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BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Issues In Leasing Offshore Lands For Oil And Gas Development



114837

Despite the significant increase during the 1970s of leasing Outer Continental Shelf lands for oil and gas development, accelerated leasing goals were not met. Environmental issues and limited industry interest in the areas proposed for leasing were two major factors that affected achievement of these goals.

Current plans call for further increases in leasing through 1985. However, the controversial leasing issues of the 1970s continue and may limit attainment of these goals.

Interior should continue with its efforts to offer more land for lease and to streamline the planning process for holding lease sales.



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MARCH 26, 1981

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-201745

To the President of the Senate and the
Speaker of the House of Representatives

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This report examines Federal policies and practices which affect Outer Continental Shelf (OCS) lease sales and discusses problems which serve to delay or otherwise impede leasing of submerged Federal lands for oil and gas exploration or development. It was prepared in response to a request from Congressman Edwin B. Forsythe, Ranking Minority Member of the Subcommittee on Fisheries, Wildlife Conservation and the Environment of the House Merchant Marine and Fisheries Committee and, formerly, Ranking Minority Member of the House Select Committee on the Outer Continental Shelf (dissolved June 30, 1980). The report should be of general interest to the Congress in view of questions concerning the role OCS lands can play in meeting this Nation's future energy needs.

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To expedite its issuance, Congressman Forsythe requested that we not take the additional time needed to obtain agency comments on the matters discussed in this report.

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of the Interior; and other interested parties.

Milton J. Fowler

Acting Comptroller General
of the United States

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D I G E S T

Up to 60 percent of the Nation's undiscovered oil and gas resources are believed to be contained on the offshore lands bounding the United States--the Outer Continental Shelf (OCS). Recognizing the potential significance of these offshore lands and the severity of the Nation's energy problem, three administrations and the Congress have, over the past 10 years, attempted to accelerate the leasing of these areas for oil and gas exploration and development. However, these efforts have been met with vociferous resistance from State and local governments and numerous private interest groups who have been concerned with the potential environmental and socioeconomic impacts of OCS development.

PLANNED LEASING GOALS NOT MET

OCS leasing and development increased significantly during the 1970-80 period when compared to the preceding 16 years of the program. The number of sales increased by more than 50 percent, over twice as much land was offered for lease, the amount of land actually leased almost doubled, and first time sales were held in seven new OCS frontier areas. These increases were achieved during a time when sales were continuously delayed by lawsuits.

But, although leasing increased significantly, the planned goals of the 1970s were never achieved. Only about 60 percent of the planned sales were held, the amount of land leased was only a small fraction of what was planned under the more aggressive schedules and 9 frontier areas were not opened up for leasing.

IMPEDIMENTS TO LEASING

Environmental concern and limited industry interest in the areas proposed for leasing appear to be the two major factors that have affected achievement of the accelerated leasing goals of the 1970s. Public concern and the need to develop more information about the environmental aspects of offshore development

have led to an extension in the time needed to plan for lease sales--the result being that numerous lease sales have been delayed or canceled. For example, one high potential area in Alaska is not currently scheduled for lease, planned 1975-80 sales in 7 other Alaskan OCS areas have been delayed by as much as 6 years, the prelease planning process has been extended, and a significant amount of acreage in current leasing areas has been withheld from leasing. At the same time, industry has not shown an interest in all the land that has been proposed for leasing. This has contributed to shortfalls in achieving the acreage leasing goals of the 1970s. Industry nominated only about half the tracts considered for lease in areas outside the Gulf of Mexico during the 1970s. Interior offered about 16 percent of the tracts industry nominated for lease--of which industry bid on only about 41 percent. This latter percentage reflects bidding activity on tracts, which according to industry nominations and the United States Geological Survey resource evaluations, would have had high resource potential.

Concern as to whether the Government is receiving a fair monetary return on OCS resources, the restriction of OCS leasing in offshore national defense areas, and boundary disputes--both Federal-State disputes and international disputes--have had an impact on the leasing goals of the 1970s, but on a much lesser magnitude.

Because of the environmental issues, boundary disputes, national defense priorities, and other reasons, about 25 million acres of the OCS is not currently available for leasing. The majority of this acreage is thought to have good resource potential.

IMPACT OF THE OCS LANDS ACT AMENDMENTS ON LEASING

It was hoped that the 1978 amendment of the OCS Lands Act (OCSLAA) would clear the way for expediting the leasing and development of OCS lands. The 1978 amendments seem to be working as planned from the standpoint that all concerned groups are having input to OCS decisions. The amendments are not, however, leading to a timely resolution of the problems being surfaced. More and more, disagreements are being referred to the courts for resolution which is a time consuming process. Currently Interior's 5-year leasing program is under litigation. Uncertainty still

surrounds the program and, as a result, access to new areas for OCS exploration is being limited.

The numerous groups involved in the OCS program, including the Secretary of the Interior, have developed their individual perceptions of how the OCSLAA is to be implemented. Conflicts have resulted from these differing perceptions. For example, both the environmental community and the oil and gas industry agree on the need to assess the environmental impacts of OCS activity. However, each group has differing perceptions on the degree of assessment needed under the OCSLAA.

Also, there is considerable disagreement between Federal and State governments on how State and local governments are to participate in the OCS decisions. Several States insist that adequate consideration of their views requires State review and approval of OCS leasing plans prior to a sale. Interior rejects this position maintaining that such an action would give the States veto power over OCS leasing.

Judicial decisions have significantly affected the policies and direction of offshore development as well as the administrative procedures of Interior. Lawsuits have delayed sales in the past, but the cumulative impacts of judicial interpretation of OCS related laws have been (1) clarification and refinement of the objectives of the OCS program and (2) establishment of precedent for use in evaluating the contentions of future litigants.

PROPOSALS TO INCREASE AND ACCELERATE OCS LEASING

Proposals to streamline the prelease process and to increase offshore leasing are being considered by the Department of the Interior. These proposals center primarily on reducing the time required to hold second sales in an OCS area through substantive changes in the environmental impact statement (EIS) process and timing modifications to prelease milestones. The time saved by implementing these changes would vary by region and a precise reduction in time in terms of months or years is not easily determinable. Many of these changes would be controversial, particularly those affecting the prelease EIS process. Litigation on

environmental matters has been pervasive with respect to the program and may increase if such changes are implemented. GAO believes that efforts to increase leasing should also include emphasis on increasing the bidding interest in tracts offered for lease.

GAO also believes that Interior should reevaluate the 25 million acres of OCS land not currently available for lease to see if any of this land could now be made available for leasing.

RECOMMENDATIONS

The 1978 OCS Lands Act Amendments have not, thus far, led to a timely resolution of off-shore leasing problems. The new administration is currently reviewing the OCSLAA and considering administrative changes for streamlining the leasing process and for making more land available for leasing. Many opportunities for administrative changes exist. Furthermore, the Secretary now has the advantage of recent judicial decisions to assist in his review. Pending the results of the new administration's review and any administrative actions, GAO does not consider that any legislative changes are appropriate at this time.

However, GAO recommends that the Secretary of the Interior continue addressing the problems with the present leasing approach, taking into consideration the findings of this report which call for

- taking appropriate steps to ensure that sales scheduled under the present program are held as planned--thus giving a greater degree of credibility to the OCS leasing program,
- continuing to seek ways to streamline the leasing process with special emphasis on reducing the amount of time needed to plan for second and follow-on sales in a lease area, particularly the time needed to comply with EIS requirements,
- identifying and examining alternatives for leasing more of the tracts offered in lease sales,

--reexamining the justification and rationale for the withdrawal of the 25 million acres not currently available for lease. The resource potential of these lands should be reexamined and re-weighed against the reasons for exclusion to see if any additional high potential lands could now be made available for lease, and

--directing the United States Geological Survey to intensify its effort to define more precisely the portions of the OCS that are potentially attractive for leasing. This action should lead to increased leasing emphasis in those specific areas within OCS regions where oil and gas resources are thought to be located.

AGENCY COMMENTS

The requestor of this review--Congressman Edwin B. Forsythe--asked that GAO not take the additional time needed to obtain agency comments.

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ABBREVIATIONS

BB	billion barrels
Bcf	billion cubic feet
BLM	Bureau of Land Management
CEQ	Council on Environmental Quality
CZMA	Coastal Zone Management Act
DOD	Department of Defense
DOE	Department of Energy
DOI	Department of the Interior
EIS	environmental impact statement
GAO	General Accounting Office
GOM	Gulf of Mexico
MMB	million barrels
NASA	National Atmospheric and Space Administration
NEPA	National Environmental Policy Act
NOAA	National Oceanic and Atmospheric Administration
NRDC	Natural Resources Defense Council
OCS	Outer Continental Shelf
OCSLA	Outer Continental Shelf Lands Act
OCSLAA	Outer Continental Shelf Lands Act Amendments
Tcf	trillion cubic feet
USGS	United States Geological Survey

CHAPTER 1

INTRODUCTION

THE ISSUE

Government and industry estimates show that from 30 to 60 percent of the Nation's undiscovered oil and gas resources may be contained on the Outer Continental Shelf (OCS) of the United States. Recognizing the potential significance of these offshore lands and the severity of the Nation's energy problem, three administrations and the Congress have, over the past 10 years, attempted to accelerate the leasing of these lands for oil and gas development. Leasing about doubled during the 1970s in response to these initiatives, and seven new frontier offshore areas were opened up for exploration and development. Yet, because of concern over the environmental impacts of offshore development, the impact of these activities on the coastal States, and other competing interests, the accelerated leasing goals of the 1970s were not achieved.

As of December 1980, only about 4 percent of the OCS had been offered for lease--and only about half of what had been offered had been leased. Efforts to make more land available for leasing and to open up new frontier areas will continue into the 1980s. Yet, many of the problems of the 1970s remain unresolved and will no doubt have an impact on the rate at which leasing will occur in the next decade.

PERSPECTIVES ON THE OCS--WHAT IT IS AND WHY IT IS IMPORTANT

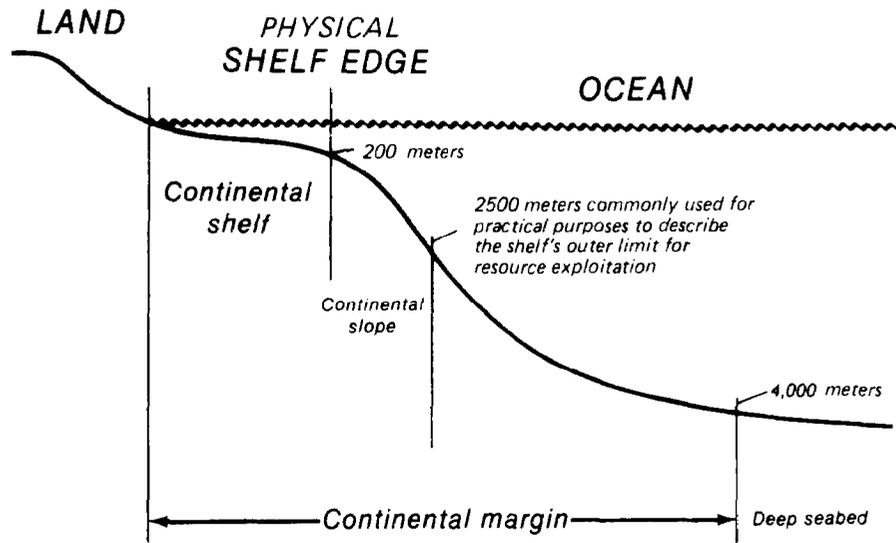
The size of the OCS

The OCS is defined as those submerged lands on the continental margin of the United States, shown in figure 1, which are subject to Federal jurisdiction and control under the 1953 OCS Lands Act. 1/ As is shown in figure 2, the OCS is commonly described in terms of 200 and 2,500 meter water depths which serve as benchmarks for assessing the economical and technological recoverability of OCS resources. 2/

1/Coastal States have jurisdiction over the resources of submerged lands lying between their shorelines and the beginning of the OCS which, except for two States, is a line extending three nautical miles (3.5 statute miles) seaward from their coastlines. Texas and Florida (Gulf of Mexico coastline only) have seaward boundaries extending three leagues or approximately 10.5 miles from their coastlines.

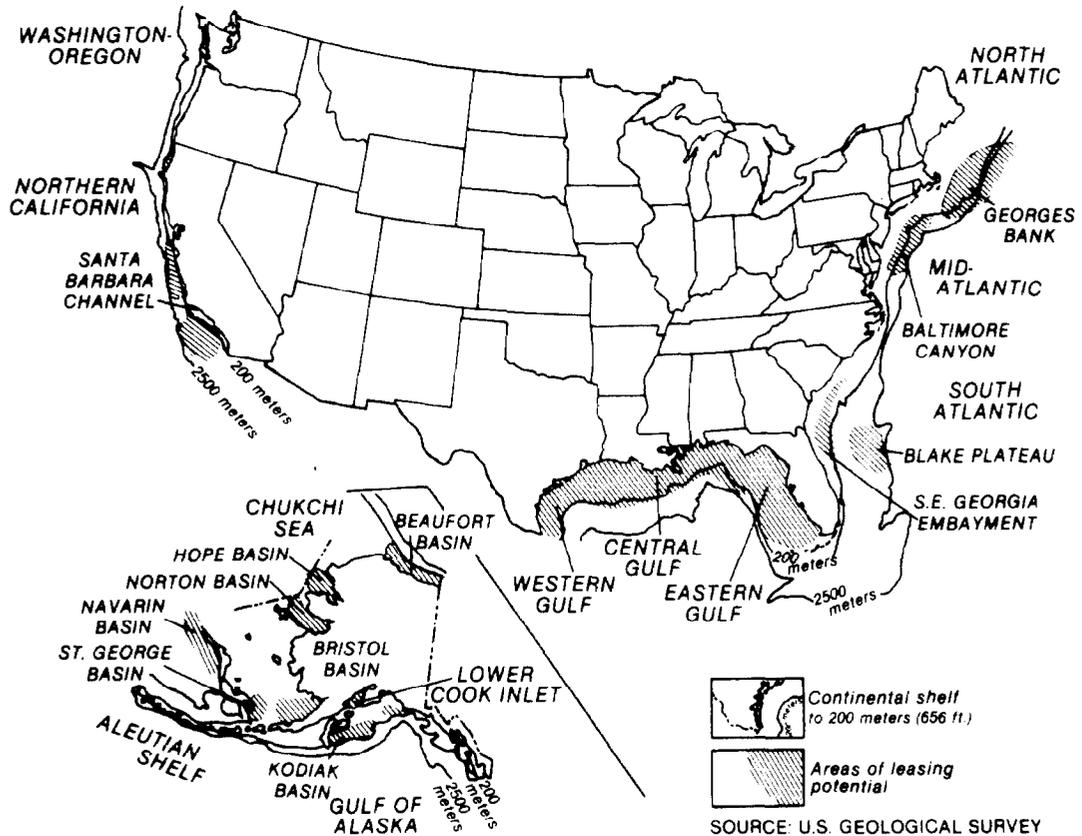
2/The 200 meters depth is the approximate outer boundary of the physical continental shelf and 2,500 meters is the current approximate outer boundary of the continental margin's exploitable area. See figure 1.

FIGURE 1
PROFILE OF THE CONTINENTAL MARGIN
 (average water depths in meters)



SOURCE: U.S. GEOLOGICAL SURVEY AS MODIFIED BY GAO.

FIGURE 2
OUTER CONTINENTAL SHELF AREAS UNDER LEASING CONSIDERATION
 SHOWN AT 200 METER AND 2500 METER WATER DEPTHS



SOURCE: U.S. GEOLOGICAL SURVEY

The exact size of the OCS has not been established, and estimates of its potential are highly uncertain. Area estimates provided to us by Department of the Interior officials and contained in departmental publications ^{1/} range from about 820 million to almost 1.15 billion acres, but none could be detailed or substantiated. Apparent errors in computation and numerous discrepancies on a lease area, regional, or aggregate basis could not be explained by cognizant officials within the Bureau of Land Management (BLM), U.S. Geological Survey (USGS) or the Office of the Secretary. We were told no data supporting the derivation of the Interior Department's published and seemingly official but differing figures could be found. Although USGS has estimated the oil and gas potential of combined Federal and State lands in each OCS region and lease area, the amount of Federal acreage having oil and gas potential is not separately defined. USGS estimates show that between 165 and 670 million acres of the OCS out to 2,500 meters may have resource potential, but USGS was not able to provide us detailed data on the amount or the location of Federal acreage in each OCS lease area or region that is prospectively valuable for oil and gas development.

For the purpose of this report, our analysis shows that a reasonable estimate of the OCS area out to a water depth of 2,500 meters totals almost 1 billion (965.8 million) acres. This area is divided into four OCS regions--Atlantic, Gulf of Mexico, Pacific, and Alaska. As shown on page 4, the Alaska region is largest. Submerged lands under State jurisdiction are estimated to total an additional 32.7 million acres.

Oil and gas production

The Gulf of Mexico and Southern California are the only OCS areas with commercial oil and gas production. Gulf leases have contributed 96 percent of the 5.1-billion barrels of oil and almost 100 percent of the 44-trillion cubic feet of gas produced on the OCS through December 1979. OCS gas production was at record levels in 1978 and 1979--about 23 percent of domestic production, but oil production has declined steadily. For example, OCS oil production which averaged over 1 million barrels per day in 1972 had declined to about 800,000 barrels per day in 1979--about 9 percent of domestic production.

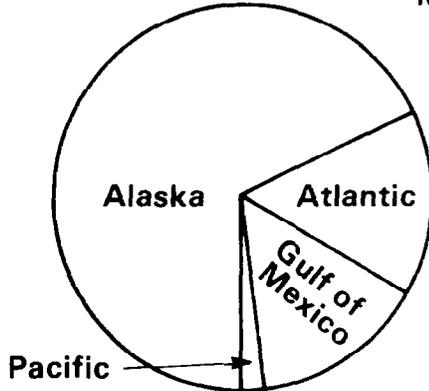
Hydrocarbon potential

Large portions of Federal and State offshore lands are described by the USGS as having hydrocarbon potential, but there

^{1/}"Petroleum and Sulfur on the U.S. Continental Shelf--A Summary of Activity in Exploration and Production of Oil, Gas and Sulfur, 1953-68," United States Department of the Interior, Dec. 1969, and "Managing the Nation's Public Lands," Bureau of Land Management, U.S. Department of the Interior, Jan. 31, 1980.

