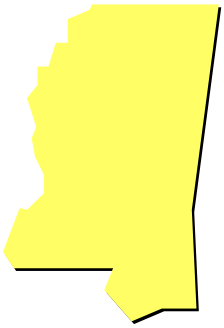

MMS and Mississippi

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 2002, the MMS distributed to the State of Mississippi approximately:

- **$ 313,255 from Federal Offshore lands**
- **$ 381,965 from Federal onshore production**

In addition, from 1968 through FY 2002 the following monies have been distributed to the State of Mississippi from OCS funds—approximately:

- **$ 41.8 million for Land and Water Conservation Fund State Grants**
- **$ 105.5 million for Land and Water Conservation Fund Federal acquisitions**
- **$ 10.5 million for Historic Preservation Fund Grants**
- **$ 21.0 million from section 8(g) OCS Lands Act Amendments funds (since 1986)**

I. Ongoing MMS Relationships with the State of Mississippi

Environmental Studies Research Efforts

MMS's extensive and constantly-evolving Environmental Studies Program (ESP) supplies the scientific and technical information needed to determine which offshore areas are acceptable for leasing, as well as predicting, assessing, and managing 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; fisheries, marine mammal, turtle and seabird studies; and studies of the sociology and economic factors and impacts related to OCS and marine mineral activities. Through fiscal year, 2002 the MMS ESP has spent about $200 million in the Gulf of Mexico Region.

In consultation and cooperation with the State of Mississippi, the MMS has funded/completed a number of environmental and socioeconomic studies dealing with Mississippi-Alabama issues. These include:

Mississippi Related Studies:

- *The Northeastern Gulf of Mexico Coastal and Marine Ecosystem Program*
- *Mississippi-Alabama Pinnacle Trend Habitat Mapping Study*
- *Ecological Characterization Atlas of Coastal Alabama*
- *Mississippi-Alabama Continental Shelf Ecosystem Study Data Summary and Synthesis*
- *Mississippi-Alabama Marine Ecosystem Study*
- *Tuscaloosa Trend Regional Data Search and Synthesis Study*
- *Air Quality and Dispersion Meteorology of the Northeast Gulf of Mexico: Measurements, Analyses, and Synthesis.*
- *Meteorology of the Northeastern Gulf of Mexico.*
- *A Survey of the Relationship of the Australian Spotted Jellyfish and OCS platforms.*

Cooperative Research Efforts

Gulf of Mexico Region Oil Spill Program: The purpose of the Oil Spill Program (OSP) is to ensure that the MMS is provided with the specialized expert knowledge and capabilities required to adequately fulfill its responsibilities in carrying out the oil spill prevention, planning and natural resource protection mandated by Federal law. The OSP's actions and recommendations may significantly affect the course of action taken by potentially responsible parties. The OSP is highly specialized, and serves as the MMS technical authority providing professional review of offshore oil spill prevention, containment, and cleanup matters.

Owners and operators of oil and/or gas facilities located seaward of the coastline are required to maintain a high level of spill response preparedness through annual training and drills. The MMS has the responsibility of verifying the subject training and exercises, and the administration of the unannounced oil spill drill program. The OSP conducts approximately 20 drills in the region each fiscal year. The drill scenarios range from well blowouts to vessel collisions and pipeline breaks. The responses required during the drill include equipment deployment and tabletop command post exercises.

Collection of Meteorology Air Quality and Air Emissions Data for the Breton National Wildlife Refuge: At the request of MMS, operators conducted an air quality and meteorological data program on the OCS in the area around the Breton National Wildlife Refuge. The data will be used by MMS to assess the contribution from OCS oil/gas activities to the allowable increase of the Federal primary air pollutants in the Refuge.

Collection of Air Emissions Data: The MMS is engaged in a program to collect emission data from OCS activities on the entire Gulf of Mexico. The data may be used by the State of Mississippi in photochemical and visibility modeling in support of their air quality planning efforts in relation to the Federal ozone standard and the Regional Haze Rules.

Collection of Meteorological Data: MMS is initiating a program to collect meteorological data for the Breton National Wildlife Refuge, a Federal Class I air quality area. The data may be used by the State of Mississippi in visibility modeling in support of their air quality planning efforts in relation to the Federal Regional Haze Rules.

MMS Agreement with the USGS Biological Resources Division (BRD) National Wetlands Research Center: The purpose of this agreement is to investigate the impacts on coastal wetlands from OCS pipeline canals: *Assessment of Changes to Coastal Habitats related to OCS-related Pipelines, Pipeline Canals, Navigation Canals, and Mitigation Activities in the Western and Central Planning Areas of the Gulf of Mexico*. In addition to documenting these impacts, the effectiveness of existing pipeline mitigation and possible new techniques are being studied. The study area includes Mississippi, Texas, Louisiana, and Alabama.

