



# *MMS and California*

*U.S. Department of the Interior ~ Minerals Management Service  
Summer 2003*

***MISSION: The Minerals Management Service manages the minerals resources on the Outer Continental Shelf and Federal and Indian minerals revenues to enhance public and trust benefits, promote responsible use, and realize fair value.***

**In Fiscal Year (FY) 2002, MMS distributed to the State of California approximately:**

- \$ 30.4 million from Federal offshore lands
- \$ 12.3 million from Federal onshore lands (oil, gas, geothermal, and solid minerals)

**From 1968 through FY 2002, the following monies have been distributed to the State of California from OCS funds—approximately:**

- \$ 235.9 million for Land and Water Conservation Fund State Grants
- \$ 1.1 billion for Land and Water Conservation Fund Federal acquisitions
- \$ 21.6 million for Historic Preservation Fund Grants
- \$ 674.6 million from section 8(g) OCS Lands Act Amendments funds (since 1986)

## **I. Ongoing MMS Relationships with the State of California**

### **Environmental Studies Research Efforts**

MMS's extensive Environmental Studies Program (ESP) supplies the scientific and technical information needed to predict, assess, and manage the potential impact of OCS activities on the marine, coastal, and human environments. Since the inception of the ESP in 1973, more than \$733 million has been directed towards diverse areas of study including physical, chemical, and biological oceanography; atmospheric studies; marine mammals, fisheries, turtle and seabird studies; and studies of the sociology and economic factors and impacts related to OCS and marine mineral activities. To date, the MMS ESP has spent about \$120 million in the Pacific Region. The MMS focuses studies in this Region assessing and managing ongoing operations

and predicting the effects of future decommissioning of offshore facilities. Cooperative research programs have been established with the State of California, the University of California (the University of California at Santa Barbara, San Diego, Berkley and Scripps Institute of Oceanography), and various Federal agencies to address a wide range of issues.

**Contracted Studies:** One of the more significant research efforts supported by the MMS through cooperation with the USGS and University of California Santa Barbara is the ecological role that oil and gas platforms play in providing refuges and habitat for important species of fish. Dr. Milton Love and his colleagues at UCSB have been surveying fish communities around oil and gas platforms in the Santa Barbara Channel and north of Point Conception. Their research has shown platforms to be important refuges and potential recruitment sites for many species of rockfish, including some species that have drastically declined in population. A final report of their study is expected to be published in 2003. This research is additionally important in light of the possibility of using oil and gas platforms as artificial reefs once they have come to the end of their production and must be decommissioned.

#### **Coastal Marine Institute:**

The MMS Pacific OCS Region entered into a new 5-year cooperative agreement with the University of California at Santa Barbara in fiscal year 2000. Among the studies being supported in this cooperative agreement are:

- *Inventory of Rocky Intertidal Resources in Santa Barbara, Ventura, San Luis Obispo, Los Angeles, and Orange Counties (three separate tasks);*
- *Public Perceptions of Risk Associated with Offshore Oil Development; Dr. Eric Smith has recently published a book summarizing the results of several of his MMS funded research projects. The book, Energy, the Environment, and Public Opinion, is available from book dealers nationwide.*
- *Population Genetics of Surfgrass for use in Restoration;*
- *Population Dynamics and Biology of the California Sea Otter at the Southern End of Its Range;*
- *Habitat Value of Shell Mounds to Ecologically and Commercially Important Benthic Species;*
- *Benthic Invertebrate Communities on Shell Mounds Under Deepwater Platforms;*
- *Observation of Surface Circulation in the Eastern Santa Barbara Channel;*
- *Weathering of Oil and Gas, Quantifying Rates of Microbial Metabolism;*
- *Relative Importance of Platforms on Population Dynamics of Two Fishes in the Santa Barbara Channel.*

**Marine Natural Products:** The Biotechnology Initiative, conducted under the CMI agreement, started initial evaluation of the anti-cancer potential of several extracts from samples of organisms collected from the platforms. These efforts will increase to evaluate the numerous organisms sampled in the first phase of the project. The MMS and DOI continue support for this

research on the potential for marine invertebrates and marine algae growth on oil and gas platforms to yield biologically active compounds useful in human health. The on-going research indicates that platforms may offer potentially unique and sustainable sources for these organisms, which can be collected without the need to harvest invertebrates from natural reefs and other natural habitats, thus preserving species diversity. The research with scientists at UCSB capitalizes on the campus expertise as a center for marine biological compound research. In addition to UCSB, MMS is supporting similar biotechnology research at Louisiana State University.