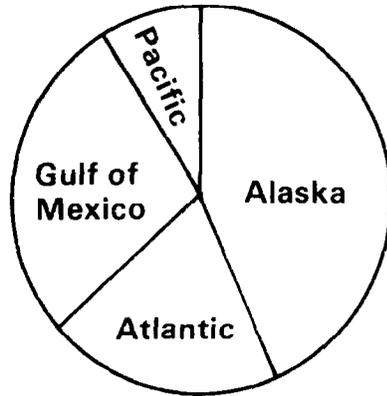
**OCS Acreage By Region
(Millions of Acres^a/Water Depth)**

**SSB-200^b
Meters**



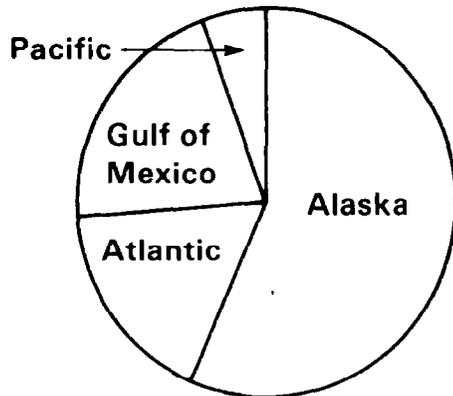
Alaska	358.4
Atlantic	82.6
Gulf of Mexico	77.4
Pacific	9.9
	<hr/>
Total	<u>528.3</u>

**200-2500
Meters**



Alaska	190.1
Atlantic	87.2
Gulf of Mexico	120.8
Pacific	39.4
	<hr/>
Total	<u>437.5</u>

Total



Alaska	548.5
Atlantic	169.8
Gulf of Mexico	198.2
Pacific	49.3
	<hr/>
Total	<u>965.8</u>

^a/Reflects GAO's consolidation of offshore land area data provided by the Department of the Interior and Exxon Company, U.S.A. Does not include Hawaii's approximate 4 million acres of OCS.

^b/SSB = States Seaward Boundaries

is much uncertainty as to the location and quantity of oil and gas on these lands. 1/ The USGS estimates that submerged Federal and State lands out to 2,500 meters contain undiscovered recoverable resources 2/ of 17 to 44 billion barrels of oil and 117 to 231 trillion cubic feet of gas. Shown on page 6 is a distribution of estimated mean undiscovered recoverable oil and gas resources by OCS region.

Alaska appears to hold the most promise. The region's vast offshore acreage, which is over 56 percent of total U.S. offshore acreage, is estimated to contain almost 44 percent of U.S. offshore undiscovered recoverable oil resources and about 39 percent of the undiscovered gas.

OCS LANDS ARE LARGELY UNEXPLORED

Although it is believed that the OCS contains abundant oil and gas resources, there has been only limited leasing of these lands for exploration and development to substantiate these beliefs. As shown in table 1, only a small portion of the OCS has been leased and commercial development is, as mentioned above, limited to two of the four OCS regions--the Gulf of Mexico and the Pacific.

The first Federal OCS lease sale, as provided for in the 1953 OCS Lands Act, was held in the Central Gulf of Mexico in October 1954. Since then, there have been a total of 55 sales through December 1980. The vast majority of the sales, 41 out of 55, have been in the Gulf of Mexico--more specifically in the Central and Western Gulf off the coasts of Texas and Louisiana. These Gulf sales account for over 76 percent of the OCS acreage leased, and almost 80 percent of leases issued.

1/Great uncertainties exist in estimates of oil and gas resources in various areas of the United States and the world. These estimates are derived from judgments based on a variety of appraisal methods. The methods can consist of geological appraisals, statistical appraisals, or combined geological statistical models. Due to data variations, interpretations, and subjective judgments estimates will range widely. The only way to verify these estimates is by drilling.

2/Yet to be discovered oil and gas deposits assumed to be economically producible.

Mean Undiscovered Recoverable
Oil and Gas Resources by OCS Region
 (billion barrels of oil/trillion cubic feet of gas)

<u>Region</u>	<u>0-200</u> <u>Meters</u>	<u>200-2,500</u> <u>Meters</u>	<u>Total</u>	<u>Percent by</u> <u>region</u>
Alaska:				
Oil	10.9	1.4	12.3	43.9
Gas	57.1	7.3	64.4	38.7
Atlantic:				
Oil	1.2	4.2	5.4	19.3
Gas	8.2	15.3	23.5	14.1
Gulf of Mexico:				
Oil	4.0	2.6	6.6	23.6
Gas	45.3	26.6	71.9	43.2
Pacific:				
Oil	1.4	2.3	3.7	13.2
Gas	2.4	4.3	6.7	4.0
Total OCS:				
Oil	17.5	10.5	28.0	100.0
Gas	113.0	53.5	166.5	100.0

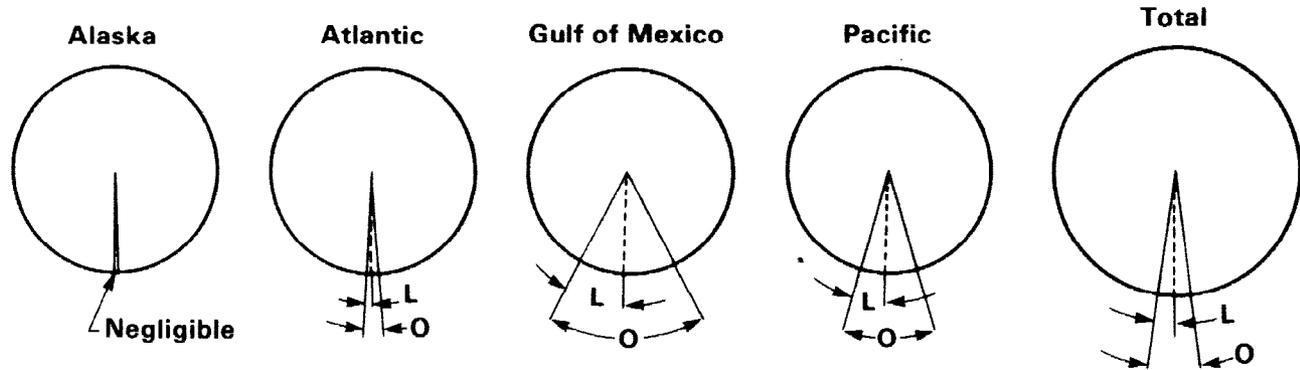
Source: U.S. Geological Survey. Estimates include oil and gas on State offshore lands.

LEGISLATIVE PROVISIONS AND
FEDERAL RESPONSIBILITIES FOR
OCS LEASING AND DEVELOPMENT

The 1953 OCS Lands Act (Public Law 83-212) and its 1978 Amendments (Public Law 95-372) are the central pieces of legislation governing OCS oil and gas exploration and development. Numerous other laws, such as the National Environmental Policy Act (Public Law 91-190), the Endangered Species Act (Public Law 93-205), the Coastal Zone Management Act (Public Laws 94-370 and 92-583), and the Marine Protection, Research and Sanctuaries Act (Public Law 92-532) are also relevant to OCS activities and could have a heavy impact on OCS operations. The relationship of these statutes to OCS activities is discussed in appendix IV. The influence these and other laws have had on OCS activities is discussed in relevant sections of this report.

Table 1
Amount of OCS Leased for Exploration and Development

OCS Leasing* By Region



Total Acreage (Millions)	548.5	169.8	198.2	49.3	965.8
Number of Sales	4	4	41	6	55
Acreage Offered for Lease (Millions)	3.1	3.4	30.3	4.4	41.2
Percent of Total Offered for Lease	0.6%	2.0%	15.3%	8.9%	4.3%
Acreage Leased (Millions)	1.2	1.4	14.6	1.9	19.1
Percent of Total Leased	0.2%	0.8%	7.4%	3.9%	2.0%
Production Thru Dec. 1979					
Oil (Billions of Barrels)	—	—	4.9	0.2	5.1
Gas (Trillion Cubic Feet)	—	—	43.9	0.1	44.0

O = Acreage Offered. L = Acreage Leased.

*Lease Results Through 12/31/80, Unless Otherwise Noted.

The OCS Lands Act of 1953

The OCS Lands Act of 1953 (the Act) authorized the Secretary of the Interior to lease Federal OCS lands for oil and gas development and established general guidelines for the Secretary to follow in managing and leasing OCS resources. Specifically, it required that the Secretary provide for the prevention of waste and conservation of natural resources, and that oil and gas leases be awarded on a competitive basis.

The 1953 Act apparently provided a workable framework for leasing until 1969 when a well in the Santa Barbara Channel blew out. The blowout made national headlines and increased the public's awareness of the inherent environmental risks associated with offshore development. Public concern over the possible detrimental impact of OCS operations was further aroused when President Nixon, in 1973 and again in 1974, initiated action designed to accelerate offshore leasing to reduce the Nation's dependence on oil imports. Anticipating increased resistance to leasing and realizing the importance of the OCS for future domestic sources of energy, the Congress began, in 1974, to amend the 1953 Act to provide a new framework for managing and leasing OCS lands. This initiative culminated 4 years later with the OCS Lands Act Amendments (OCSLAA) of 1978.

The OCS Lands Act Amendments of 1978

The OCSLAA resulted in an almost complete rewriting of the 1953 OCS Lands Act. It provided a comprehensive national policy for the exploration and development of OCS oil and gas resources. Included in the policy is the requirement that OCS exploration and development be balanced with respect to potential environmental impacts, the concerns of affected State and local governments, free enterprise competition, and other national needs.

Federal agency responsibilities

The Department of the Interior has primary responsibility within the Federal Government for OCS activities. Within the Interior Department, the Bureau of Land Management and the U.S. Geological Survey have the day-to-day responsibility for OCS management. BLM is basically responsible for prelease activities which include the actual leasing of offshore lands. USGS has responsibility for managing the exploration, development, and production activities after a lease is awarded. BLM offices in Los Angeles, California; Anchorage, Alaska; New Orleans, Louisiana; and New York, New York have regional responsibilities for coordinating OCS prelease activities among the regional Federal agencies and with the various State and local governments in their

respective regions. BLM's regional offices are also the focal point for inputs from regional private interest groups concerned with OCS activities.

Other Federal agencies such as the Department of Energy, Department of Commerce, Department of Justice, Department of State, Environmental Protection Agency, the U.S. Coast Guard, and the Army Corps of Engineers also have mission-specific OCS responsibilities. The Secretary of the Interior is responsible for coordinating the OCS responsibilities of all Federal agencies.

OBJECTIVES, SCOPE,
AND METHODOLOGY

By letter dated February 26, 1980, Congressman Edwin B. Forsythe, Ranking Minority Member of the House Select Committee on the OCS 1/ requested that GAO identify problems impeding the rapid production of oil and gas estimated to be located on federally controlled lands. Congressman Forsythe asked that we review and analyze public laws, regulations, or administrative procedures that either delay or add to the cost of producing publicly owned energy resources--both offshore and onshore (see app. I).

This report focuses on the leasing of OCS lands. Specifically, the report examines Federal policies and practices impacting on the activities leading up to and including OCS lease sales--i.e., pre-lease OCS activities. Problems impeding OCS exploration, development, and production activities after leases have been issued are discussed in a prior GAO report. 2/ Leasing of onshore Federal lands for oil and gas exploration and development was also covered in an earlier report. 3/

1/The House terminated the activities of the Select Committee on June 30, 1980.

2/"Impact of Regulations--After Federal Leasing--On Outer Continental Shelf Oil and Gas Development," EMD-81-48, Feb. 27, 1981.

3/Actions Needed to Increase Federal Onshore Oil and Gas Exploration and Development," EMD-81-40, Feb. 11, 1981.

Our review focused on three time periods of OCS leasing (1) the early years of the leasing program, 1954-69; (2) the controversial decade of the 1970s; and (3) the planned leasing for the 1980-85 era. For each of these periods we examined

- the goals and leasing schedules of the OCS leasing program;
- the leasing activity, i.e., the number of sales held, acreage leased, oil and gas production realized, etc;
- the management of the program including the procedural and administrative processes followed in holding a lease sale;
- the issues affecting the leasing program, i.e., timely access to OCS lands for energy development, environmental protection, State and local government participation in the program, and questions as to the Government's receipt of a fair monetary value for offshore development; and
- the impact these issues have had on past leasing programs and the potential impact of these issues on future leasing.

We also examined pertinent laws affecting OCS activities, primarily the OCS Lands Act and its 1978 Amendments, and the impact these laws have had on OCS leasing.

A main thrust of the leasing program of the 1970s was the opening up of OCS areas outside the Gulf of Mexico for exploration and development--the Gulf of Mexico being a traditional, noncontroversial leasing area. Thus in our review, while we obtained overall statistical information on all 55 OCS sales held since 1954, our indepth analysis of individual sales was focused on the 10 sales held outside the Gulf during the 1970s. Four Gulf sales (out of a total of 24 held between 1970 and 1980) were looked at in the same detail as the sales outside the Gulf region. The Gulf of Mexico sales we reviewed were held in 1978 and 1980 and, in our opinion, probably represent current day leasing and its associated problems in the Gulf OCS region.

For the 14 sales we reviewed, we traced the acreage reductions in the sale area from the total area initially considered for lease, down through the final award of leases. From this analysis, and our analysis of court suits involving these sales, we identified specific factors impeding or limiting OCS leasing and showed the impact these factors have had on leasing in terms of delayed or canceled sales and acreage either being withdrawn from leasing or not being leased.

Based on our analysis of the factors impeding OCS leasing during the 1970s, we examined future leasing plans as shown in the current 1980-85 leasing schedule. From this analysis we assessed the prospects of meeting future OCS leasing objectives.

In this review we did not attempt to assess the specific environmental impacts that may have occurred from past OCS leasing and development, and we did not focus on the potential impacts to the marine, coastal, and human environments that could result from future leasing. Neither did we evaluate the impact the Interior's environmental studies program has had on leasing decisions nor did we evaluate the adequacy of environmental statements prepared for various lease sales. We have, however, reported the Interior's OCS environmental studies program in prior reports. 1/

We interviewed and obtained information from Federal authorities both in Washington, D.C., and at each of BLM's four regional OCS offices--New Orleans, Louisiana; Los Angeles, California; Anchorage, Alaska; and New York, New York. We reviewed the history of the leasing program at these locations (the national and the regional perspectives); gathered and analyzed statistical information on OCS leasing, i.e., number of sales, acreage leased etc.; examined individual lease sale files; and discussed and traced the impact OCS leasing issues have had on leasing schedules and on the leasing program.

We also interviewed and obtained information from the oil industry, State and local governments, and a number of private interest groups. A list of those we contacted is included as appendix II. Only oil companies involved in OCS operations were considered for our study. We selected a mix of firms ranging in size and operations in order to obtain perspectives on OCS leasing from the smaller and mid-size firms as well as from the larger companies. State and local government groups, as well as private interest groups, were selected from each OCS region based generally on their public participation in OCS activities.

In preparing this report, we have also drawn extensively on our past work in the OCS area and have combined this knowledge with information obtained in this review. We have issued a number of reports over the past several years addressing the Interior's management of OCS activities (see app. III). Our previous work generally has focused on USGS's inability to develop adequate resource estimates to assure that the Government receives fair value for the resources contained on the OCS. Other reviews have focused on individual sales or on various program aspects of OCS leasing and development.

1/"Benefits Derived From the Outer Continental Shelf Environmental Studies Program are Questionable," CED-78-93, June 1, 1978; and "Some Issues Affecting Southern California Outer Continental Shelf Oil and Gas Lease Sale 48," EMD-80-47, May 5, 1980.

Chapters 2 and 3 discuss the changing national priorities driving the OCS lease program before and after 1970 and the impact these changes had on OCS sales. These chapters also analyze the never achieved lease schedules and goals of the 1970s. Chapters 4 and 5 assess the implications of the increasingly complex OCS leasing dynamics for future sales.

CHAPTER 2

THE IMPACT OF CHANGING

PRIORITIES ON OCS LEASING

Prior to the 1970s, OCS leasing was a relatively noncontroversial program carried out primarily in the Gulf of Mexico. In the late 1960s and early 1970s, however, a series of changing national priorities had a profound impact on OCS leasing and development. During this period emphasis was placed on (1) improving the management of the program and ensuring that the Government received a fair return on OCS resources, (2) ensuring that the environmental impacts of offshore development were considered in leasing decisions, (3) including the coastal States in leasing and development plans, and (4) accelerating the leasing of OCS lands in response to the Nation's changing energy situation.

As a result of these initiatives, OCS development became a controversial issue. Yet, although controversial, OCS leasing and development increased significantly during the 1970-80 time frame over what had been experienced in the past. Leasing was extended from the Central and Western Gulf of Mexico to seven new frontier areas; an average of three sales were held per year as compared to about one sale per year in the 1954-69 period; more than twice as much land was offered for lease; and the acreage actually leased almost doubled that of the preceding 16 years. In addition, revenues to the Treasury increased by \$30.2 billion and the amount of oil and natural gas produced on the OCS increased more than almost two and four times, respectively.

Even though leasing and development increased, the planned accelerated leasing goals of the 1970s were not achieved. Scheduled lease sales were frequently delayed or canceled, annual leasing acreage goals under the more aggressive leasing schedules were never met, and several high potential Alaskan OCS areas were not made available for leasing. At the beginning of 1970 about 1 percent of the OCS had been offered for lease and a little over two-thirds of that was leased. At the end of 1980 approximately 4 percent had been offered for lease and 2 percent was leased. Thus, the accelerated activity of the 1970s only opened a relatively small percentage of additional OCS land for oil and gas exploration and development.

This chapter discusses the program changes made during the 1970s and compares OCS leasing results before and after the changes. Chapter 3 discusses why the accelerated leasing goals of the 1970s were not met.

LEASING FROM 1954-69

From 1954 through 1969, OCS leasing was carried out primarily in the Gulf of Mexico, offshore Louisiana, and Texas. As

shown below, of the 21 sales held during the initial 16 years of leasing, 17 were in the Gulf. The remaining 4 sales were in the Pacific OCS.

