24, 2013, with a 90 day comment period. Additionally, much of the onshore Federal mineral acreage is scattered, or adjacent to mixed ownership including shared mineral estate. The Secretary of the Interior, through the Mineral Leasing Act of 1920, also authorized BLM to issue oil and gas leases and drilling permits on Federal lands under the jurisdiction of other Federal Agencies such as FWS, USFS, and the U.S. Army Corp of Engineers, with their consent. Until these Agencies come to a consensus with BLM on the appropriate National Environmental Policy Documents to issue and applicable stipulations to attach, lease approval is not certain or may be delayed. If jurisdictional agencies do not eventually consent to leasing, the remaining 1.6 BBOE of UTRR will remain off limits to production.

*Estimates are based on BOEM 2011 Resource Assessment; totals are adjusted for intermediate production from the effective date of those estimates (1/1/2009) to 1/1/2013.