**Value of Coastal Recreation:** Research will estimate the value of recreation and coastal tourism resources in Ventura, Santa Barbara, and San Luis Obispo. This research extends the area covered by the ongoing study of Los Angeles and Orange County beaches by a consortium of Federal, State, and non-profit agencies. The valuation model can be used by local, State, and Federal planners to estimate the value loss when beaches are closed from sewage spills, urban runoff, oil spills, or some similar event. In addition, the model assesses value added to beach recreation by capital improvement projects and beach restoration efforts, such as sand replenishment. MMS recently formed a partnership with NOAA through an Interagency Agreement to complete the work in the southern counties of California.

**Research in Response to the National Research Council Review:** The National Research Council (NRC), an arm of the National Academy of Sciences, reviewed the MMS Environmental Studies Program (ESP) in a series of reports from 1989 to 1993. The review focused on the extensive amount of data and information that the ESP had collected since 1978, the date of the previous review. The panels of scientists who performed the NRC review commented favorably upon many aspects of the research program but also recommended changes in the program and additional research in the various topic areas covered by the ESP.

Two topic areas that received significant recommendations were physical oceanography and socioeconomics. The MMS responded quickly to the 1990 NRC recommendations regarding physical oceanographic research that needed to be conducted by entering into a cooperative agreement with Scripps Institution of Oceanography. Under this program, 11 of the planned 12 years of data collection in the Santa Barbara Channel –Santa Maria Basin area has been completed. This data has been analyzed and interpreted to the point where major patterns of oceanic circulation and circulation forcing dynamics in this area are well understood. Using these scientifically designed data sets, reality-based development of numerical models that will simulate these circulation patterns is well underway. State-of-the-art data products are now being blended with numerical modeling results to produce simulations of the ocean circulation in the Santa Barbara Channel-Santa Maria Basin area that are closer to reality than demonstrated by modeling efforts anywhere else in the world. These ocean circulation simulations will be used to produce state-of-the-art oil spill trajectory predictions vital to oil spill response planning.

The social sciences have received considerable attention from the ESP since the NRC recommendations. MMS funded several studies by scientists at UCSB that have described the social and economic history and significant factors affecting oil and gas operations in San Luis Obispo, Santa Barbara, and Ventura Counties. A series of research reports by researchers at UCSB were also written that highlighted the public perceptions of the oil and gas industry and

environmental risk associated with offshore oil and gas production. Studies have been initiated in cooperation with a several State and local agencies in developing an inventory of recreation and tourism resources with a valuation model of these critical resources to be developed in the second phase of that effort.

**Multi-Agency Rocky Intertidal Network:** “MARINE” is a partnership actively supported by a host of local, State and Federal agencies, academia and private institutions including the California Coastal Commission, National Park Service, Santa Barbara County, Department of the Navy, UCLA, UC Santa Barbara, UC Santa Cruz, and the Tatman Foundation. The goal of MARINE is to determine the health of the shoreline communities in southern California and publish joint papers for the public benefit. Over 70 rocky intertidal sites are regularly monitored and comprehensively studied on the southern California mainland and offshore islands. Abalone, seastars, barnacles, mussels, several kinds of algae, limpets, snails, and surfgrass are among the key species monitored biannually. Annual comprehensive surveys provide detailed inventories of resources present. The “MARINE” Science Panel expects to publish their first series of joint peer-review papers in 2004 on the health of the system. MMS supports “MARINE” through the MMS Intertidal team, funding 24 sites along the mainland adjacent to ongoing OCS oil and gas production and coordinating efforts to standardize protocols among field teams.

### **Technology Assessment and Research Program**

The Technology Assessment and Research (TA&R) Program supports research associated with operational safety and pollution prevention as well as oilspill response and cleanup capabilities. The program was established in the 1970's to ensure that industry operations on the OCS incorporated the use of the Best Available and Safest Technologies (BAST) subsequently required through the 1978 OCSLA amendments. The program is comprised of two functional research activities: Operational Safety and Engineering Research (OSER) and Oil Spill Response Research (OSRR).

The program operates through contracts with universities, private firms, and government laboratories to assess safety-related technologies and to perform necessary applied research. Participation in jointly funded projects with industry, other Federal and States agencies, and international regulatory organizations has become the primary funding mechanism, in view of the overlap of issues and challenges, as well as a broader recognition that participation in these joint projects is the most effective and efficient means to leverage available funds. Since its inception, the TA&R Program has funded nearly 500 research projects addressing the broad scope of operations, equipment, and technologies employed in offshore oil and natural gas exploration, development, production, and transportation activities.