	<u>OCS Sales</u> <u>1954-69</u>				
	<u>No. of</u> <u>sales</u>	<u>Offered</u>		<u>Leased</u>	
		<u>Acres</u> (millions)	<u>Tracts</u>	<u>Acres</u> (millions)	<u>Tracts</u>
Gulf of Mexico	<u>17</u>	<u>9.64</u>	<u>2,344</u>	<u>5.27</u>	<u>1,223</u>
Pacific					
Southern California	2	0.54	111	0.37	72
Northern California	1	0.67	129	0.31	57
Washington-Oregon	<u>1</u>	<u>1.09</u>	<u>196</u>	<u>0.58</u>	<u>101</u>
Subtotal	<u>4</u>	<u>2.30</u>	<u>436</u>	<u>1.26</u>	<u>230</u>
Total	<u>21</u>	<u>11.94</u>	<u>2,780</u>	<u>6.53</u>	<u>1,453</u>

During these early years OCS development was a noncontroversial issue, there were no formal lease schedules and, for the most part, there was little orderly planned development of the OCS. Industry interest and the needs of the Bureau of Budget (now the Office of Management and Budget) to generate revenues for the Treasury heavily influenced decisions on when and where to lease. According to BLM records and discussions with BLM officials, until 1967 just about all the land nominated by industry for leasing was offered in lease sales. It was not until 1967 that Interior initiated a tract selection process whereby industry nominations were selectively evaluated before they were included in a lease sale. Based on this evaluation, only the most highly nominated tracts and the tracts with the most resource potential were included in a sale. According to a National Science Foundation funded report ^{1/}, Interior's policy during this time period was one of pacing OCS development at a low rate to keep demand for leases high, thus keeping bonuses high.

^{1/}"Energy Under the Oceans," The Technology Assessment Group Science and Public Policy Program, University of Oklahoma, June 1973.

Timing of lease sales

During these early years of leasing the process for a general lease sale consisted of four procedural steps--(1) call for nominations, (2) nominations due, (3) notice of sale, and (4) sale. Our analysis of BLM sale data shows that between 1954 and 1969, generally 4 to 6 months were needed to hold a sale in the Gulf of Mexico and that an average of 14 months was needed for the three early sales in the Pacific OCS.

In the late 1960s BLM took action to expand its management of the OCS program. Studies were undertaken to determine the appropriate timing of lease sales and the optimal lease size. In addition, informal lease schedules were developed and plans were made to open OCS leasing in the Alaskan and the Atlantic offshore areas. We were told that these late 1969 initiatives did not add a significant amount of time to the procedural requirements of the leasing process.

Impact of Santa Barbara Channel well blowout

Environmental consciousness was raised in 1969 when a major oil well blowout occurred in the Santa Barbara Channel off the Southern California coast. Public reaction to the blowout led former Interior Secretary Walter J. Hickel to place a moratorium on OCS leasing on February 20, 1969. The moratorium had immediate impacts on three OCS sales as follows:

- A planned February 1969 Gulf of Mexico sale was delayed 10 months.
- A late 1969 Gulf of Mexico sale was delayed until December 1970.
- A Gulf of Alaska wildcat sale tentatively scheduled for late 1969 was deferred.

Aside from these immediate impacts, public concern about the environmental impacts of OCS development was heightened. This concern contributed to the passage of NEPA which, in turn, had a decided impact on OCS leasing in the 1970s.

LEASING FROM 1970-80

The emphasis in the late 1960s to improve the management aspects of offshore leasing and to capitalize on the revenue producing aspects of the program carried over into the 1970s. At the same time, environmental emphasis increased and was made a part of the lease sale planning process. In 1973, and again in 1974, these two priorities were joined by an emphasis on accelerating the leasing of OCS lands for energy development to offset the impact of the Nation's growing energy crisis.

Controversy over the competing aspects of OCS leasing increased to the extent that Congress became involved in 1974 and, after 4 years of hearings, study, and debate, passed the OCS Lands Act Amendments of 1978. The Amendments were an almost complete rewriting of the 1953 Lands Act. Through the Amendments a national policy for OCS leasing was declared which

- provided for a broader, more expanded OCS lease program emphasizing accelerated development;
- called for the effective and timely balancing of environmental and energy concerns;
- mandated that State and local governments be included in OCS decisionmaking; and
- required development of a 5-year OCS leasing program, which reflected an adequate balancing of the 1978 Act's complex provisions.

Changing goals and changing leasing schedules

OCS leasing goals and schedules were continually changed during the 1971-80 time frame. At least five different leasing goals were promulgated and nine different schedules ^{1/} were published in this 10-year period. The changing energy situation and the need to accelerate leasing together with public concern over the impacts of OCS leasing were the primary factors causing changes in the OCS program. Planned leasing under the nine leasing schedules of the 1970s are shown in table 2.

Under the June 1971 schedule (Interior's first published lease schedule), leasing was to be increased to 1 million acres per year; however, as the energy crisis emerged during the early 1970s, the leasing goals were soon accelerated. The July 1973 schedule was developed in response to President Nixon's initiative to increase leasing to 3 million acres per year. As the energy situation worsened, President Nixon again called for more leasing. The November 1974 schedule was developed in response to this second energy initiative. A 10-million acre leasing goal for 1975 was expounded under the 1974 schedule, but according to Interior officials, there was confusion as to just what the 10-million

^{1/}Eight of the schedules were official published schedules. The June 8, 1979, schedule was a proposed schedule submitted for public and congressional comment prior to being approved by the Secretary of the Interior. After a year of review the schedule was modified, and in June 1980 it became the official leasing schedule for the 1980-85 time frame.

Table 2

OCS Leasing Planned Under Various
1971-1980 Lease Schedules

<u>Lease schedule</u>	<u>Timeframe</u>	<u>Number of years</u>	<u>Gulf of Mexico</u>	<u>Planned Sales</u>					<u>Average sales per year</u>
				<u>Pacific</u>	<u>Atlantic</u>	<u>Alaska</u>	<u>Re-offering</u>	<u>Total</u>	
June 1971	06/71-12/75	4.5	10	-	1	1	-	12	2.7
July 1973	07/73-12/78	5.5	11	2	-	2	-	15	2.7
November 1974	11/74-12/78	4.0	4	5	6	9	-	24	6.0
June 1975	06/75-12/78	3.5	4	3	6	9	-	22	6.3
January 1977	01/77-12/80	4.0	5	3	7	9	-	24	6.0
May 1977	05/77-12/78	1.5	4	-	3	1	-	8	5.3
August 1977	08/77-12/81	4.5	6	2	7	6	-	21	4.7
June 1979	06/79-02/85	5.5	12	4	6	9	-	31	5.6
June 1980	06/80-06/85	5.0	11	4	6	10	5	36	7.2

acre goal actually entailed. Disagreement centered over whether the goal was to offer 10 million acres per year for lease or to actually lease 10 million acres per year. Also there was disagreement as to whether the 10-million acre goal was for each year of the 4-year lease schedule (1975-78) or just for 1975. Later on in 1974, according to Interior documents, the leasing goals were changed to (1) holding six sales per year and (2) holding sales in all frontier areas by the end of 1978. Acreage objectives were dropped as specific leasing goals.

Irrespective of the controversy over the goals, the November 1974 schedule represented a change in the focus of the leasing program in that leasing in frontier OCS areas was emphasized. Prior to this schedule, leasing was concentrated in the Gulf of Mexico whereas over 80 percent of the sales planned in the 1974 schedule were for areas outside the Gulf of Mexico.

In March 1975, we issued a report on the November 1974 leasing goals and the outlook for accelerating the leasing of offshore lands. ^{1/} In our report we stated that the 1974 leasing initiatives were

- hastily conceived (developed in about 2 weeks),
- developed with little operating level input,
- adopted by the Interior Department despite opposition from program personnel, and
- developed without adequate consideration of the environmental impacts and other problems associated with offshore development.

Overall, we concluded that the prospect of achieving the planned goals was doubtful.

The fourth lease schedule of the 1970s was published in June 1975--only 7 months after publication of the November 1974 schedule. We were told that administrative delays in implementing the accelerated leasing program required that the 1974 schedule be revised.

In January 1977, the schedule was again revised. According to Interior's records, the experiences in attempting to lease frontier areas indicated that more time was needed to prepare for a sale. Furthermore, additional information had been developed which indicated that leasing in Alaska, as proposed in the 1975 schedule, might be premature. We were told that this was the first schedule in which the State governments were fully brought into the scheduling process.

^{1/}"Outlook For Federal Leasing Goals to Accelerate Leasing of Oil and Gas Resources On the Outer Continental Shelf," RED-75-343, Mar. 19, 1975.

On April 20, 1977, the new Secretary of the Interior under the Carter administration directed that a comprehensive review of OCS leasing be carried out. The May 1977 and August 1977 lease schedules were the products of this review. The May 1977 schedule was a short-range leasing schedule--for the 18-month period from May 1977 to December 1978--designed to keep leasing going until a more comprehensive review of the program could be completed. The August 1977 schedule was developed based on the latter review.

No quantitative leasing goals were associated with either of these lease schedules. However, in a May 17, 1977, press release, Secretary of the Interior, Cecil D. Andrus stated that

"the principal goal of the program continues to be the increased production of oil and gas from U.S. offshore areas. Completion of development in known areas, along with a steady exploration and development pattern in frontier areas (including Alaska), are the twin thrusts of the program."

The August 1977 schedule was the first schedule in which a 60-day period was provided for State government comment in the final stages of the prelease planning process for a specific sale.

The June 1979 and June 1980 schedules were prepared in accordance with the section 18 provisions of the OCSLAA. The June 1979 schedule was a proposed schedule which was submitted to the Congress, State governments, and the Attorney General for review prior to being approved by the Secretary. According to agency documents, the June 1979 schedule responded to President Carter's initiatives to increase OCS leasing and to provide earlier consideration of Alaskan OCS areas. No precise leasing goals were associated with this schedule. 1/ Our review of earlier administration announcements, however, indicated that leasing would be increased to about 5 million acres per year.

The June 1980 schedule was issued after a year of review and comment on the June 1979 schedule. The major differences in the final schedule are (1) a 3-year delay for the Alaskan Kodiak sale, (2) the addition of a 1985 sale in Alaska's Hope Basin, and (3) the addition of five reoffering sales. In annual reoffering

1/The Department of Energy (DOE) established OCS oil and gas production goals for the 1985-95 time frame for use in preparing the June 1979 schedule. According to Interior, the June 1979 schedule would yield nearly 90 percent of DOE's oil production goals and 95 percent of the gas goals.

sales, tracts not bid on in previous sales and tracts previously bid on but rejected by the Interior Department would be reoffered for lease. Reoffering sales include only OCS lands outside the Gulf of Mexico.

An analysis of the 1979 and 1980 schedules shows that (excluding reoffering sales) roughly one-third of future sales will be held in both the Gulf of Mexico and Alaska respectively, with about 20 percent being held in the Atlantic OCS and 13 percent being held in the Pacific.

The impact of the changing leasing goals and changing lease schedules on actual leasing is discussed in detail in chapter 3.

Leasing increased
during the 1970s

Despite the controversies, OCS leasing and development increased significantly during the 1970s over what had been experienced up until 1969. As shown below, over one and one-half as many sales were held from 1970-80 as from 1954-69.

OCS Sales

1954-80

<u>Region</u>	<u>1954-69</u>	<u>1970-80</u>	<u>Total</u>
Gulf of Mexico	<u>17</u>	<u>24</u>	<u>41</u>
Pacific			
Northern	1	-	1
Central	1	-	1
Southern	<u>2</u>	<u>2</u>	<u>4</u>
	<u>4</u>	<u>2</u>	<u>6</u>
Atlantic			
Northern	-	1	1
Middle	-	2	2
Southern	-	<u>1</u>	<u>1</u>
	<u>0</u>	<u>4</u>	<u>4</u>
Alaska			
Gulf of Alaska	-	2	2
Cook Inlet	-	1	1
Beaufort Sea	-	<u>1</u>	<u>1</u>
	<u>0</u>	<u>4</u>	<u>4</u>
Total	<u>21</u>	<u>34</u>	<u>55</u>

During the 1970-80 period, 10 sales were held outside the Gulf of Mexico. Of these, two were in Southern California and eight were first time sales in frontier areas of the Alaska and Atlantic regions. Frontier areas in the Eastern Gulf of Mexico were also opened up during the 1970s. Gulf of Mexico sales accounted for over 70 percent of all sales for the period, down only slightly from about 80 percent of sales prior to 1970.

OCS land areas nominated, offered, and then leased, also increased during the 11 years from 1970-80. As shown in table 3, the 29.2-million acres offered during this period is more than twice that offered prior to 1970 and accounts for more than 70 percent of all OCS acreage offered through December 1980. The amount of acreage leased from 1970-80 is almost twice that of the prior period and accounts for about 65 percent of total acreage leased since the program began in 1954.

Table 3
OCS Areas Nominated, Offered, and Leased
(millions of acres)

<u>Region</u>	<u>1954-69</u>			<u>1970-80</u>			<u>Total</u>		
	<u>Nom.</u> <u>(note a)</u>	<u>Off.</u> <u>(note a)</u>	<u>Lsd.</u>	<u>Nom.</u> <u>(note a)</u>	<u>Off.</u> <u>(note a)</u>	<u>Lsd.</u>	<u>Nom.</u> <u>(note a)</u>	<u>Off.</u> <u>(note a)</u>	<u>Lsd.</u>
Gulf of Mexico	<u>31.3</u>	<u>9.6</u>	<u>5.3</u>	<u>104.2</u>	<u>20.6</u>	<u>9.4</u>	<u>135.5</u>	<u>30.3</u>	<u>14.6</u>
Pacific									
Northern	3.1	1.1	0.6	-	-	-	3.1	1.1	0.6
Central	0.9	0.7	0.3	-	-	-	0.9	0.7	0.3
Southern	<u>0.6</u>	<u>0.5</u>	<u>0.4</u>	<u>11.9</u>	<u>2.1</u>	<u>0.6</u>	<u>12.5</u>	<u>2.6</u>	<u>1.0</u>
	<u>4.6</u>	<u>2.3</u>	<u>1.3</u>	<u>11.9</u>	<u>2.1</u>	<u>0.6</u>	<u>16.5</u>	<u>4.4</u>	<u>1.9</u>
Atlantic									
North	-	-	-	10.9	0.7	0.4	10.9	0.7	0.4
Middle	-	-	-	13.8	1.5	0.8	13.8	1.5	0.8
South	-	-	-	<u>4.4</u>	<u>1.3</u>	<u>0.2</u>	<u>4.4</u>	<u>1.3</u>	<u>0.2</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>29.1</u>	<u>3.4</u>	<u>1.4</u>	<u>29.1</u>	<u>3.4</u>	<u>1.4</u>
Alaska									
Gulf of Alaska	-	-	-	9.3	2.2	0.6	9.3	2.2	0.6
Cook Inlet	-	-	-	2.1	0.8	0.5	2.1	0.8	0.5
Beaufort Sea	-	-	-	<u>0.2</u>	<u>0.2</u>	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>0.1</u>
	<u>0</u>	<u>0</u>	<u>0</u>	<u>11.6</u>	<u>3.1</u>	<u>1.2</u>	<u>11.6</u>	<u>3.1</u>	<u>1.2</u>
Total	<u>35.9</u>	<u>11.9</u>	<u>6.6</u>	<u>156.8</u>	<u>29.2</u>	<u>12.5</u>	<u>192.7</u>	<u>41.2</u>	<u>19.1</u>

a/OCS acreage nominated for lease (Nom.), offered (Off.) and subsequently leased (Lsd.).

Another result of the increased emphasis on the OCS and the accelerated lease efforts during this period was increased oil and gas production and drilling. As shown in table 4, oil and natural gas produced from the OCS doubled and almost quadrupled, respectively.

Table 4

Number of Tracts Drilled and Oil & Gas Produced, 1954-79

	<u>OCS tracts</u>		<u>No. of wells</u>	<u>Oil & gas produced</u>	
	<u>Leased</u>	<u>Drilled</u>		<u>MMB (note a)</u>	<u>Tcf (note b)</u>
1954-69:					
Gulf of Mexico	1,223	922	8,299	1,655.0	9.201
Pacific	230	71	194	12.0	0.005
Atlantic	-	-	-	-	-
Alaska	-	-	-	-	-
Subtotal	<u>1,453</u>	<u>993</u>	<u>8,493</u>	<u>1,667.0</u>	<u>9.206</u>
1970-79:					
Gulf of Mexico	1,713	1,202	8,832	3,296.4	34.743
Pacific	110	19	272	178.9	.068
Atlantic	238	23	58	-	-
Alaska	<u>187</u>	<u>16</u>	<u>27</u>	<u>-</u>	<u>-</u>
Subtotal	<u>2,248</u>	<u>1,260</u>	<u>9,189</u>	<u>3,475.3</u>	<u>34.811</u>
Regional total:					
Gulf of Mexico	2,936	2,124	17,131	4,951.4	43.944
Pacific	340	90	466	190.9	.073
Atlantic	238	23	58	-	-
Alaska	<u>187</u>	<u>16</u>	<u>27</u>	<u>-</u>	<u>-</u>
Total	<u>3,701</u>	<u>2,253</u>	<u>17,682</u>	<u>5,142.3</u>	<u>44.017</u>

a/Million barrels of oil.

b/Trillion cubic feet of gas.

The increased activity on the OCS in the 1970s increased substantially the amount of Federal revenues from OCS bonuses, rents, and royalties. As shown below, OCS receipts for the 1970-79 period account for almost 90 percent of the \$34.9 billion in Federal revenues from OCS operations through December 1979.

Federal Revenues From the OCS, 1954-79
(millions of dollars)

	<u>Bonus payments</u>	<u>Rents</u>	<u>Royalties</u>	<u>Total</u>
1954-69	\$ 3,360	\$ 93	\$1,238	\$ 4,691
1970-79	<u>23,143</u>	<u>149</u>	<u>6,879</u>	<u>30,171</u>
Total	<u>\$26,503</u>	<u>\$242</u>	<u>\$8,117</u>	<u>\$34,862</u>

Leasing goals
not achieved

The results from accelerated lease initiatives detailed above show substantial increases in the amounts of land leased. Yet, the planned accelerated leasing goals of the 1970s were never achieved. Because of the continuing evolution of the goals, it is difficult to precisely determine the degree to which the goals were met. For our analysis we looked at the various goals from an overall perspective, focusing on three aspects of the leasing program--(1) the number of planned annual sales, (2) the amount of acreage to be leased each year, and (3) the planned opening of new OCS areas. We found that the goals were not achieved in any of these three categories.