U.S. Geological Survey BRD: The MMS also developed the multiyear field project "*Northeastern Gulf of Mexico Coastal and Marine Ecosystems Program: Ecosystem Monitoring, Mississippi/Alabama Shelf"* which was completed during 2001. The USGS-BRD funded this project to meet the priority OCS information needs identified by MMS through consultation with the State of Mississippi.

MMS's Marine Buoy Interagency Agreement with NOAA: Through this agreement, winds, waves, and other meteorological measurements made over several years in Gulf waters have helped enhance the forecasting of local weather and support air quality studies in Mississippi, Texas, Louisiana, Alabama and Florida.

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 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 Mississippi include:

Offshore Technology Research Center (OTRC) B This is a joint venture between Texas A&M University and the University of Texas and receives funding from more than 25 companies, the State of Texas, and additional Federal and state agencies. The MMS and OTRC initiated a cooperative agreement which focuses a portion of the OTRC resources upon specific activities associated with the MMS Regulatory Program. In addition, the cooperative agreement provides for an expanded level of participation in certain joint industry projects conducted by OTRC as well as an enhanced level of support for broad-based research conducted through the OTRC with future applications to deepwater oil and natural gas operations in the Gulf of Mexico. During the past five years, the MMS has funded approximately 60 projects and workshops at OTRC focusing on specific areas such as deepwater structures, risers and moorings, materials, seafloor engineering and subsea equipment. In addition the TA&R program has held numerous workshops addressing a range of technical issues associated with offshore oil and gas activities.

Other Research of Interest

Atlas of Gulf of Mexico Gas and Oil Sands: The *Offshore Atlas* makes publicly available a systematic compilation of Gulf of Mexico reserves, production and geologic data within a play-defined framework, with the goal of assisting industry to more efficiently discover and develop hydrocarbon resources. This information also will be useful to Federal and State government decision-makers. The atlas (published in September 2001) is an all-digital publication and consists of a report and various data files. This study details 65 established plays that contain reserves across the Gulf of Mexico OCS. These 65 plays, comprising 10,235 sands in 1,042 fields, contain proved and unproved reserves totaling approximately 168 trillion cubic feet of gas and 15 billion barrels of oil, or a combined total of 45 billion barrels of oil equivalent.

MMS 2000 Assessment of Conventionally Recoverable Hydrocarbon Resources of the Gulf of Mexico and Atlantic Outer Continental Shelf: The MMS *2000 Assessment* makes publicly available a systematic assessment of Gulf of Mexico and Atlantic conventionally recoverable hydrocarbon resources, reserves, production and geologic data within a play-defined framework, with a goal of assisting industry to more efficiently discover and develop hydrocarbon resources. This information also will be useful to Federal and State government decision-makers. The assessment (published in October 2001) is an all-digital publication and consists of a report and various data files. This study forecasts that over half of the oil and natural gas total endowment of the Gulf of Mexico remains to be discovered, with mean undiscovered resources of 192 trillion cubic feet of gas and 37 billion barrels of oil, or a combined total of 71 billion barrels of oil equivalent.

Center for Marine Resources and Environmental Technology: Congress has appropriated funds through the MMS budget for marine mineral research in the Gulf of Mexico. These funds have been earmarked for the Center for Marine Resources and Environmental Technology (CMRET) at the University of Mississippi, which specializes in developing new technologies for evaluating and producing marine minerals. Current research is focused on monitoring methane hydrate deposits in the deep waters of the Gulf of Mexico. MMS provides contractual services and oversees the program through a steering committee. Funding for the CMRET since FY 1998 has totaled over $2.7 million.

Other Cooperative Efforts with the State of Mississippi

Meeting with Mississippi Coastal Zone Management Staff: MMS continues to work with the State to streamline and improve interagency CZM processes and to improve MMS/State working relationships. Using the State consultation agreements, MMS will ensure that all required information is complete and included in the public information copy of OCS plans that are being reviewed. MMS proposes to present the State with an approach to streamlining the Federal Consistency Determinations they receive for OCS Lease Sales and plans to meet with the State later in 2003.

II. Major Issues of Interest to the State of Mississippi

OCS 5-Year Program for 2002-2007: During the 5-Year Program for 2002-2007, the Department proposes to conduct lease sales in the Gulf of Mexico and offshore Alaska. One lease sale per year is proposed for both the Central Gulf of Mexico and the Western Gulf of Mexico (for a total of 10 sales). The program also proposes to hold 2 lease sales in the Eastern Gulf of Mexico (in the reduced Sale 181 area). The seaward boundary of Mississippi lies adjacent to part of the Central Gulf of Mexico, and the State will be consulted closely during the prelease process for each Central Gulf sale.