Although specific funding levels attributable to individual states are indeterminable because of the various fund sharing arrangements utilized in the program, TA&R Projects of particular interest to California include:

***Comparative Risk Assessment if the Decommissioning Options for Large Platforms in the POCSR*** B Twachtman, Snyder, & Byrd, Inc. (#459, Projected Completion October 2003). This project will compare the safety risks associated with completely removing 3 representative platforms from the POCSR. There are 2 phases: (1) Conducted an MMS forum of Decommissioning safety issues on February 11-12, 2003 and (2) Conducting a risk assessment.

***State-of-the-Art of Removing Large Platforms Located in Deep Water*** B Twachtman, Snyder, & Byrd, Inc. (#372, Completed December 2000). This project evaluated removal technology for large platforms in the OCS and discussed economic and environmental issues.

***Seafloor Earthquake Measurement System (SEMS), Phase IVB*** Sandia National Laboratories (#68, Completed July 1997). Analyzed seafloor earthquake motion data for seismic active areas of Southern California and the Arctic. The SEMS uses a tethered underwater cable to connect the seafloor probe to a seismograph on an offshore platform. The data collected helps the MMS verify and modify models of soil response to seismic activity. The data also aids in the design and regulation of offshore structures in seismically active areas. A network of three probes was installed along the southern California coast. The MMS is in the process of transferring the instrumentation and data collection operations of the sensor array to the State of California. An additional product of this project is a probabilistic seismic hazard map of the entire offshore area of the State of California.

### **Other Research of Interest**

**University Research Projects:** Joint research programs have been established with the Petroleum Engineering Department at Stanford University to advance oil and gas development and reservoir management technologies. MMS is also a participant on the Advisory Committee for the Institute of Crustal Studies (ICS) at the University of California at Santa Barbara. The ICS Advisory Committee provides the University comments and advice on future geological research that the University is planning.

### **Other Cooperative Efforts with the State of California**

**Section 205 Cooperative Audit Agreement:** Under the Federal Oil and Gas Royalty Management Act, the MMS has had a cooperative audit agreement with the State of California since 1985 and, to date, has provided the State with over \$11 million to conduct audits of both Federal onshore leases (oil, gas, geothermal, and solid minerals) and section 8(g) oil and gas leases lying offshore the State. In FY 2002, the State was given \$1.1 million to conduct these audits—an activity that supports the ongoing work of 10 auditors.

**Royalty Policy Committee Membership:** A representative from the State of California serves as a member of the “Marginal Properties Subcommittee” of the RPC. The Subcommittee is tasked with making recommendations to the RPC on the provisions of the Royalty Simplification and Fairness Act that provide accounting and auditing relief for marginal properties and allow the prepayment of royalties on marginal properties.

**Geothermal Royalty Payment Issue:** Representatives of California's State Controller's Office and its legal counsel are currently involved with MMS in a negotiated settlement of geothermal royalty disputes with Florida Power and Light, who operates geothermal projects on Federal lands in California.

**Partnerships:** One of the hallmarks of the OCS program offshore California is MMS's extensive use of partnerships and cooperative problem-solving efforts, including--

**Interagency Decommissioning Working Group (IDWG) :** There are 27 oil and gas platforms located off the coast of southern California. Many of the platforms range in age from 20 – 30 years. The Pacific OCS Interagency Decommissioning Working Group (IDWG) was formed in late 1997 to promote dialogue and communication among interested and affected parties and improve interagency planning and coordination in advance of future decommissioning projects. The IDWG is composed of representatives from nine Federal, State, and local regulatory agencies: Minerals Management Service, California State Lands Commission, California Coastal Commission, California Department of Fish and Game, National Marine Fisheries Service, U.S. Coast Guard, U.S. Army Corps of Engineers, Santa Barbara County Planning and Development Department, and Ventura County Planning and Development Department.

The activities of the IDWG are guided by a Decommissioning Action Plan that lists and prioritizes decommissioning issues that were identified during a 1997 MMS-sponsored decommissioning workshop. Topics that required further study and analysis included deepwater removal technology; environmental impacts and mitigation measures; materials disposal constraints; site clearance procedures; habitat value of platforms; and potential conversion of platform jackets to artificial reefs. The IDWG member agencies are currently funding technical and environmental studies to address these data gaps. Information concerning these studies and other IDWG related activities are described in periodic status reports, which are widely disseminated to the public, industry, and other interested parties. The most recent status report was issued in July 2002. Through these efforts, the IDWG strives to address issues of concern to local coastal communities that could be impacted by future oil and gas decommissioning projects.