Annual sales

The November 1974, June 1975, and January 1977 leasing schedules, the more aggressive leasing schedules of the 1970s, called for an average of six sales per year during the 1975-80 time frame. As shown below, this goal was achieved in only one of the six leasing years--1979. Twenty-three sales were held during those 6 years--a full one-third less than planned.

Planned and Actual
Lease Sales

1975-80

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>Total</u>
Planned	6	6	6	6	6	6	36
Actual	4	4	2	4	6	3	23

Our analyses of the different leasing schedules in comparison to sales actually held during the 1970s indicate that leasing generally proceeded as planned in the Gulf of Mexico--regardless of which lease schedule is used for comparison (table 5). But, as shown in tables 6, 7, and 8, leasing in areas outside the Gulf of Mexico fell short of planned goals--regardless of the leasing schedule used for comparison.

Table 5
Planned and Actual Leasing
in the Gulf of Mexico
1971-1985

											<u>Future Years</u>				
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
<u>Official Lease Schedules</u>															
June 1971	2	2	2	2	2										
July 1973			1	2	3	2	2	1							
November 1974					2	1	1								
June 1975					1	2	1								
January 1977							2	1	1	1					
May 1977							1	3							
August 1977							—	3	1	1	1				
June 1979									—	2	2	2	3	2	1
June 1980										2	2	2	2	2	1
<u>Actual Leasing</u>															
Number of Sales Held	1	2	2	4	3	2	1	3	2	2					

**Table 6
Planned and Actual Leasing
in the Pacific OCS
1971-1985**

<u>Official Lease Schedules</u>											<u>Future Years</u>				
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
June 1971	- No Sales Planned -														
July 1973			-	1	-	1	-	-							
November 1974					1	1	1	2							
June 1975					1	-	1	1							
January 1977							-	2	-	1					
May 1977							- No Sales Planned -								
August 1977							-	-	1	-	1				
June 1979									-	-	1	1	1	1	-
June 1980										-	1	1	1	1	-
<u>Actual Leasing</u>															
Number of Sales Held	-	-	-	-	1	-	-	-	1	-					

**Table 7
Planned and Actual Leasing
in the Atlantic OCS
1971-1985**

<u>Official Lease Schedules</u>											<u>Future Years</u>					
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	
June 1971	One General Sale Prior to 1976															
July 1973			No Sales Planned													
November 1974					1	2	2	1								
June 1975					-	3	1	2								
January 1977							2	2	2	1						
May 1977							1	2								
August 1977								2	2	1	2					
June 1979									-	-	2	1	1	2	-	
June 1980										-	2	1	1	2	-	
<u>Actual Leasing</u>																
Number of Sales Held	-	-	-	-	-	1	-	1	-	2						

Table 8
Planned and Actual Leasing
in the Alaskan OCS
1971-1985

<u>Official Lease Schedules</u>											<u>Future Years</u>				
	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
June 1971	One Gulf of Alaska Sale Prior to 1976														
July 1973			-	-	-	-	1	1							
November 1974					2	2	2	3							
June 1975					2	1	3	3							
January 1977							2	1	3	3					
May 1977							1	-							
August 1977							1	-	1	2	2				
June 1979									-	2	1	2	2	1	1
June 1980										1	1	2	3	1	2
<u>Actual Leasing</u>															
Number of Sales Held	-	-	-	-	-	1	1	-	1	1					

Acreage leased

Annual leasing goals of 1, 3, and 10 million acres per year were planned in the first three leasing schedules of the 1970s. Subsequent leasing schedules contained no reference to specific leasing goals. Our analysis of actual leasing shows an average of 2,858 million acres being offered for lease each year between 1971 and 1980 and an average of 1,192 million acres actually being leased.

<u>Year</u>	<u>OCS Acreage</u> <u>Offered and Leased</u>	
	<u>1971-80</u> (1,000 acres)	
	<u>Offered</u>	<u>Leased</u>
1971	56	37
1972	971	826
1973	1,515	1,033
1974	5,007	1,762
1975	7,247	1,680
1976	2,827	1,278
1977	1,843	1,101
1978	3,141	1,297
1979	3,412	1,767
1980	<u>2,563</u>	<u>1,134</u>
Total	<u>28,582</u>	<u>11,915</u>
Average per year	(2,858)	(1,192)

In terms of yearly acreage leasing goals, only the 1971 goals were met during the 1970s. Only about 40 percent of the 3-million acre goal was achieved, and only about 11 percent of the 10-million acre goal was achieved.

Opening of frontier OCS areas

A third goal of OCS leasing in the 1970s was the opening of all OCS frontier areas for leasing. As of December 1980, initial OCS sales were held in seven new frontier areas. The

Atlantic OCS areas were opened (three areas), sales were held in the Eastern Gulf of Mexico, and lease sales were held in three Alaskan frontier areas. Sales were not held in nine other areas, however. No lease sales were held in eight Alaskan frontier areas (Chukchi Sea, Hope Basin, Norton Basin, Navarin Basin, St. George Basin, Bristol Bay, Kodiak, and the Southern Aleutian Shelf) and in the Florida Straits. While not all these areas have prospective oil and gas resources, based on currently available information, almost all the Alaskan areas were scheduled for lease prior to 1980. In summary, our analysis shows that more than half the OCS frontier areas were not opened for leasing. These unopened areas were previously estimated to contain approximately 40 percent of the estimated undiscovered recoverable oil and gas resources believed to be contained on OCS lands. In February 1981, USGS released revised estimates of the oil and gas believed to be contained in the various OCS regions. According to these new estimates these unopened areas now represent about 13 percent of the undiscovered recoverable oil and gas on the OCS. Because of time constraints, we did not examine the rationale for these changes.

CHAPTER 3

PROBLEMS OF THE 1970s--WHY

THE GOALS WERE NOT MET

Public awareness together with State and local government concern over the impacts of OCS development limited achievement of the accelerated leasing initiatives of the 1970s. Because of environmental concerns, conflicts over competing uses of specific OCS areas, and concern that the Government would not get a fair monetary return on OCS resources, the time to plan for lease sales was lengthened, sales were delayed, and in some areas sales were removed from the lease schedule. These concerns also led to the deletion of some high potential acreage within sales. However, industry's unwillingness to nominate or bid on nearly 72 percent of the tracts originally considered for lease in sales we analyzed also limited achievement of the leasing goals of the 1970s.

PRELEASE PLANNING TIME LENGTHENED

The lengthening of the prelease planning process is primarily attributable to the additional time needed to comply with the National Environmental Policy Act of 1969 (NEPA) and the time needed to bring State and local governments into the prelease planning process. NEPA "promotes efforts which will prevent or eliminate damage to the environment" (section 2), namely through the creation of an environmental impact review process. NEPA requires that an environmental impact statement (EIS) be prepared for any major Federal action significantly affecting the quality of the human environment. Thus, any proposed leasing plan or any proposed lease sale so deemed must include

- an analysis of the environmental consequences of the proposed leasing activities,
- an assessment of alternatives to the proposal, and
- consideration of long-term OCS environmental maintenance and enhancement.

NEPA also requires that public participation be solicited in the environmental review process (section 102 (c)). In addition to State and local government participation in the EIS process, section 19 of the OCSLAA provides that States be allowed 60 days to comment on the final size, timing, and location of a lease sale affecting their coastal areas once the Secretary of the Interior has decided on the final particulars of a sale.

Our analysis of the current planning process shows that approximately 60 percent of the scheduled prelease planning

time is attributable to fulfilling NEPA requirements and, in addition to State participation in the EIS process, that 5 to 8 percent is associated with State and local government involvement in the final sale decisions.

Increases due to environmental considerations

Prior to 1970, the environmental impacts associated with OCS development were not a major issue in OCS leasing. A lease sale was accomplished in a 4- to-6 month time frame in the Gulf of Mexico and there was no requirement for an EIS. The first EIS for an OCS sale was prepared for a 19-tract drainage sale held in the Gulf of Mexico in November 1971. The total prelease planning process for the sale took 10 months. Of these 10 months, about 5 months were required to prepare a draft EIS, hold public hearings on the draft statement, and prepare a final EIS.

The June 1971 schedule was the first OCS schedule, either formal or informal, that included milestones reflecting the EIS requirement of NEPA. The schedule provided for an average of 14 months for prelease planning. Six of the 14 months were for the EIS process. As shown below, the time allowed for the EIS requirements of NEPA remained about the same until the January 1977 lease schedule. The January 1977 schedule reflected a 3-month increase in time needed to prepare a draft EIS. The time allotted in the prelease planning process to comply with NEPA was the same for all OCS regions through the January 1977 lease schedule.

Average Time Allowed for EIS Process in Early Lease Schedules
(months)

<u>EIS process</u>	<u>Prior to 1970</u>	<u>June 1971</u>	<u>July 1973</u>	<u>Nov. 1974</u>	<u>June 1975</u>	<u>Jan. 1977</u>
Draft EIS preparation	-	3	3	3	3	6
Public hearings	-	1	1	1	2	2
Final EIS preparation	-	2	4	3	3	3
Total	<u>0</u>	<u>6</u>	<u>8</u>	<u>7</u>	<u>8</u>	<u>11</u>

Table 9

Average Time Allowed For EIS Process in

1977-1980 Lease Schedules
(months)

<u>EIS Process</u>	<u>Gulf of Mexico</u>			<u>Pacific</u>			<u>Atlantic</u>			<u>Alaska</u>		
	<u>Aug.</u> <u>1977</u>	<u>June</u> <u>1979</u>	<u>June</u> <u>1980</u>									
Draft EIS Preparation	7	10	10	a/19	12	12	8	12	13	10	20	20
Public Hearings	2	2	2	2	2	2	2	2	2	2	3	3
Final EIS Preparation	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
Total	<u>12</u>	<u>15</u>	<u>15</u>	<u>24</u>	<u>18</u>	<u>18</u>	<u>13</u>	<u>18</u>	<u>19</u>	<u>16</u>	<u>27</u>	<u>27</u>

a/The complete prelease process for only Sale 53 is shown in the August 1977 schedule.

Secretary Andrus' review of the OCS leasing program in 1977 resulted in further extensions of the leasing process. The August 1977 leasing schedule also reflected that the time needed to prepare an EIS would vary by OCS region. Further extensions in the EIS process were, as shown in table 9, reflected in the June 1979 and June 1980 schedules.

The NEPA requirement to prepare an EIS for individual lease sales has added significantly to the prelease planning process. Current leasing schedules show that between 15 and 27 months are required to complete the process. As shown below, the EIS process now amounts to about 60 percent of the time needed to plan for and hold a sale.

Percent of Prelease Planning Time
Attributable to EIS Requirement

<u>Region</u>	Average prelease planning time (note a)	Average time for EIS process (note a)	<u>Percent for EIS process</u>
Gulf of Mexico	26	15	58
Pacific	30	18	60
Atlantic	31	19	61
Alaska	41	27	66

a/Months

About two-thirds of the time required for the EIS process is for the preparation of a draft EIS. Three months were required to prepare the first EIS. Depending on the OCS region, the time now allotted for preparation of a draft EIS has increased about 300 to 700 percent. According to Interior officials, court suits challenging the adequacy of the EISs--which will be discussed in the following sections of this chapter--have resulted in more information being required and developed for subsequent EISs. Accordingly, the time required to prepare an EIS has increased to allow for additional data gathering and analysis.

Increases due to State
government and DOE reviews

The August 1977 leasing schedule prepared by Secretary Andrus introduced a new step in the prelease process--a step called "proposed notice of sale." Under this new procedure, the Secretary would publish a proposed notice of sale after he had selected the final tracts to be offered in a sale. This change gave State governments a new role in addition to their participation in the

EIS process--they would now have 60 days to comment to the Secretary on a proposed sale. According to the Interior Department, this step was introduced into the process in anticipation of section 19 of the OCSLAA.

Section 303(c)(1) of the DOE Organization Act (42 U.S.C. 7101) provides DOE 30 days to review the terms and conditions under which leases are issued prior to a sale. This 30-day requirement became effective in August 1977 and was first introduced in the June 1979 lease schedule as a step in the prelease planning process.

The requirement for State comments and a review by DOE on proposed lease sales together added 3 months to the leasing process. These requirements, together with the time required to complete the EIS, total almost 70 percent of the time required to hold a sale.

The percentage of time allocated to the prelease planning process steps, as reflected in the 1980-85 leasing schedule, is shown in table 10.

Table 10

Percentage of Time Allocated
to Prelease Planning Steps
1980-85 Leasing Schedule

	<u>Gulf of Mexico</u>		<u>Pacific</u>		<u>Atlantic</u>		<u>Alaska</u>	
	<u>Per- Months</u>	<u>Per- cent</u>	<u>Per- Months</u>	<u>Per- cent</u>	<u>Per- Months</u>	<u>Per- cent</u>	<u>Per- Months</u>	<u>Per- cent</u>
Call for nominations	2	7.5	2	7	2	6.5	3	7.0
Tentative tract selection	2	7.5	3	10	3	10.0	4	9.5
EIS process	15	58.0	18	60	19	61.5	27	66.0
Tract selection	2	7.5	2	7	2	6.5	2	5.0
State review	2	7.5	2	7	2	6.5	2	5.0
Energy review	1	4.0	1	3	1	3.0	1	2.5
Final sale notice	1	4.0	1	3	1	3.0	1	2.5
Final notice to sale	<u>1</u>	<u>4.0</u>	<u>1</u>	<u>3</u>	<u>1</u>	3.0	<u>1</u>	2.5
Total	<u>a/26</u>	<u>100</u>	<u>30</u>	<u>100</u>	<u>31</u>	<u>100</u>	<u>41</u>	<u>100</u>

a/A single prelease sale process is being planned for the two annual sales in the Gulf of Mexico for 1981, 1982, 1983, and 1984. The June 1980 schedule shows activities for both yearly sales conducted concurrently through the final EIS. At this point, the second sale date is planned for about 6 months after the first sale. Thus, the second annual sale will occur about 32 months after the call for nominations.

SALES DELAYED OR
DROPPED FROM LEASING

The lengthening of the prelease planning process and outright challenges to leasing in specific OCS areas resulted in a significant number of sales rescheduled to later dates or dropped from the OCS leasing schedule during the 1970s. Although environmental challenges delayed initial Gulf of Mexico sales, subsequent sales in the Gulf region have gone smoothly. However, significant delays have occurred in the other three OCS regions.

Gulf of Mexico delays

Gulf of Mexico sales were delayed in the early 1970s in reaction to the Santa Barbara Channel oil well blowout and as a result of court challenges on the adequacy of the EISs prepared for the sales. Since 1975, leasing has proceeded smoothly in the Gulf of Mexico with little delay. No sales were dropped from the schedule.

Secretary Hickel's moratorium

The previously mentioned Hickel moratorium on leasing after the 1969 Santa Barbara Channel blowout had a direct impact on two Gulf of Mexico sales. The first of these, a 27-tract drainage sale, was postponed from a proposed February 1969 sale and held 10 months later. The second sale was tentatively planned for late 1969. The sale was eventually held in December 1970--about 12 months later than originally anticipated.

EIS challenges

The first sale under the June 1971 lease schedule, planned for December 1971, was challenged by an environmental group. The group brought suit contending that the EIS prepared for the sale was inadequate in that it did not fully discuss the various alternatives to the lease sale nor did it adequately assess the impacts of OCS development and operations. The court ruled in favor of the environmental group. ^{1/} After a second EIS was prepared, the sale was held in September 1972--9 months after the planned date.

Because of the delay in this sale, two subsequently planned 1972 sales were delayed. A planned May 1972 sale was delayed 7 months to December 1972, and a planned November 1972 sale was delayed 7 months to June 1973. We noted that the contested December 1971 sale was the second sale in the Gulf of Mexico for which an EIS was prepared. The first sale for which an EIS was prepared was not contested.

^{1/}Natural Resources Defense Council, Inc., v. Morton, 458 F. 2d 827 (D.C. Cir. 1972).

In July 1973 a new leasing schedule was published reflecting the 3-million acres per year leasing goal. The first sale on this schedule, a December 1973 sale in the eastern Gulf of Mexico, was challenged by the Sierra Club 1/ on the grounds that the EIS for the sale was insufficient. The district court rejected the Sierra Club's arguments and the sale was held as scheduled. On appeal the district court action was affirmed.

From 1975 to 1980 there was an average of 1-1/2 months delay in holding 12 planned lease sales in the Gulf. We considered these time delays insignificant and did not evaluate the reasons behind the delays.

Pacific OCS sales

At one time five sales were planned for the Pacific OCS during the 1970s. Two of the five sales were held but were delayed 15 and 25 months, respectively. A third sale originally planned for October 1978 is currently scheduled for May 1981--a 31 month delay. Two sales were dropped from the schedule.

The November 1974 leasing schedule called for five Pacific OCS lease sales, four in Southern California--one for each year of the schedule--and a 1978 Northern California-Washington-Oregon sale. However, reopening the Southern California OCS after the 1969 Santa Barbara Channel well blowout proved to be a highly controversial public issue. The initial reopening sale, Sale 35, was planned for Southern California in September 1974. But, in August 1974, the State of California filed suit against the sale and President Nixon's accelerated leasing program, maintaining that the requirements of NEPA had not been met. In November 1975, the court ruled in favor of holding the sale. 2/ The sale was held in December 1975--15 months later than planned--with 56 of the 231 offered tracts being leased. Amid the Sale 35 controversy, two of the Southern California sales--the 1976 and the 1978 sales--were dropped from the leasing schedule.

A second Southern California sale, Sale 48, was held in June 1979--25 months after its original May 1977 sale date. By January 1977, the sale date had slipped 10 months. In April 1977, the County of San Diego brought suit against the sale charging that the provisions of NEPA had not been complied with in early pre-lease planning. In August 1977, the district court dismissed the suit stating that Interior's early prelease planning was done in accordance with NEPA. Public reaction to the sale remained strong,

1/Sierra Club v. Morton, 510 F. 2d 813 (5th Cir. 1975).