Status of Gulf of Mexico OCS Deep Water Activities: Leasing activity in the deepwater Gulf of Mexico steadily increased in the early 1990's and exploded in 1996 due, in part, incentives introduced in the Deep Water Royalty Relief Act of 1995. From 1996 through 2001 over 6,200 new leases were issued in water depths greater than 200 meters in the Gulf of Mexico OCS, with a majority of these located in water depths greater than 800 meters. From 2000 to 2001, deepwater oil production was up 25 percent—to 930,000 barrels per day; deepwater gas production was up nearly 20 percent—to 3.2 billion cubic feet per day. Beginning in 2001, MMS used its discretionary authority to continue to provide upfront royalty suspension incentives. Incentives were provided for new deep water leases issued in 800 meters of water or greater. Also, for 2002 Central and Western Gulf of Mexico lease sales, MMS has expanded the upfront royalty suspension incentives offered in 2001 by including royalty holidays for new leases issued in water depths of greater than 400 meters.

OCS Impact Assistance: Language was added to the FY 2001 Department of Commerce Appropriations Act that instituted an impact assistance program (Title IX of P.L. 106-553); however, it has only been funded for one year (FY 2001). At the end of FY 2001, Mississippi received approximately $24.3 million. No monies were appropriated for the program in FY 2002 or FY 2003, and the Administration did not propose any funding for FY 2004.

Mercury Associated with OCS Oil and Gas Production: In late 2001/early 2002, several articles appeared in local Gulf of Mexico newspapers indicating the potential for offshore discharges of mercury to be taken up by fish and other commercial species. A small amount of mercury is found in barite, which is used in drilling muds. However, this type of mercury is in an inert form and the quantity is strictly regulated by EPA (with amounts of mercury limited to less than 1 part/million). MMS has sponsored research in this area, most notably the "GOOMEX" study (Gulf of Mexico Offshore Operations Monitoring Experiment). The study found that mercury uptake, as measured in fish and other organisms found near platforms, did not differ significantly from levels measured far away from platforms. Although it is generally believed that OCS oil and gas activities do not contribute in a significant way to mercury uptake by marine organisms, MMS has asked the independent OCS Advisory Board Scientific Committee to review the literature on this issue and advise the Secretary if further studies are needed. Other studies will be initiated, as appropriate.

Administration Initiative to Use Gulf of Mexico Oil to Fill the Strategic Petroleum Reserve: In late 2001, President Bush announced an initiative to fill the remaining capacity of the Strategic Petroleum Reserve (SPR) utilizing Federal royalty-in-kind (RIK) oil. Approximately 120 million barrels of this RIK oil from the Gulf of Mexico OCS will be used to support the SPR fill. The fill began in April 2002, and is estimated to be completed in December 2004, with contract closeouts and reconciliations completed by June 2005.

Chevron Destin Dome Settlement (Offshore Pensacola, Florida): In July 2002, the Department of the Interior entered into a settlement agreement with Chevron, Conoco, and Murphy, concerning their leases in the Destin Dome Block 56 Unit located in federal waters offshore in the eastern Gulf of Mexico approximately 25 miles off the coast of Pensacola, Florida. The settlement will provide for the relinquishment of seven of the nine leases in the Destin Dome Block 56 Unit by the lessees in return for $115 million dollars.

Murphy will retain the two remaining leases in the Unit with the leases being held by a series of directed suspensions until 2012, the first of which was approved on August 14, 2002. Under the settlement agreement, Murphy has agreed not to submit a development plan for them before 2012, when current oil and gas leasing moratoria expire. After 2012, as per the terms of the settlement agreement, the leases cannot be developed unless both the federal government and the State of Florida agree. Chevron, Conoco and Murphy have agreed under the settlement to provide compensation to ExxonMobil and Samedan upon their relinquishment of the two Destin Dome leases held by them and not part of the subject litigation.

Exploration Plans Filed in Eastern Gulf of Mexico Planning Area: The MMS has received twelve exploration plans (EP's) for leases that resulted from Eastern Gulf Sale 181. Five of the EP's have received coastal zone management consistency certification from affected states and

have been approved. Two exploration plans were received on leases issued prior to Sale 181, but within that sale area. Marathon has drilled an exploration well on its DeSoto Canyon Block 927 lease (Barracuda) and Shell has had its EP approved for the Red Dawg (DeSoto Canyon Blocks 622 and 666) project.

Eastern Gulf of Mexico Lease Sale 189 (2003): Two lease sales in the Eastern Gulf of Mexico Planning Area are scheduled under the OCS 5-Year Program for 2002-2007. Under the current 1.5 million acre configuration, lease sales 189 and 197 would be held in 2003 and 2005, respectively. The proposed sale area lies more than 100 miles offshore Alabama and Florida. Of the 256 blocks located in the Sale 189 area, 118 blocks are currently under lease. Upcoming Dates of Interest: Final EIS to the Public—June 2003; Proposed Notice of Sale—July 2003; Final Notice of Sale—October 2003; Sale Date--December 2003

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