**Prevention First, Onshore and Offshore Spill Prevention Symposium and Technology Exhibition:** Hosted by the California State Lands Commission, this symposium is one of the few programs that specifically addresses spill prevention and technologies. Since the inception of this symposium in 1994, the MMS has been a sponsor, provided speakers and an exhibit at these biennial symposiums. Participants in this symposium include other Federal, state and local agencies, the oil and gas industry and other interested parties. The program includes a wide range of topics related to safety and the prevention of accidental releases from onshore and offshore facilities which handle, store, transport or extract hydrocarbons. As a major goal of MMS is to oversee the safe and environmentally sound extraction of minerals on the OCS, prevention of spills is a key element to achieve this goal. The next symposium is scheduled for 2004.

**Offshore Pipeline Inspections:** At the initiative and under the leadership of MMS, five agencies signed a Memorandum of Agreement (MOA) concerning the coordinated inspection of offshore pipelines on January 21, 1999. The parties to the agreement are the MMS; California State Lands Commission; California State Fire Marshall; California Division of Oil, Gas and Geothermal Resources; and the U.S. Department of Transportation. The MOA is a result of the multi-agency pipeline team that reviewed existing pipeline inspection policies and developed a process to permit pipeline operators to develop inspection strategies that are tailored to the needs of the individual pipelines based on the actual condition of the line. Furthermore, the process is designed to alleviate the duplication of effort, streamline the regulatory burden on industry, and ensure consistent regulatory requirements across jurisdictions.

**Oil Spill Contingency Planning and Response:** In 1995, the Pacific OCS Region signed a MOA with the California Department of Fish and Game, Office of Oil Spill Prevention and Response (OSPR). The MOA provides for coordination between MMS and OSPR in the regulation of oil spill contingency planning and response activities for offshore facilities in California State waters and the Pacific OCS. Currently, Oil Spill Response and Contingency Plans are being reviewed under a joint review process developed by MMS and OSPR. Additionally, both agencies participate in joint oil spill exercises and drills. The MOA also calls for coordination of oil spill research. Recently, the Pacific Region held a meeting and discussed the latest research projects sponsored by MMS regarding various oil spill response issues such as in-situ burning and the use of dispersants.

**Agreement with the California Division of Mines and Geology** In 1997, the Pacific OCS Region signed an Agreement with the California Division of Mines and Geology, Strong Motion Instrumentation Program, for the maintenance and monitoring of the Seafloor Earthquake Measurement System (SEMS) equipment. The SEMS consists of a series of three fully operational seafloor seismic monitors located at offshore platforms: “Eureka,” “Grace,” and “Irene”. The instruments were placed in areas where very little or no seismic information exists. The instrument probes are embedded into the seafloor and hardwired to seismic data recorders installed topside at the platforms. The units have recorded several minor earthquakes, including aftershocks to the 1994 Northridge Earthquake.

Under the MMS/California Agreement, the State will process and distribute earthquake data received from the SEMS. Such site-specific data can be used in platform seismic reassessments and to verify soil-response models. The availability of such site-specific data will allow the most accurate reassessment of platforms. In addition, this Agreement enables agencies to retrieve SEMS data immediately after an earthquake. Caltech and the USGS will be able to instantaneously access offshore earthquake data to use in conjunction with onshore data to locate earthquakes and get earthquake event information rapidly into the hands of emergency response agencies. These agencies can use this information to guide the emergency response efforts to those areas shaken the hardest and/or most likely damaged.

The State monitors the system weekly, performs maintenance and data recovery, processes and distributes data, and troubleshoots and repairs the system as necessary. The MMS reimburses the State for their work on a quarterly basis.

## II. Major Issues of Interest to the State of California

**OCS Leasing Restrictions:** Portions of the OCS are subject to restrictions on new oil and gas leasing, including all new leasing offshore California. Specifically, on June 12, 1998, President Clinton administratively withdrew from leasing until 2012 those areas under congressional moratorium pursuant to the FY 1998 Department of the Interior Appropriations Act (sections 108-111 of Public Law 105-83) and withdrew permanently all areas designated as National Marine Sanctuaries. The President's FY 2004 budget request proposes to continue the annual legislative moratorium on new leasing, which is consistent with areas included in the Presidential withdrawal. Neither the President's withdrawal nor the annual leasing moratoria affect existing leases offshore California.

**Proposed Development of Joint Federal/State Fields:** Extended-reach wells, increasingly employed in the Region, are proposed to produce the State portions of the following fields. Two operators have submitted proposals to the State of California to produce fields underlying both Federal and State lands off California – Tranquillon Ridge field from existing Federal platform Irene and the Carpinteria field from existing Federal platform Hogan.