2/California v. Morton, 404 F. Supp. 26 (C.D. Cal. 1975).

however, and in Andrus' comprehensive review of the entire OCS leasing program in mid-1977 a decision was made to reschedule the sale to June 1979--a further 15-month delay. The sale was held as planned under Andrus' revised schedule.

A Northern California-Washington-Oregon lease sale was planned for October 1978 under the November 1974 leasing schedule. The sale has since been changed to a Northern and Central California sale (Sale 53) and is currently scheduled for May 1981--2-1/2 years later than planned. There has been considerable opposition to the sale from environmental groups, the State of California, and numerous local governments since the beginning of the prelease planning process which has delayed the sale. Basic concerns center on the potential adverse environmental impacts of offshore development in the area. In a brief filed in the U.S Court of Appeals of the District of Columbia the Natural Resources Defense Council has asked that this sale be enjoined.

Atlantic OCS sales

A concerted effort to open up the Atlantic offshore began with the November 1974 lease schedule. Prior to this schedule, consideration was given to leasing in the Atlantic but not on a large scale. Based on an informal leasing schedule prepared in late 1970, a mid-Atlantic sale was proposed for October 1973. The June 1971 schedule called for a general Atlantic sale to be held prior to 1976. Information from Interior files shows that environmental concerns over Atlantic offshore leasing had emerged and that hearings would be held before developing leasing schedules for the Atlantic OCS. The July 1973 leasing schedule contained no Atlantic sales but noted that sales would be added if a study being done by the Council on Environmental Quality showed that oil and gas development could be accomplished in an environmentally satisfactory manner.

The November 1974 leasing schedule escalated leasing in the Atlantic. Six OCS sales were proposed--two each in the North, Middle, and South Atlantic areas. Four of the six sales were held, one sale was deferred until October 1982, and one sale was dropped from the schedule. As shown below, Atlantic OCS sales have been delayed between 8 to 58 months, with the average delay about 30 months.

Planned Sales in
the Atlantic OCS

1970-80

<u>Area</u>	<u>Sale number</u>	<u>Original planned sale date</u>	<u>Actual sale date</u>	<u>Current planned sale date</u>	<u>Months of delay</u>
Mid-Atlantic	40	12/75	8/76		8
North Atlantic	42	5/76	12/79		43
South Atlantic	43	7/76	3/78		20
Mid-Atlantic	49	7/77	2/79		19
North Atlantic	52	12/77		10/82	58
South Atlantic	54	5/78	dropped from schedule		

Initial leasing in the Atlantic was threatened due to a jurisdictional dispute over Federal and State offshore boundaries. A suit was filed in 1969 by several Atlantic coastal States challenging the three nautical mile State OCS boundary limit. The dispute was settled in March 1975 by the Supreme Court--the Court ruled that the jurisdiction of the Atlantic coastal States only extended out to three nautical miles. 1/

Sale 40, the first Atlantic sale, was held in August 1976. In June 1976, just prior to the sale, the State of New York and an environmental group brought suit against Sale 40 contending that the EIS prepared for the sale failed to comply with NEPA, the OCS Lands Act, and the Coastal Zone Management Act. The Court saw no reason to stop the sale pending ultimate resolution of the lawsuit 2/, and the sale was held in August 1976. When the suit came to trial in early 1977, the district court concluded that NEPA requirements had not been met. The court declared the leases to be null and void and enjoined the parties from exercising their powers under the leases. The Secretary appealed and postlease activities were delayed pending a final resolution of the case. In August 1977, the issue was finally resolved in favor of the Government. The court of appeals reversed the district court and the complaints were dismissed. 3/

1/U.S. v. Maine, 420 U.S. 515 (1975).

2/New York v. Kleppe, 429 U.S. 1307 (1976).

3/County of Suffolk v. Secretary of the Interior, 562 F. 2d 1368 (1977).

Sale 42 in the North Atlantic, originally planned for May 1976, was delayed 43 months past its original sale date. Difficulties experienced in opening frontier areas resulted in the sale being rescheduled four times--the last scheduled date being January 1978. Just prior to the January sale date, the State of Massachusetts and several environmental groups brought suit against the sale. On January 28, 1978, a district court issued a preliminary injunction forbidding the Secretary from proceeding with the sale. The injunction was vacated by the court of appeals on February 20, 1979. The State and environmental groups tried again to halt the sale, but both the district court and the court of appeals denied their motion for an injunction. The sale was finally held on December 18, 1979. Because of the delay, the second sale planned for the North Atlantic was delayed until October 1982--58 months later than originally planned.

Sale 54, a second sale in the South Atlantic, was dropped from the lease schedule in April 1978. According to the Department of the Interior, the sale was dropped because of (1) a lack of data to evaluate environmental impacts and resource potential and (2) undefined boundaries between the United States and the Bahamas. A lack of industry interest was cited in Interior's internal documents as a third reason for dropping the sale.

Alaskan OCS sales

Alaskan OCS leasing parallels leasing in the Atlantic in that the November 1974 leasing schedule represented the first concerted effort to open the Alaskan OCS. Prior to 1974, leasing was considered in the Gulf of Alaska as early as 1967. A proposed late 1969 sale was delayed as a result of Secretary Hickel's 1969 leasing moratorium. Later, according to an informal leasing schedule, the sale was postponed to December 1971.

Public concern, along with unanswered questions concerning the environmental impacts of leasing in Alaska (as was the case in the Atlantic), tempered early 1970 leasing plans. The June 1971 schedule called for a Gulf of Alaska sale prior to 1976. The July 1973 schedule contained two sales--(1) a Cook Inlet sale in May 1977 and (2) a Bering Sea sale in May 1978--along with the provision that a Gulf of Alaska sale could be rescheduled if the Council on Environmental Quality determined that leasing in the Gulf could be done in an environmentally safe manner.

Eleven sales were scheduled for the Alaskan OCS areas between 1975 and 1980. Of these eleven sales, four were held, five were delayed until the 1981-85 time frame, and two were dropped from leasing (see table 11 on the following page).

Table 11
Planned Alaskan
OCS Sales
1975-80

<u>Area</u>	<u>Initial sale date</u>	<u>Sale held</u>	<u>Current sale date</u>	<u>Delay (months)</u>	<u>Dropped</u>
Gulf of Alaska (note a)	11/75	4/76		5	
Cook Inlet	8/75	10/77		26	
St. George	10/76		12/82	74	
Gulf of Alaska and Kodiak	12/76		4/83	76	
Beaufort Sea	9/77	12/79		27	
Outer Bristol Basin	10/77				1/77
Norton Basin	7/78		9/82	50	
Gulf of Alaska and Aleutian Shelf (note b)	9/78	10/80		25	
Chukchi Sea and Hope Basin	12/78		5/85	77	
Cook Inlet	8/80		9/81	13	
Kodiak	12/80				8/77

a/A Gulf of Alaska sale was tentatively scheduled for late 1969, but the 1975 sale date is the first official sale date for the area. Because of the long-standing planning for this sale prior to 1974, we have not included it in our analysis.

b/This sale was reduced to a Gulf of Alaska sale.

Originally planned sale dates were found to be unrealistic after Interior began leasing in frontier areas. Leasing experience in 1975-76 showed that preparation for frontier lease sales would take a minimum of 19 months rather than the originally planned 15 months. The added time was needed to complete the ever-growing list of requirements to satisfy public demand for more environmental consideration in the leasing program. For example, Interior launched its Environmental Studies Program in 1974 to better understand and assess the environment in proposed leasing areas; environmental impact statements were expanded to include more information on oil spill risks and possible stipulations; and information exchanges with States became more frequent and involved. In addition, planned leasing in Alaska, as in other OCS areas, was slowed by Andrus' 1977 call for a comprehensive review of the timing and sequence of lease sales.

Leasing in Alaska in this time period was challenged by three lawsuits which also served to slow leasing. The first lawsuit was brought against a Gulf of Alaska sale alleging NEPA violations, among them that the Secretary failed to fully consider alternative operating orders governing the manner in which oil and gas exploration and development could be carried out. The suit did not delay the sale, which was held in April 1976. The case was heard after the sale. The court agreed that the Secretary should have considered alternative operating orders, but refused to set aside the sale. However, the Secretary was ordered to promptly reconsider the operating orders already issued. ^{1/} The suit did in all likelihood set a precedent for more detailed examination of alternatives in Interior's future EISs.

The Cook Inlet lease sale litigation was a factor in Andrus' 1977 decision to reexamine the leasing program. This decision led to an 8-month postponement in the sale date which came after previous sale delays due to land ownership disputes with Alaska. The Cook Inlet lease sale suit, brought by a local group, charged NEPA violations--inadequate discussion of impacts and alternatives in the EIS. The suit was settled out of court with Interior agreeing to a list of nine requirements, the majority were environmentally related.

The third court suit was brought by local groups against the Beaufort Sea Sale. The group charged that NEPA and the Endangered Species Act had not been complied with in planning for the sale. The sale, delayed from the original sale date due to increasing requirements for environmental analysis and disputes with Alaska, was not delayed by the litigation. However, the issuance of the leases after the sale was delayed 10 months while the courts decided whether the requirements of the above statutes had been met.

^{1/}Alaska v. Andrus, 580 F. 2d 465 (D.C. Cir. 1978).

The delays in the remaining six sales are in large part the result of environmental concerns or State considerations. Interior's 1976 lease schedule, for example, deferred leasing in two areas-- the Hope Basin and Chukchi Sea--until advances in ice system technology occurred and in the Bristol Basin until additional environmental studies were completed. The State of Alaska also recommended an indefinite postponement in the environmentally sensitive St. George Basin lease sale until all environmental studies were completed. State concerns about the rich fishing resources led to the delay of the Kodiak sale as did its concerns about ice and hazardous conditions in the Norton Basin. The delay in the second Gulf of Alaska sale probably resulted from the delay in the first Gulf of Alaska sale along with a lack of industry interest in the area.

Second sales in the Kodiak and Cook Inlet areas appeared on later schedules in the 1970s but were subsequently dropped or postponed. A second Kodiak sale was dropped because the first sale was postponed until 1983. The second Cook Inlet sale, originally scheduled for August 1980, is now planned for September 1981--a delay of 13 months. This delay, according to Interior, can be traced to no one specific reason.

ACREAGE REDUCTIONS WITHIN SALE AREAS

In addition to lease sales being delayed or deleted, leasing goals have been further frustrated in that only a small fraction of the land in lease sale areas is eventually leased. Our analysis of the 10 lease sales held outside the Gulf of Mexico 1/ between 1975-80 showed that only about 3 percent of the land initially considered for lease (i.e., the call area) was eventually leased. By comparison, our analysis of four Gulf of Mexico sales during this time period--two sales in the Central and Western Gulf of Mexico and two sales in the Eastern Gulf of Mexico 2/--showed that only about 1 percent of the land in the call area was leased. Lack of industry interest, that is, industry either not nominating tracts to be included in a lease sale or not bidding on the tracts offered in a sale, accounted for over 72 percent of the reductions. Interior decisions resulted in a 25-percent reduction in the sale area. Interior's reductions resulted from a number of considerations, e.g., optimal sale size, Interior's capabilities to prepare for a sale, the oil and gas resource potential of particular acreage, environmental concerns, OCS multiple-use conflicts, boundary disputes, and insufficient industry bids.

1/Gulf of Alaska Sales 39 and 55, Cook Inlet Sale, Beaufort Sea Sale, Mid-Atlantic Sales 40 and 49, South Atlantic Sale 43, North Atlantic Sale 42, and Southern California Sales 35 and 48.

2/Eastern Gulf Sales 65 and A62, Central and Western Gulf Sales 51 and 62.

Call for nominations reflects
industry interest

Industry is asked to nominate tracts for inclusion in a proposed sale and provides information for Interior's use and consideration when designating a "call area"--the geographical area to be covered by the call for nominations. Formal industry comments on prospective OCS lease areas are provided for Interior's consideration during development of the 5-year lease schedule. Also, informal, informational dialogue with industry occurs at the Interior regional office level for the purposes of discussing and better defining favorable oil and gas prospects in proposed sale areas. We were told the call area reflects consideration of the information provided by industry and others and the interest or disinterest they express in an area.

As shown below, industry's failure to nominate tracts from the call area is responsible for the largest bulk reduction in acreage in the OCS leasing program. In the 10 sales outside the Gulf of Mexico, Interior asked industry to examine over 18,700 tracts (103 million acres). ^{1/} Industry expressed an interest in slightly over half of this land (51 percent). In the four Gulf of Mexico sales, industry interest was less--from a total call area of over 22,600 tracts (117 million acres), industry nominated about 13 percent for leasing. In the total 14 sales we analyzed, industry failed to nominate over 150 million acres included in the call area.

^{1/}Call areas for sales in the same OCS region are not mutually exclusive. Consequently, double counting of tract and acreage figures may occur in follow-on sales in a particular sale area.

Comparison of Tracts Offered in Call
Area and Industry Nominations

	Non-Gulf of Mexico Sales (10 Sales)				Gulf of Mexico (4 sales)
	<u>Alaska</u>	<u>Atlantic</u>	<u>Pacific</u>	<u>Total</u>	
Tracts in call area (millions of acres)	4,565 (24.4)	10,315 (57.8)	3,824 (20.9)	18,704 (103.1)	22,627 (117.1)
Tracts nominated (millions of acres)	2,250 (11.6)	5,147 (29.1)	2,196 (11.9)	9,593 (52.6)	2,878 (16.4)
Percent of tracts nominated	49%	50%	57%	51%	13%

The failure of industry to nominate such a significant portion of the call area indicates that industry was interested in only a relatively small part of the OCS. The remainder apparently either was thought to have little resource potential or not economical to develop.

Interior offers less land
than industry nominates

In our review we found that basically only those tracts nominated by industry were included in the 14 lease sales we analyzed; however, Interior offered significantly fewer tracts for lease than what industry nominated. As shown below, of the 9,593 tracts nominated in the 10 sales outside the Gulf of Mexico, Interior offered only 1,562 for lease--about 16 percent of the tracts nominated by industry and about 8 percent of the total tracts in the call areas. In the 4 Gulf of Mexico sales 490 of the 2,878 nominated tracts were offered--about 17 percent of what was nominated and about 2 percent of the call areas.

Tracts Nominated and Tracts
Offered in Lease Sales

	<u>Non-Gulf of Mexico Sales</u>				<u>Gulf of Mexico</u>
	<u>Alaska</u>	<u>Atlantic</u>	<u>Pacific</u>	<u>Total</u>	
Tracts in call area	4,565	10,315	3,824	18,704	22,627
Tracts nominated	2,250	5,147	2,196	9,593	2,878
Tracts offered	580	603	379	1,562	490
Percent of tracts in call area offered	13%	6%	10%	8%	2%

Interior uses a two-stage process in determining what tracts to offer in a lease sale. The first stage results in a tentative selection of tracts to be further studied in an EIS. After the EIS is completed a final selection of tracts is made.

According to Interior, it is not administratively possible to include all nominated tracts in a lease sale because of the many requirements that must be met in leasing. Various legislative requirements, particularly those of NEPA and the OCS Lands Act Amendments, must be satisfied. Also, environmental and geotechnical information must be gathered which is a particularly time-consuming task in frontier areas. We were also told that USGS is limited in the amount of acreage it can evaluate prior to a lease sale. USGS conducts presale valuations of the oil and gas potential of proposed sale tracts in order to determine the fair market value for a tract. These valuations are used to evaluate industry bids. Considering all these factors, Interior estimates that between 600,000 and 1,000,000 acres, depending on the OCS region, is the optimum sale size.

We did not attempt to determine why particular tracts were deleted in the tentative tract selection process on a sale by sale basis. In a previous review of Sale 48 in Southern California, ^{1/} we asked this question and found no records showing the precise reasons for the deletion of certain acreage. We were told that acreage was deleted for a variety of reasons, e.g., environmental considerations, multiple-use conflicts, deep water concerns, and low resource potential. Only overall percentages could be given to explain why acreage was deleted.

^{1/}"Some Issues Affecting Southern California Outer Continental Shelf Oil and Gas Lease Sale 48." EMD-80-47, May 5, 1980.

Our analysis of several non-Gulf of Mexico sales indicates that even though a large amount of acreage is deleted at this point in the process, industry interest is weighed heavily in tract selection. For example, in Sale 55 in the Gulf of Alaska, all tracts receiving two or more industry nominations were included in the tentative tract selection while 36 percent of those tracts receiving one nomination were included. In another Alaskan sale, Cook Inlet, 91 percent of the tracts selected received high (10 or more) industry nominations. In the Atlantic Sale 40 (Baltimore Canyon), 87 percent of the highly nominated tracts were selected, as were 65 percent of the medium high nominations. In Sale 48 in California, multiple-use conflicts were more apparent, although industry interest was still heavily considered. In this case about 68 percent of the highly nominated tracts were selected for further study.

Our analysis showed that most of the tracts tentatively selected for EIS study were included in Interior's final tract selection and offered for lease. Through the EIS process, and through further consultation with State and local governments, Interior must consider national defense needs, fisheries, environment, State and local government conflicts, international boundaries disputes, and geohazards prior to a decision on whether or not to lease a certain tract. Through this process, about 23 percent of the tracts tentatively selected for lease (631 tracts) were deleted from further sale consideration.

Of the 631 tracts (approximately 3 million acres) deleted between Interior's tract selection and tract offering in the 14 sales we analyzed, 46 percent were deleted due to environmental concerns (see table 12). Twelve percent were deleted due to State conflicts, 11 percent due to a combination of multiple-use conflicts (specific tract-by-tract explanations were not available), 10 percent due to defense concerns, 9 percent due to international boundary disputes, 6 percent due to geohazards, and 5 percent were deleted due to fisheries conflicts.

Our analysis also indicates that the reasons for deletions vary significantly by region. In Alaska, for example, the majority of deletions (93 percent) were due to environmental concerns. Other deletions resulted from fishery and geohazard concerns. In the Gulf of Mexico, on the other hand, defense concerns were responsible for most (77 percent) of the deletions. The remainder were due to State conflicts--no Gulf of Mexico tracts were deleted for environmental reasons. In the Pacific, multiple-use conflicts were responsible for 51 percent of the deletions, while State conflicts resulted in the deletion of 35 percent of the tracts and environmental considerations led to the deletion of 10 percent of the tracts. In the Atlantic, international boundary disputes weighed heavily in tract deletion (47 percent), as did geohazards (23 percent) and fisheries (20 percent). State conflicts resulted in 9 percent of the deletions in the Atlantic.

Table 12

Tracts Eliminated Between Tentative
Tract Selection and Sale

	<u>Alaska</u>	<u>Atlantic</u>	<u>Pacific</u>	<u>Gulf of Mexico</u>	<u>Total</u>	<u>Percent</u>
Tracts included in tentative tract selec- tion	<u>a/896</u>	<u>721</u>	<u>514</u>	<u>b/559</u>	<u>2,690</u>	
Tracts deleted and reasons:						
--Defense	-	-	-	64	64	10.1
--Environment	275	1	15	-	291	46.1
--Fisheries	10	24	-	-	34	5.3
--Geohazards	10	27	4	-	41	6.5
--International boundaries	-	55	-	-	55	8.7
--State conflicts	-	11	47	19	77	12.3
--Multiple-use	-	-	<u>69</u>	-	<u>69</u>	<u>11.0</u>
 Total deletions	<u>295</u>	<u>118</u>	<u>135</u>	<u>83</u>	<u>631</u>	<u>100.0</u>

a/Includes 21 tracts later enlarged or combined with other tracts when offered.

b/Does not reflect 14 reoffering tracts from prior sales.

As previously stated, tracts are selected by Interior based foremost upon industry interest and USGS estimates of resource potential. Thus, the tracts tentatively selected for lease are for the most part highly desirable for leasing and are thought to have high resource potential. Our analysis shows that of the 631 tracts deleted between tract selection and tract offering, over half were ranked among either Interior's first priority or industry's high potential acreage. Thus, a significant number of these high resource potential tracts were not made available to industry for lease.

Lack of industry interest in
tracts offered for lease

Our analysis shows that only about 41 percent of the tracts offered in the 10 frontier area sales received bids whereas almost 70 percent of the tracts offered in the Gulf of Mexico sales

received bids. 1/ Shown below is an analysis by region of tracts offered and tracts receiving bids.

	<u>Number of Tracts Offered and Number of Tracts Receiving Bids</u>				<u>Gulf of Mexico</u>
	<u>Non-Gulf of Mexico Sales</u>			<u>Total</u>	
	<u>Alaska</u>	<u>Atlantic</u>	<u>Pacific</u>		
Tracts offered	<u>a/</u> 580	603	379	<u>a/</u> 1,562	<u>b/</u> 490
Tracts receiving bids	234	275	125	634	344
Percent	40%	46%	33%	41%	70%

a/Reflects a loss of 21 tracts due to enlarging or combining tracts.

b/Reflects the reoffering of 14 tracts from prior sales.

It is surprising that such a large percentage of the tracts offered in frontier areas are not bid on, especially when Interior's offerings include basically only tracts of high industry interest. In discussing this with industry officials, we were told that industry normally nominates tracts on a general area basis rather than on a tract specific basis. This is done, we are told, to camouflage a company's specific interest. Also, additional geophysical and geological information obtained after nominations may reduce industry's interest in an area.

Government's receipt
of fair value leads
to further deletions

USGS, based on its evaluation of the worth of a tract, establishes a minimum acceptable bid for each tract offered in a sale prior to a sale. Bids for tracts are evaluated against USGS's minimum acceptable value. If the high bid for a tract is lower than USGS's valuation, the tract will not be awarded to the high

1/For the total 24 sales in the Gulf from 1970-80, an average of 53 percent of the tracts offered received bids.

bidder. ^{1/} Our analysis shows that approximately 10 percent of the tracts bid on in sales we reviewed were rejected because industry's high bids were lower than USGS's tract valuations. Our analysis showed that bids on 64 of the 634 tracts bid on in frontier areas were rejected and 45 of the 344 bid on in the four Gulf of Mexico sales were rejected.

The final leasing count

Our analysis showed that a total of 570 tracts were leased in sales outside the Gulf of Mexico. In the four Gulf of Mexico sales we analyzed, 299 tracts were leased. Table 13 summarizes tract availability throughout the leasing process for the 14 sales, and figure 3 shows these relationships graphically. As can be seen in table 13A, lack of industry interest (no nominations or bids) is responsible for the largest tract reduction--about 72 percent. Interior administrative constraints, low resource potential, and multiple-use conflicts combined at the tract selection stage to cause the next largest reduction in tracts offered. Interior further reduced acreage offered as a result of conflicts identified through environmental study. And last Interior rejected tracts for lease due to what it perceived as low industry bids based on concerns that the Government would not be receiving fair value for its resources. In total, Interior actions resulted in about 25 percent of the tracts being deleted from the call areas in the sales we analyzed.

^{1/}Additional comparisons with other industry bids are made before a bid is ultimately rejected.

Table 13

Summary of Tracts in the Leasing
Process in Selected 1970-80 Sales

	<u>4 Alaska sales</u>	<u>4 Atlantic sales</u>	<u>2 Pacific sales</u>	<u>Total non- Gulf sales</u>	<u>Total 4 Gulf of Mexico sales</u>
Call area	4,565	10,315	3,824	18,704	22,627
Nominated by industry	2,250	5,147	2,196	9,593	2,878
Tentative tract se- lection	896	721	514	2,131	559
Offered for lease	580	603	379	1,562	490
Received industry bids	234	275	125	634	344
Bids rejected	12	37	15	64	45
Leased	222	238	110	570	299
Percent of call area leased	4.9%	2.3%	2.9%	3.0%	1.3%

FIGURE 3

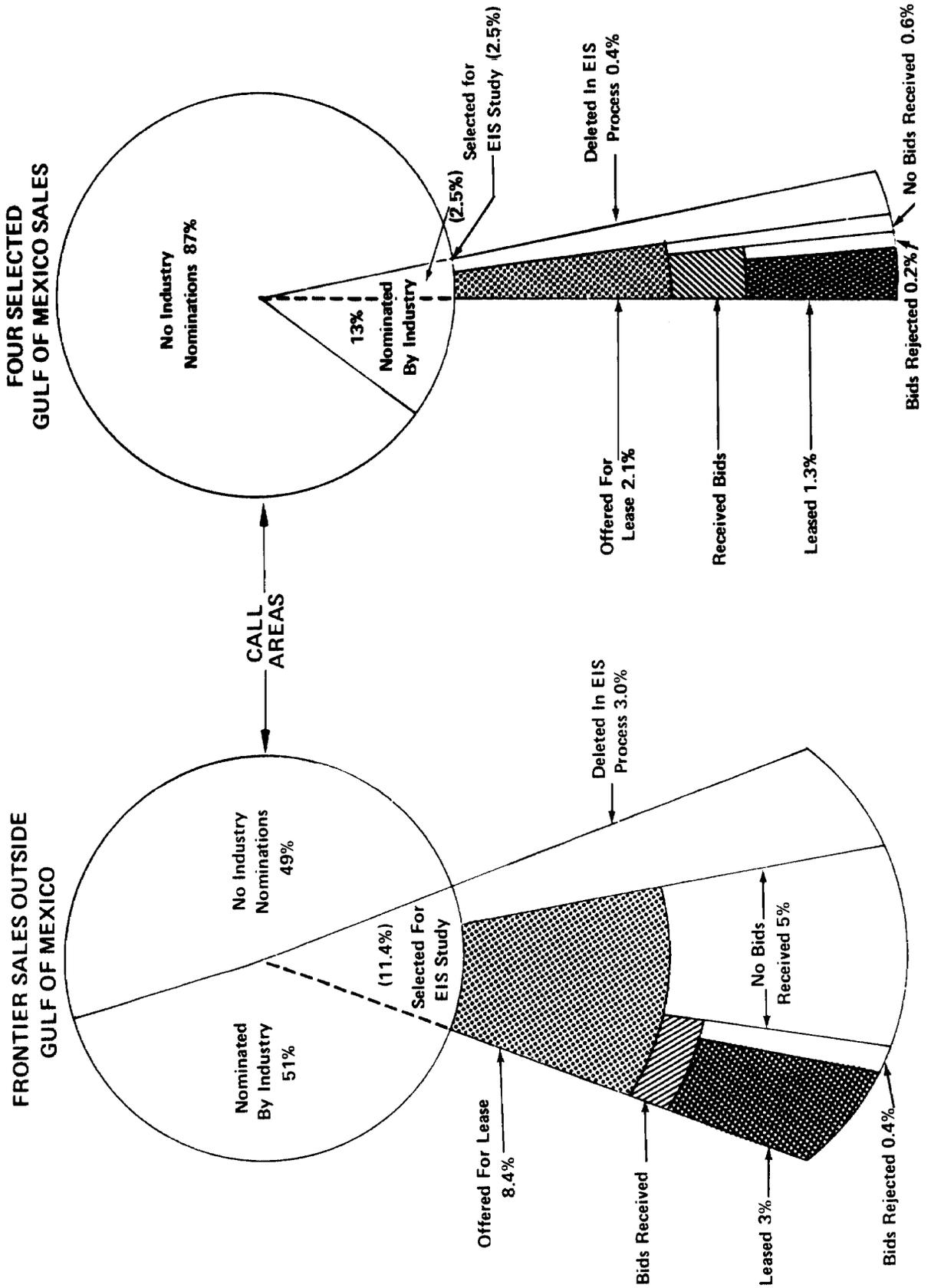


Table 13A

Summary of Tracts Not Leased
in Selected 1970-80 Sales

	<u>10 Non-Gulf Sales</u>		<u>4 Gulf Sales</u>		<u>Total</u>	
	<u>Tracts</u>	<u>Percent</u>	<u>Tracts</u>	<u>Percent</u>	<u>Tracts</u>	<u>Percent</u>
Call area	<u>18,704</u>	<u>100</u>	<u>22,627</u>	<u>100</u>	<u>41,331</u>	<u>100</u>
Deleted due to no interest by industry						
--not nominated	9,111	48.7	19,749	87.3	28,860	69.8
--offerd but not bid on	<u>928</u>	<u>5.0</u>	<u>146</u>	<u>0.6</u>	<u>1,074</u>	<u>2.6</u>
Subtotal	<u>10,039</u>	<u>53.7</u>	<u>19,895</u>	<u>87.9</u>	<u>29,934</u>	<u>72.4</u>
Deleted by DOI						
--not selected for EIS evaluation (note a)	7,462	39.9	2,305	10.2	9,767	23.6
--unfavorable EIS evaluation (note b)	548	2.9	83	0.4	631	1.5
--insufficient bid	64	0.4	45	0.2	109	0.3
--consolidation (note c)	<u>21</u>	<u>0.1</u>	<u>-</u>	<u>-</u>	<u>21</u>	<u>0.1</u>
Subtotal	<u>8,095</u>	<u>43.3</u>	<u>2,433</u>	<u>10.8</u>	<u>10,528</u>	<u>25.5</u>
Total deleted	<u>18,134</u>	<u>97.0</u>	<u>22,328</u>	<u>98.7</u>	<u>40,462</u>	<u>97.9</u>
Total leased	<u>570</u>	<u>3.0</u>	<u>299</u>	<u>1.3</u>	<u>869</u>	<u>2.1</u>

a/Reflects the reoffering of 14 Gulf of Mexico tracts from prior sales.

b/Also includes tracts deleted for other than environmental reasons.
See table 12.

c/Loss of tracts (not acreage) due to enlarging or combining of tracts.

CHAPTER 4

ANALYSIS OF CURRENT

5-YEAR LEASE SCHEDULE

The current 5-year lease schedule provides for a significant increase in leasing compared to prior years. Annual sales and estimated average annual acreage to be leased, when compared to leasing in the 1970s, will more than double. The schedule emphasizes increased access to frontier areas in Alaska and continued leasing in the more mature areas of the Gulf of Mexico.

However, nearly 25 million acres of prospectively valuable OCS lands have been deleted or temporarily excluded from future leasing as a result of State and environmental concerns, military uses, or boundary disputes with State or foreign governments. Sales in Alaska are particularly controversial as the need for developing potentially abundant energy resources is balanced with protection of highly sensitive marine environments.

Interior's final decisions on the timing and frequency of sales in the four OCS regions were influenced by the competing and often conflicting demands from the States, environmental organizations, and the oil and gas industry. However, no one group appears to be entirely satisfied with the final schedule. Dissatisfaction with the leasing program is still apparent and the prospects for adherence to the 5-year schedule are uncertain. As noted in chapter 3, the leasing program of the 1970s experienced delays of sales and deletion of areas scheduled for lease, notably Alaska. Several areas in the current 1980-85 schedule were included in past schedules that date back to 1974. Also, current litigation against the 5-year schedule's development and Interior's use of alternative bidding systems may impede future leasing.

FIVE-YEAR SCHEDULE ACCELERATES OCS LEASING

The current 5-year lease schedule emphasizes increased access to frontier areas such as Alaska and continued leasing in more mature areas such as the Gulf of Mexico. The Interior Department's June 1980 lease schedule, shown in figure 4, calls for a total of 36 sales covering each of the four regions. The schedule provides for at least 1 sale in 16 OCS lease areas and 5 reoffering sales. ^{1/} In Alaska, seven areas are scheduled to have sales for

^{1/}A sale to reoffer tracts that did not receive bids or had their bids rejected in sales conducted a year previously outside the Gulf of Mexico.

FINAL 5-YEAR OCS OIL & GAS LEASING SCHEDULE

JUNE 1980

PROPOSED SALE AREA	PROPOSED DATE	1980												1981												1982												1983												1984												1985														
		J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D			
A62 Gulf of Mexico	9/80	F		P																																																																								
55 Gulf of Alaska	10/80	F		P																																																																								
62 Gulf of Mexico	11/80	F		P																																																																								
53 Central N. Cal.	5/81				E	H			F	P																																																																		
RS-1 Reoffering Sale	6/81																																																																											
A66 Gulf of Mexico	7/81					E	H			F	P																																																																	
56 South Atlantic	8/81					E	H			F	P																																																																	
60 Cook Inlet	9/81					E	H			F	P																																																																	
66 Gulf of Mexico	10/81					E	H			F	P																																																																	
59 Mid-Atlantic	12/81						E	H		F	P																																																																	
67 Gulf of Mexico	3/82	C	D	T																																																																								
RS-2 Reoffering Sale	6/82																																																																											
68 Southern California	6/82		D	T																																																																								
69 Gulf of Mexico	8/82	C	D	T																																																																								
57 Norton Basin	9/82		T																																																																									
52 North Atlantic	10/82		D	T																																																																								
70 St. George Basin	12/82		T																																																																									
71 Beaufort Sea	2/83		T																																																																									
72 Gulf of Mexico	3/83																																																																											
61 Kodiak	4/83																																																																											
73 California	5/83																																																																											
RS-3 Reoffering Sale	6/83																																																																											
74 Gulf of Mexico	9/83																																																																											
75 No. Aleutian Shelf	10/83																																																																											
76 Mid-Atlantic	11/83																																																																											
78 South Atlantic	1/84																																																																											
79 Gulf of Mexico	3/84																																																																											
RS-4 Reoffering Sale	5/84																																																																											
80 California	6/84																																																																											
81 Gulf of Mexico	7/84																																																																											
82 North Atlantic	10/84																																																																											
83 Navarin Basin	12/84																																																																											
84 Gulf of Mexico	1/85																																																																											
☆ 85 Chukchi Sea	2/85																																																																											
86 Hope Basin	5/85																																																																											
RS-5 Reoffering Sale	6/85																																																																											



Leslie D. Anderson
Secretary of the Interior

C - Call For Nominations
D - Nominations Due
T - Tentative Tract Selection
E - Draft Environmental Statement

H - Public Hearing
F - Final Environmental Statement
P - Proposed Notice of Sale
S - State Comments Due

R - Energy Review
N - Notice of Sale
S - Sale

☆ The holding of the Chukchi Sale at this time is contingent upon a reasonable assumption that technology will be available for exploration and development of the tracts included in the sale.

FIGURE 4
5-YEAR OCS LEASE SCHEDULE

Source: Department of the Interior

GPO 1980-0-280-001

the first time. There are four areas--Washington-Oregon, the Florida Straits, Bristol Bay, and the Southern Aleutian Shelf--in which no sales are scheduled. These areas were once considered for possible leasing but are not included on the current schedule.

Complete adherence to the 5-year schedule would represent a substantial increase in the number of sales held in each of the four OCS regions. As shown below, the 5-year schedule will entail holding an average of 7.2 sales per year as compared to 1.3 and 3.1 sales per year in the time periods 1954-69 and 1970-79, respectively.

Comparison of 1980-85
Leasing Plans with Past
Leasing Experiences

	<u>1954-69</u>		<u>1970-79</u>		<u>1980-85 (note a)</u>	
	<u>Sales</u>	Acres leased (note b)	<u>Sales</u>	Acres leased (note b)	<u>Sales</u>	Acres leased (note b)
Gulf of Mexico	17	5.3	22	8.4	11	5.0
Pacific	4	1.3	2	.6	4	2.3
Atlantic	-	-	4	1.4	6	2.2
Alaska	-	-	3	1.0	10	3.8
Reoffering sale	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>-</u>
Total	<u>21</u>	<u>6.6</u>	<u>31</u>	<u>11.4</u>	<u>36</u>	<u>13.3</u>
Average per year	1.3	.41	3.1	1.14	7.2	2.7

a/Planned sales; leased acreage estimated by GAO.

b/Millions of acres.

Under the Interior Department's 5-year schedule, our analysis indicates that approximately 27.5 million acres of the OCS will be offered for lease. According to Interior studies, past experience has shown that only about 50 percent of the land offered is eventually leased. Thus if one-half of the 27.5 million acres offered is actually leased, the current schedule will result in the leasing of about 3 million acres of OCS lands each year. This would better the 1962 record of 1.92 million acres leased by almost 1 million acres.

Our projection was based on Interior's estimates of the probable size of OCS sales as reflected in the environmental impact statement for the 5-year schedule. Interior projected that the size of the area to be offered in each lease sale will vary between 600,000 and 1,000,000 acres depending on the region. Using these estimates and Interior's past experience that about one-half of the acreage offered in a sale is actually leased, we project that about 13.3 million acres will be leased as a result of the 5-year schedule. 1/

The Gulf of Mexico continues as the primary area for future leasing with 11 sales and an estimated 5 million acres that probably will be leased. During the 1980-85 time period the number of Gulf of Mexico sales will continue to average about 2 per year but the acreage expected to be leased will increase from about 800,000 acres per year to about 1 million acres each year.