It is estimated that 180-200 million barrels of oil and 40 bcf of gas could be developed with the Tranquillon Ridge project. The County of Santa Barbara denied approval of the Tranquillon Ridge project in October 2002. On October 25, 2002, Nuevo Energy, the company that proposed the project, filed a lawsuit against the County of Santa Barbara over their denial of the project. The MMS was a technical advisor for the State and County on the Environmental Impact Report for development of the Tranquillon Ridge reserves.

The Offshore Carpinteria field straddles the State/Federal boundary. Previously, two platforms in State waters drained most of the resources on the State side of the field, and the platforms were eventually removed. The operator of the Federal side of the field, Pacific Oil Operators, Inc., (POOI) believes that resources were bypassed and would like to use extended reach drilling to access those resources from nearby Federal Platform Hogan. Ownership of the State lease was assigned to POOI, by the California State Lands Commission (CSLC) and POOI has submitted a development plan to the CSLC. An EIR for the Offshore Carpinteria project is in progress and the CSLC is reviewing the development plan.

**Status of Existing Undeveloped California OCS Leases:** There are 36 existing but undeveloped Federal OCS leases offshore California. As mentioned above, these leases are not covered by the President's June 1998 directive regarding the withdrawal of certain OCS areas from new leasing until at least 2012 nor are they affected by annual congressional moratoria on new leasing.

These leases, issued between 1968 and 1984, have been suspended for various reasons in the past—examples include suspensions for the collection of additional information pursuant to plan development to suspensions for acquisition of permits. From 1993-1999, the leases all received directed suspensions while MMS, industry, and the onshore jurisdictions completed the



*California Offshore Oil and Gas Energy Resources (COOGER)* Study of onshore constraints to offshore development. On November 12, 1999, suspensions of production or operation requested by the operators were approved for periods ranging from 19 to 45 months. The State of California subsequently filed a lawsuit on November 18, 1999, challenging the Department and MMS on this decision.

On June 20, 2001, the U. S. District Court for the Northern District of California, in *California v. Norton*, ruled in favor of the plaintiffs. The District Court ruled that the act of granting requested suspensions on the undeveloped leases on November 12, 1999, was a Federal activity affecting the coastal zone and subject to the consistency provisions of the Coastal Zone Management Act (at 16 U.S.C. 1456(c)(1)). The MMS rescinded the November 1999 suspensions and issued Directed Suspensions on the undeveloped leases on July 2, 2001, pursuant to the ruling.

Prior to the June 2001 Court ruling, MMS published a draft Environmental Impact Statement on drilling 3-5 delineation wells on existing undeveloped leases offshore Santa Barbara County. Previously, 28 exploration wells were drilled under approved Exploration Plans in the area addressed in the draft EIS. The purpose of the proposed drilling is to further delineate oil and gas resources on units that have previous commercial discoveries of oil and gas. A single mobile offshore drilling unit would be employed in the drilling of these wells. The use of a common drilling unit—moving from site to site to accomplish the proposed delineation drilling—is a concept that has been in development for several years and seeks to address the concerns of Santa Barbara County for phased drilling to minimize environmental effects.

On January 9, 2002, the U.S. Department of Justice filed the Federal government's principal brief on appeal of the District Court's June 2001 decision, contending that the suspensions are part of the established administrative process under MMS regulations as well as under law and OCS lease terms. The Justice Department also claimed that the suspensions were evaluated under the same standards as other suspension requests; and the suspensions do not authorize the lessees to conduct activities on the leases/do not have an effect on the OCS or the coastal zone.

Also on January 9, 2002, the lessees of the undeveloped leases filed a lawsuit in the U.S. Court of Federal Claims in Washington, alleging that amendments to the CZMA enacted after these leases were issued, and as interpreted in *California v. Norton*, result in a breach of contract by the Federal government. The case is still pending.

On December 2, 2002, the 9<sup>th</sup> Circuit Court of Appeals affirmed the decision of the lower court in *California v. Norton*. On March 31, 2003, Interior Secretary Gale A. Norton announced that the United States will not seek Supreme Court review of the 9th Circuit Court of Appeals decision, stating that she believes that DOI's efforts would be better spent in negotiation with the lessees than in continued litigation with the State of California.

**OCS Impact Assistance:** Impact assistance legislation was passed as part of the Department of Commerce's Fiscal year 2001 Appropriations Act (Title IX, P.L. 106-553). The State received approximately \$15.5 million in CIA funds in FY 2001. However, there was no funding appropriated in FY 2002 or FY 2003, and the Administration did not propose to fund the

program in FY 2004.

*For Information on the Minerals Management Service  
contact MMS Office of Congressional Affairs by phone at 202-208-3502  
or write Main Interior Building, Mail Stop 4230, 1849 C. Street N.W., 20240*