The number of sales and the estimated amount of acreage that probably will be leased in the Atlantic and Pacific areas will increase over the experiences of the 1970s. It is in the Alaskan OCS where dramatic increase will result in the next 5 years. The 1980-85 schedule anticipates holding 10 sales and offering about 8.4 million acres for lease. If 3.8 million acres are actually leased, Alaskan OCS lands leased would increase from the 100,000 acres per year of the 1970s to 760,000 acres per year in the next 5 years. 2/ However, one-half of the Alaskan sales planned for 1980-85 were scheduled for sale in the 1970s but never held. The possibilities for adherence to the 5-year schedule are discussed in the concluding section of this chapter.

1/Final Environmental Statement, Proposed 5-Year OCS Oil and Gas Lease Schedule, U.S. Department of Interior, Appendix I, pp. 2-3. Actual acreage leased was used for sales 62, A62 (Gulf of Mexico), 55 (Gulf of Alaska); 50 percent of the actual acreage offered was used for Sale 53 (Central & Northern California).

2/The 3.8 million acres estimated to be leased in Alaska is only 45 percent of the acreage to be offered due to the inclusion of actual leasing results of Sale 55, Gulf of Alaska. In Sale 55, 1.2 million acres were offered and slightly less than 200,000 were leased.

LEASING SCHEDULE ATTEMPTS
TO BALANCE CONFLICTING GOALS

Industry emphasizes faster
access to Alaskan areas

Information obtained in interviews with industry officials during our review indicates that industry seems basically satisfied with the OCS sales scheduled for the lower 48 States. But, significant differences exist between industry and Government on the timing and frequency of Alaskan sales. In general, industry wants more sales in Alaska and wants those sales already scheduled held earlier. Within the industry, however, significant differences exist.

We reviewed industry comments sent to Interior on the timing and frequency of sales proposed for 1980-85. Although several companies requested specific changes to the 5-year schedule, three companies provided such explicit information that their areas of leasing interest were discernible. As shown below, there is near agreement among Interior and these three major oil companies on the number of sales for the Gulf of Mexico, Atlantic, and Pacific OCS regions. Except for three Gulf of Mexico sales scheduled in the latter part of the current schedule, the timing of sales in these areas also appears to be congruent to industry interest. 1/

Comparison of the Department of the Interior and Three
Industry Proposed Leasing Schedules

<u>Region</u>	<u>Number of sales</u>			
	<u>DOI schedule</u>	<u>Exxon</u>	<u>Mobil</u>	<u>Shell</u>
Gulf of Mexico	11	11	11	11
Atlantic	6	5	6	5
Pacific	4	4	6	4
Alaska	<u>10</u>	<u>11</u>	<u>14</u>	<u>24</u>
Total	<u>31</u>	<u>31</u>	<u>37</u>	<u>44</u>

1/Mobil Oil Company requested scheduling of Sales 79, 81, 84 in the Gulf of Mexico 2 to 3 years earlier than planned by the Department of the Interior. (See table 14).

Table 14
Composite of 5-Year Leasing Schedules
Proposed by Various Groups

<u>OCS Area (DOI Sale Date)</u>	<u>Industry Rank</u>		<u>Year Sale Scheduled/Preferred</u>							
	<u>Resource Potential</u>	<u>Exploration Interest</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>Later</u>	<u>Delete</u>
53 C. & N. California (5/81)	12	7		DOI		NRDC	CA			
57 Norton Basin (9/82)	9	10		Mobil Shell	DOI				Alaska	
52 North Atlantic (10/82)	7	5			DOI			NRDC		
70 St. George Basin (12/82)	5	9	Mobil Shell	Exxon	DOI				NRDC	Alaska
71 Beaufort Sea (2/83)	2	3	Shell		Mobil	DOI				Alaska
61 Kodiak (4/83)	19	21		Shell		DOI			Alaska	Exxon Mobil Sohio
73 California (5/83)	—	—				DOI			NRDC	
75 No. Aleutian Shelf (10/83)	6	4		Mobil	Exxon	DOI				Alaska NRDC
79 Gulf of Mexico (3/84)	1	1		Mobil				DOI		
81 Gulf of Mexico (7/84)	1	1			Mobil			DOI		
82 North Atlantic (10/84)	7	5						DOI	NRDC	
83 Navarin Basin (12/84)	11	12			Mobil	Exxon		DOI	NRDC Alaska	
84 Gulf of Mexico (1/85)	1	1			Mobil			DOI		
85 Chukchi Sea (6/85)	10	17			Shell			DOI	NRDC	Alaska

DOI = Scheduled Sale Date

There are differences within industry and between industry and Government on the timing and frequency of sales in Alaska. The Interior Department has scheduled 10 sales in Alaska during the period 1980-85. In comments sent to Interior on the 5-year schedule, industry called for 1 to 14 additional Alaskan sales. However, except for one company, industry generally recommended increases of 1 to 4 additional sales in Alaskan areas. More sales in the areas of the Beaufort Sea, St. George Basin, and the North Aleutian Shelf were emphasized.

Aside from the desire for more sales, the timing of Alaskan sales appears equally important to industry. It is their contention that the more severe climates of Alaska require greater amounts of time, manpower and capital; thus, early access to these areas is essential to assure expeditious development of the area's oil and gas resources. It appears from our analysis that industry would prefer holding sales scheduled for Alaska in the next 5 years about 2 years earlier than planned. As shown in table 14, of the 10 Alaskan areas on the 5-year schedule, industry requests earlier access to 8 of these areas.

States and environmentalists want "go-slow" leasing strategy

Environmentalists and States such as Alaska and California espouse a "go-slow" approach to leasing in frontier areas. Continued leasing in more mature areas such as the Gulf of Mexico is preferred to accelerated leasing in areas such as Alaska--an area considered highly sensitive to perturbations.

Areas where delays or exclusions from leasing are recommended include most of the Alaska OCS as well as Central and Northern California and the Georges Bank in the North Atlantic (see table 14). These pristine areas support highly productive and environmentally sensitive marine ecosystems. Commercial fishing is particularly important in the Georges Bank and the Bering Sea areas (North Aleutian Shelf, St. George Basin, and Navarin Basin).

Among the 10 sales scheduled for Alaska, the State has requested delays of three sales (Norton, Navarin, and Kodiak) and the deletion of four sales from the current schedule (St. George, Beaufort, North Aleutian Shelf, and Chukchi). The Natural Resources Defense Council's (NRDC's) proposals are similar and also include delaying two California sales and two sales in the North Atlantic.

The sale recommendations of NRDC and the State of Alaska are displayed below. The total number of sales in both proposals is less than what was planned by Interior for 1980-85. These proposals emphasize leasing in mature and semimature areas rather than the frontier areas of Alaska. The majority of State and local government and environmental groups expressed concern that sales are occurring too fast and that the capacity for environmental assessment is strained.

Total Sales Proposed by Interior,
NRDC, and the State of Alaska

<u>Region</u>	<u>DOI</u>	<u>NRDC</u>	<u>State of Alaska</u>
Gulf of Mexico	11	15	12
Atlantic	6	5	6
Pacific	4	3	4
Alaska	<u>10</u>	<u>5</u>	<u>7</u>
Total sales	<u>31</u>	<u>28</u>	<u>29</u>

Interior's final schedule considered
competing interests

The Interior's final 5-year lease schedule was developed amidst competing demands from the States, environmental organizations, and the oil companies. Composites of the different recommendations of the competing interests are displayed in tables 14 and 15. Table 14 only reflects those areas where disagreement on the timing of sales is apparent. Major differences arise in areas such as Alaska where high resource potential conflicts with high environmental and socioeconomic concerns. The Beaufort Sea, St. George Basin, and North Aleutian Shelf areas, for example, have combined estimated undiscovered recoverable resources of 8.4 billion barrels of oil and 42.6 trillion cubic feet of gas. At the same time, these areas are unique biological habitats rich in renewable resources.

The final product by Interior--the 5-year lease schedule--appears to represent a compromise among these divergent interests. Access to the frontier areas in Alaska is provided for by the leasing program yet paced in a manner that partially satisfies the interests of the State and environmentalists.

Table 15

Number of Sales Under
Different Leasing Proposals

<u>Region</u>	<u>NRDC</u>	<u>ALASKA</u>	<u>DOI</u>	<u>EXXON</u>	<u>MOBIL</u>	<u>SHELL</u>
Gulf of Mexico	15	12	11	11	11	11
Atlantic	5	6	6	5	6	5
Pacific	3	4	4	4	6	4
Alaska	<u>5</u>	<u>7</u>	<u>10</u>	<u>11</u>	<u>14</u>	<u>24</u>
Total	<u>28</u>	<u>29</u>	<u>31</u>	<u>31</u>	<u>37</u>	<u>44</u>

DELETIONS AND EXCLUSIONS FROM OCS LEASING

Our review of past OCS sales and the sales proposed for the 1980-85 time frame shows that environmental concerns, defense conflicts, and boundary disputes have resulted in deletions or temporary exclusion of OCS lands from future leasing considerations. Although the Department of the Interior maintains that no OCS land is permanently withdrawn from possible leasing ^{1/}, our analysis indicates that at least 25 million acres of OCS land have been deleted or excluded from future leasing--i.e., land that has been consistently excluded in past sales and land that is not being offered in future call areas (see table 16). This represents about 2.5 percent of the OCS. Over 75 percent of this land is ranked high in resource potential and is of high industry interest.

Among those sales on the 1980-85 lease schedules in which tentative tract selection has occurred, the majority of those tracts (90 percent) designated by BLM as having high industry interest have been selected for the environmental analysis that follows tract selection. However, there are many tracts of lesser industry interest but high resource potential that were excluded from the tract selection.

^{1/}The OCSLAA excludes Point Reyes (California) from leasing (about 600,000 acres) unless the State of California leases or otherwise allows exploration, development, and production activities on lands of the State which are adjacent to the Point Reyes Wilderness.

Table 16

OCS Acreage Deleted
from Leasing by Region/Area

<u>Region/Area</u>	<u>Acres</u>	<u>Reason for deletion</u>	<u>Percent</u>
Atlantic:			
North Atlantic	370,774	Boundary disputes	83
		Environment	17
			<u>100</u>
Gulf of Mexico:			
Eastern	6,745,000	Defense	99
		Deepwater Port	1
			<u>100</u>
Central & Western	<u>248,715</u>	Environment	83
		Deepwater Port	17
			<u>100</u>
Subtotal	6,993,715		
Pacific:			
Central & Northern			
California	1,538,340	Environment	100
Southern California	<u>1,334,647</u>	Environment	73
		Defense	27
			<u>100</u>
Subtotal	2,872,987		
Alaska:			
Bristol Basin	9,600,000	Environment	100
Beaufort Sea	<u>5,241,600</u>	Boundary disputes	100
Subtotal	14,841,600		
	- - - -		
Total	<u>25,079,076</u>	Environment	49
		Defense	28
		Boundary	22
		Other	1
			<u>100</u>

Land temporarily excluded
from future leasing

Environmental deletions

Environmental concerns are the primary reasons for deleting tracts from leasing. As displayed below, environmental deletions are preeminent in Alaska and California with over 12 million acres involved. The 12 million acres deleted for environmental reasons represent about 50 percent of the total OCS land not available for leasing.

Acres Deleted From
Leasing for Environmental Reasons

<u>Region</u>	<u>Acres withdrawn</u>
Alaska	9,600,000
Pacific	2,512,632
Gulf of Mexico	206,433
Atlantic	<u>63,031</u>
Total	<u>12,382,096</u>

The largest area excluded from leasing is the northern two-thirds of the Bristol Bay. The entire area was once included on previous lease schedules, including the June 1979 schedule but was subsequently reduced to the southern one-third now referred to as the North Aleutian Shelf. The Bristol Bay was once nominated for marine sanctuary designation by the National Oceanic and Atmospheric Administration (NOAA) and supports one of the world's most biologically productive marine ecosystems with immense populations of waterfowl and marine mammals. The entire area was ranked sixth by industry on resource potential and the excluded area was estimated to contain about 510 million barrels of oil and 840 billion cubic feet of gas.

For Sale 73, designated California, the Secretary deleted prior to the call for nominations, about 2.4 million acres. This action included

--four of the five basins deleted from Sale 53, 1/

1/On February 11, 1981 Secretary Watt issued a new Proposed Notice of Sale that included the four basins deleted by Secretary Andrus. However, a final decision on whether these areas will be offered for lease has not been made.

- Point Reyes (statutory and sanctuary exclusions),
- Channel Island National Marine Sanctuary,
- Dana Point-San Diego areas,
- Santa Monica Bay,
- Monterey Bay, and
- Federal Ecological Reserve.

The basins deleted in Sale 53 encompass over 730,000 acres of OCS with USGS estimated resource potential of 194 million barrels of oil and 273 billion cubic feet of gas. The Point Reyes area is excluded from leasing by statute; an additional 200,000 acres has been included as part of its marine sanctuary designation. The sanctuary regulations include stipulations prohibiting future hydrocarbon development.

The Channel Island Sanctuary off Southern California prohibits future oil and gas leasing as well. Its designation as a sanctuary was approved by President Carter, but like the Point Reyes sanctuary, it is subject to congressional approval. Acreage deleted includes approximately 528,000 acres of Federal OCS.

Deleted areas off the Dana Point-San Diego and Santa Monica Bay areas (about 300,000 acres) have been excluded from leasing since Sale 35 in 1975. Bird and mammal protection and sport and commercial fishing considerations constituted the rationale for these exclusions.

Environmental deletions occurred in other OCS regions as well but to a lesser extent. There has been no leasing in the East and West Flower Gardens Banks in the Gulf of Mexico, and future leasing may be affected since the area is under consideration by NOAA for marine sanctuary designation. The area encompasses over 200,000 acres of land. There is also an area in the North Atlantic (Lyndonia Canyon) deleted from leasing due to State fisheries conflict.

National defense conflicts

Over 7 million acres have been excluded from leasing due to Department of Defense (DOD) and National Aeronautics and Space Administration (NASA) conflicts. The Destin Dome corridor in the eastern Gulf of Mexico is the major defense related exclusion with 6.7 million acres and a resource potential of 3.7 million barrels of oil and 10 billion cubic feet of gas. There are, in addition, about 360,000 acres in Southern California deleted because of DOD and NASA exclusive use restrictions.

Boundary questions

Boundary conflicts with State and foreign governments may result in the deletion of about 5.5 million acres of prospectively valuable land. According to the State Department and the Department of the Interior, most marine boundaries between the United States and opposite or adjacent nations remain to be established by agreement and certain areas are or may be subject to negotiation or dispute.

The most acreage in dispute is in Alaska where there are disagreements with Canada and the State of Alaska. In the eastern Beaufort Sea about 600,000 acres of high to medium industry interest tracts are not available for leasing as a result of boundary disputes with Canada. The Canadian government has issued leases to oil companies in this area but exploration has not begun. In addition, the area adjacent to the William O. Douglas Arctic Wildlife Range in Alaska was deleted from the proposed Beaufort Sea Sale 71 primarily due to disputes with the State of Alaska regarding Federal jurisdiction. The Beaufort Sea area is ranked second by industry in resource potential.

Disputes with Canada have occurred off the North Atlantic in the Georges Bank area as well. About 307,000 acres were deleted from leasing prior to Sale 42 in 1979 and were not included in the call area for Sale 52 (scheduled for 1982). This area has the potential for significant findings of hydrocarbons and at the same time supports a large fishing industry.

There are also boundary disagreements with Mexico over areas in the Gulf of Mexico and Southern California and there is a need to clarify maritime boundaries with the Bahamas, especially in relation to the Blake Plateau area in the South Atlantic. In addition, reported allegations regarding a perceived need to clarify maritime boundaries with the Soviet Union have resulted in concern over possible boundary questions regarding Alaskan lease sales. In March 1977, the United States announced that it would use the 1867 Convention Line as the limit of the U.S. fishery conservation zone where the line was less than 200 miles from the U.S. coast. The Soviet Union agreed to the use of this line for fisheries. On the advice of the State Department, the same line is being used by the Department of the Interior for leasing OCS lands. The United States regards the 1867 Convention line as the limit of its continental shelf in the Bearing and Chuckchi Seas and the North Pacific Ocean. We were told by the State Department that the boundary question in these areas is not an issue.

Land withdrawn during tract selection

As discussed in chapter 3, for the most part, only tracts of high industry interest were offered in past lease sales. Our analysis of proposed sales in the 1980-85 lease schedule that

have reached the tentative tract selection stage 1/, shows that tracts of high industry interest continue to be selected for future leasing considerations. However, many tracts designated by BLM as having relatively lower industry interest yet high resource potential are excluded from possible leasing because of administrative and economic constraints.

High interest tracts are being included in proposed lease sales

Our analysis of eight proposed sales in the 1980-85 leasing schedule having entered the EIS phase shows that nearly 87 percent of the tracts with high industry interest (highest number of industry nominations) were tentatively selected for lease and were included in the EIS analysis. As will be explained in a later section of this chapter, "high industry interest" is a relative term with the quantitative aspects of the term varying among lease sales. As shown below, between 78 to 100 percent of the high interest tracts in these sale areas were selected for review in the EIS for the sale.

Percent of High Interest Tracts Included in EIS

<u>Sale area</u>	<u>Nominated</u>	<u>Selected</u>	<u>Percent</u>
52 North Atlantic	191	189	99
59 Mid-Atlantic	84	84	100
56 South Atlantic	31	30	97
60 Cook Inlet	79	75	95
57 Norton Basin	356	354	99
70 St. George Basin	503	394	78
71 Beaufort Sea	374	295	79
75 No. Aleutian Shelf	<u>390</u>	<u>333</u>	<u>85</u>
Total	<u>2,008</u>	<u>1,754</u>	<u>87</u>

1/Tracts tentatively selected are then subject to an environmental impact analysis.

This early analysis does not necessarily imply that all high interest tracts will be offered for sale. BLM emphasizes in tract announcements that some of the tracts may be eliminated from the proposed sale offering as a result of the environmental analysis. For example, deep water tracts in Atlantic sales may be subject to elimination due to technology constraints and concern over potential environmental damage. In Sale 59 (Mid-Atlantic) 85 percent of the tentatively selected tracts are located in water depths greater than 2,000 feet (21 percent are in depths greater than 6,000 feet). Initially, though, Interior appears responsive to industry interest.

Tentative tract selections exclude some high potential areas

Although areas of high industry interest are being included during the tentative tract selection stage, it is important to note that "industry interest" and associated "levels" of interest are relative terms. BLM designates tracts as having high, medium, or low interest based on the number of nominations received on each tract. What constitutes a particular level of industry interest varies among regions. These terms were developed by BLM to differentiate among tracts receiving different numbers of nominations. For example, as displayed below, for Sale 70 (St. George Basin) and Sale 71 (Beaufort Sea), industry nominations ranged from 1 to 14 per tract.

	<u>Nominations per tract</u>		
	<u>High interest</u>	<u>Medium interest</u>	<u>Low interest</u>
St. George Basin (Sale 70)	14-9	8-5	4-1
Beaufort Sea (Sale 71)	13-7	6-4	3-1

Industry has ranked the St. George Basin and Beaufort Sea areas sixth and second respectively in terms of hydrocarbon potential. Interior has selected nearly 80 percent of the designated high interest tracts in these areas for the EIS analysis. However, our analysis shows that only 5 to 7 percent of "medium" industry interest tracts were included in the tentative tract selections. 1/ These are tracts in which as many as eight companies expressed an interest in leasing, and which may represent a significant amount of hydrocarbon potential.

1/For the proposed Beaufort Sea sale, 17 out of 1,054 medium interest tracts were tentatively selected; 85 out of 1,740 were selected for the St. George Basin sale.

Table 17

Resource Estimates for the Call Area and Tentative

Tract Selection Area of Proposed OCS Sales

Sale Area (note a)	Call Area			Tentative Tract Selection			Percentage of call area and resource potential included in tract selec- tion area (note b)		
	Resource Potential (note c)		Acreage (millions)	Resource Potential (note c)		Acreage (millions)	Oil	Gas	Acreage
	Oil (BB)	Gas (Tcf)		Oil (BB)	Gas (Tcf)				
52 North Atlantic	.6	3.0	17.2	.692	2.10	3.1	115	70	18
59 Mid-Atlantic	.5	4.1	20.0	1.70	7.1	1.44	340	173	7
56 South Atlantic	.6	1.0	43.1	.294	.525	1.6	49	53	4
53 C & N California	.982	1.293	10.7	<u>d/</u> .798	<u>d/</u> 1.020	1.4	81	79	13
60 Cook Inlet (note e)	.6	.6	3.6	.670	1.173	.871			
68 Southern California	3.6	4.6	16.3	.121	.280	1.13	3	6	7
57 Norton Basin	.54	.85	26.8	.067	.647	2.44	12	76	9
70 St. George Basin	1.6	6.2	45.9	.314	.759	2.7	20	12	6
71 Beaufort Sea	4.3	16.5	13.6	2.363	1.768	1.92	55	11	14
73 California	3.4	5.0	27.0	NA	NA	NA			
75 N. Aleutian Shelf	.2	.8	8.0	NA	NA	NA			

a/Completed resource estimates for Sale 73 (California), 60 (Cook Inlet), and 75 (No. Aleutian Shelf) were not available.

b/For example, in Sale 57, 9 percent of the call area was selected and it contains 12 percent of the total oil resources and 76 percent of the total gas resources.

c/Risked mean resource estimates.

d/Final Tract Selection Data.

e/Resource estimates for Cook Inlet exclude the Shelikoff Straits which were part of the Call Area.

Source: USGS Conservation Division.

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We analyzed this potential loss through resource estimates received from USGS for sales included in the 1980-85 schedule that have reached tentative tract selection. These estimates are for the call area and the area encompassing tracts tentatively selected for lease. This information, along with acreage figures, is displayed in table 17.

The resource potential of the tentative tract selection area as a percentage of the entire area varies among OCS areas. It appears that for sales scheduled for the Atlantic, Central and Northern California, and the Beaufort Sea a major portion of the area's resource potential is included among the tracts tentatively selected. In the Norton and St. George basins the resource potential of tracts selected is significantly less than total resource potential in the call area. In Southern California, only 3 percent of the oil and 6 percent of the gas are included in tentative tract selection for Sale 68.

This data were provided to us with a cautionary explanation of the derivation of the resource estimates. We recognize the limitations associated with these resource estimates. But, there are little additional data that permit an analysis on how well Interior is leasing areas of high resource potential and tracts within these areas.

Constraints to leasing more land

As noted in the previous chapter, Interior administrative capabilities may be a limiting factor in offering more acreage for lease. For Sale 52 (North Atlantic), for example, funding limits will prevent USGS from conducting tract specific geohazard surveys on all tentatively selected tracts (345 out of 540 tracts will be analyzed). In the near future, we will review the capabilities of the Department of the Interior to accelerate offshore leasing.

THE PROSPECTS FOR MEETING THE 5-YEAR SCHEDULE

The current leasing program for 1980-85 may embody as little or as much assurance that it will be adhered to as did schedules in the past. There are positive indications that the effort expended to develop the schedule and bring all concerned groups into the decisionmaking process may lessen future conflict. In addition, court decisions establish criteria and precedent that lend greater definition and provide important direction to the offshore program.

On the other hand, litigation remains inherent to the OCS program. Delays may result from suits challenging the development of the 5-year schedule, promulgation of regulations defining alternative bidding systems, and conflict with the States over the applicability of coastal zone consistency requirements to the prelease process.

Legislative and judicial requirements increase prospects for meeting the schedule

The legislative mandate to develop a 5-year OCS lease schedule is unique to Interior's offshore leasing program. Prior to the OCSLAA there was no requirement for a leasing schedule. Although leasing schedules were developed during the 1970s, they were Secretarial documents and subject to continual change at the discretion of the Secretary. More certainty was called for in the leasing program and more participation was requested by concerned groups on the development of a leasing schedule.

The OCSLAA legitimized the demands of all groups affected by OCS leasing and development. In developing the 5-year schedule, the Secretary was directed to consider

- an equitable sharing of developmental benefits and environmental risks among regions;
- other uses of the OCS including fisheries, navigation, sealanes and deepwater ports;
- interests of potential oil and gas producers; and
- the environmental sensitivity and marine productivity of different OCS areas.

Although Interior's responsiveness to these concerns has been questioned in the past, the 18 months expended to construct the current schedule may reflect the importance attached to the development of a reasonably balanced schedule. It appears that the schedule was not hastily conceived or developed with single interest intent.

In addition, changes to the current 5-year schedule will not be made as easily as changes in past schedules. Section 18(e) of the OCSLAA states that reapprovals and significant revisions of the 5-year schedule require the Secretary to consult with the Governors of the affected States, any interested Federal agency, the President, and the Congress. Although the Secretary determines whether a change is significant enough to merit consultation with affected groups, an abuse of discretion is judicially reviewable. Therefore, the relative ease associated with changes made to past schedules may not be as likely an occurrence given the statutory framework of the current schedule. These legislative requirements may lessen the possibility of schedule changes and thereby reduce the uncertainty that has been historically associated with past schedules.

In the past, lawsuits have delayed OCS sales, but the cumulative result of judicial review has been the establishment of criteria which better define the objectives of the offshore

program and provide a basis for evaluating the contentions of future litigants. A recent case, the Beaufort Sea Sale, has perhaps set a precedent for future litigation involving charges of inadequate environmental assessment in the prelease segment of OCS leasing. The sale was held as scheduled in December 1979 but, due to litigation challenging the completeness of the EIS, the Department of the Interior was enjoined from issuing leases until a supplemental EIS and a new "biological opinion" on endangered species were prepared.

In October 1980, the court allowed leasing to go forward without additional environmental assessment. ^{1/} The court held that the Secretary of the Interior had complied with all procedural requirements of NEPA. The court said NEPA requirements are procedural in character; the EIS is not an end in itself, but a means toward better decisionmaking. NEPA does not preclude an agency decision that presents either a risk or certainty of environmental damage, as long as the decision is not arbitrary or capricious. The court found that the Secretary had adequately considered the ramifications of the lease sale on the endangered bowhead whale.

The court recognized the congressional mandate of the OCSLA to establish a program for the thoughtful, graduated, and tightly controlled development of OCS lands. The agency actions taken thus far indicated to the court that the leasing was "in control." Congressional intent was to facilitate lease sales and save substantive environmental determinations until the environmental problem became concrete. Because environmental safeguards were evident here, the court sanctioned the lease sale.

This suit is important for another reason as well. When first sales are held in offshore areas, litigation is usually inherent to the sale. However, with the second sale there is precedent to rely upon and thus leasing may be easier and less likely to be subject to litigation. This situation has occurred with past second sales in the Gulf of Alaska, the Mid-Atlantic, and the Eastern Gulf of Mexico.

Uncertainty remains inherent to the offshore program

Although the prospects for adherence to the current schedule have been heightened, uncertainty is still a part of the offshore program. A major concern of industry is whether this schedule is any more reliable than past efforts to schedule sales. Industry appears adamant on two points (1) that lease sales are held as scheduled and (2) that at the time of the sale, the Government deliver a "clean lease." A "clean lease" is one that is free of litigation and one in which there will be no problems in getting permits for exploration, development, and production activities.

^{1/}North Slope Borough v. Andrus, No. 80-1145 (D.C. Cir, Oct. 9, 1980).

Comparison of the current schedule with past schedules gives credence to industry's first concern that the timing of OCS sales is unreliable. Eleven sales or over one-third of the 31 sales scheduled for 1980-85 (excluding reoffering sales) were included on past schedules and never held.

In addition, conflict and dissatisfaction are indicative to OCS leasing. As shown in table 18, litigation has delayed sales in the past and will likely delay future leasing as well. Currently, the Department must contend with potential delays to leasing that stem from (1) litigation brought against the 5-year schedule, (2) promulgation of regulations defining alternative bidding systems, and (3) conflict with State governments over the applicability of consistency requirements to prelease activities.

In the first instance, the States of California and Alaska, the NRDC and the North Slope Borough filed briefs in the U.S. Court of Appeals (District of Columbia) challenging the Interior Department's 5-year leasing schedule. ^{1/} They stated that in developing the 5-year schedule, the Secretary did not properly balance the potential for environmental damage, the potential for the discovery of oil and gas, and the potential for adverse impact on the coastal zone.

In support of the challenge to the 5-year schedule, Massachusetts stated that

"while sale-specific litigation was occasionally successful in delaying a sale, it was not well suited to answer the complex questions posed by the conflicting demands of energy production on the one hand and protection of natural resources, food supplies, the economic well-being of other industries and the quality of life of the coastal states on the other hand."

A decision by the court is expected in late Spring of 1981. Future leasing could be postponed if the petitioners' request to remand the leasing program to the Secretary for reconsideration is granted.

In the second instance, Energy Action Educational Foundation filed suit against Interior, alleging that the Government had failed to receive a fair return on OCS leases. Energy Action charged that alternative bidding systems as required by the OCSLAA, which would better assure a fair return, had not yet been promulgated by DOE.

The U.S. Court of Appeals for the District of Columbia, agreeing with Energy Actions' contention, ruled on October 30, 1980, that DOE's delay in issuing alternative bidding systems was unreasonable

^{1/}Massachusetts filed a friend of the court petition in support.

Table 18

OCS Leasing Program Major
Court Cases

<u>Case</u>	<u>Charge</u>	<u>Results</u>
NRDC v. Morton (1971)	Inadequate EIS; E. Louisiana Sale	Sale delayed 9 months; two subsequent GOM sales delayed 7 months
Sierra Club v. Morton (1975)	Inadequate EIS; Miss-Ala-Florida Sale	No delay
California v. Morton (1974)	NEPA violations; S. California Sale	Sale delayed 14 months
New York v. Kleppe (1976)	NEPA, OCSLA, CZMA violations; Baltimore Canyon Sale	No delay
Alaska v. Andrus (1978)	NEPA violations; Gulf of Alaska Sale	No delay
County of Suffolk v. Secretary of the Interior (1977)	NEPA violations; Baltimore Canyon Sale	Status of leases unclear for one year after sale
English Bay Village v. Secretary of the Interior (1977)	Inadequate EIS; Cook Inlet Sale	Sale delayed 8 months pending Secretarial review of the sale
County of San Diego v. Andrus (1977)	NEPA violations; S. California Sale	Sale delayed 25 months
Massachusetts v. Andrus (1979)	NEPA, OCSLA, CZMA violations; Georges Bank Sale	Sale delayed 23 months
North Slope Borough v. Andrus (1979)	NEPA, Endangered Species violations; Beaufort Sea Sale	Issuance of leases de- layed 6 months; status of leases unclear for an additional 3 months
Energy Action v. Andrus (1979)	Fair market value violations	No delay
Energy Action v. Andrus (1980)	Fair market value violations	DOE/DOI required to promulgate regulations on alternative bid- ding systems
State of Alaska, State of California, NRDC v. Andrus (filed in 1980)	NEPA, OCSLAA violations	Case pending; possible delays in future leasing if 5-year schedule is remanded to the Secre- tary for reconsideration

and frustrated the essential purpose of the OCSLAA. The court did not address the factual question of which system best assures a fair return to the public, but it did emphasize the need for the Government to have all alternative bidding systems in place by May 1981. OCS leasing may be halted if DOE delays in promulgating these bidding system regulations.

An additional impediment toward future leasing involves a dispute between State governments and the Federal Government on whether or not OCS leasing must be consistent with a State's approved coastal zone management plan. States such as California and Alaska contend that offshore areas cannot be leased without a prerequisite determination that OCS activities are consistent with State and local government coastal management plans. Interior maintains that leasing itself is not a major Federal action requiring application of the consistency criteria. The controversy derives from provisions of the Coastal Zone Management Act (P.L. 92-583) of 1972 which states that any Federal agency conducting activities directly affecting the coastal zone shall conduct those activities in a manner which is, to the maximum extent practicable, consistent with approved State coastal management programs (16 U.S.C. 1456 (c)(1)). The final arbitrator on this issue may be the courts and leasing delays may result during the judicial process.

CHAPTER 5

PERSPECTIVES, CONCLUSIONS, AND RECOMMENDATIONS

PERSPECTIVES AND CONCLUSIONS

On efforts to accelerate leasing of OCS lands

Reacting to the potential environmental and socioeconomic impacts of OCS development, State and local governments together with numerous private interest groups, have protested the expansion of energy development on the OCS. Thus, opening up the offshore for oil and gas exploration has not gone smoothly. What had been a low-key, noncontroversial program between 1954 and 1969 became a highly controversial Federal undertaking during the 1970s.

Yet, amid the controversies, OCS leasing and development did increase significantly during the 1970-80 time period when compared to the first 16 years of the program--1954 to 1969. The number of sales increased by more than 50 percent, over twice as much land was offered for lease, the amount of land actually leased almost doubled, and first time sales were held in seven new OCS frontier areas. At the beginning of 1970 about 1 percent of the OCS had been offered for lease with about two-thirds of that being leased. By the end of 1980, approximately 4 percent had been offered for lease and about 2 percent leased. These increases were achieved during a time when sales were continuously delayed by lawsuits and the prelease planning process was lengthened from 4 to 6 months to between 26 to 41 months.

Although leasing increased significantly, the planned leasing goals of the 1970s were never achieved. Only about 60 percent of the planned sales were held, the amount of land leased was only a small fraction of what was planned under the more aggressive schedules, and 9 frontier leasing areas were not opened for leasing.

Environmental concern and limited industry interest in the areas proposed for leasing appear to be two major factors that have affected achievement of the accelerated leasing goals of the 1970s. Public concern and the need to develop more information about the environmental aspects of offshore development have led to an extension in the time needed to plan for lease sales--the result being that numerous lease sales have been delayed or canceled. At the same time industry has not shown an interest in all the land that has been proposed for leasing. This has contributed to short-falls in achieving the acreage leasing goals of the 1970s. Industry had nominated only about half the tracts proposed for lease in areas outside the Gulf of Mexico, during the 1970s. And of those tracts eventually offered for lease, industry only bid on about 41 percent. This latter percentage reflects bidding activity on tracts, which according to industry nominations and USGS resource evaluations, would have had high resource potential.

Concern as to whether the Government is receiving a fair monetary return for OCS resources, the restriction of OCS leasing in offshore national defense areas and boundary disputes--both Federal-State disputes and international disputes--have affected the leasing goals of the 1970s but on a much lesser magnitude.

Because of the environmental issues, boundary disputes, national defense priorities, and other reasons about 25 million acres of the OCS are not currently available for leasing. The majority of the acreage is thought to have good resource potential.

Comparisons of the amount of OCS land under lease with the total OCS have been used to illustrate that only a small portion of the OCS has been available for oil and gas exploration and to imply that the unexplored OCS contains significant amounts of oil and gas. Such comparisons suggest that all OCS lands have resource potential and the rapid opening of these lands will contribute significantly to meeting the Nation's energy needs. As our analysis has shown, about 4 percent of the 1 billion acre OCS was offered for lease through the end of 1980. The current lease schedule contemplates offering an additional (approximate) 3 percent for lease. Thus by 1985, perhaps as much as 7 percent of the OCS will be offered for lease. At this rate of offering it would take well over 100 years to offer the entire OCS for lease.

But, as noted above, through the 1970s industry indicated an interest in only about half the OCS land in frontier areas. This would suggest that not all the OCS has oil and gas potential. In our opinion, an overall comparison of land leased to the total OCS tends to distort the potential contribution the OCS could make to solving the Nation's energy problem. A better analysis would be a comparison between the amount of land offered for lease and the total amount of land having resource potential. Such comparisons would provide a more meaningful indication of the role the OCS can realistically play in meeting future energy needs. But, as discussed in chapter 1, there does not appear to be a clear understanding of how much of the OCS has oil and gas potential. Thus until better resource information is developed on the OCS, the contribution the OCS can make to the Nation's energy situation will remain unclear.

On the OCSLAA

It was hoped that the 1978 amendment of the OCS Lands Act would allay OCS leasing concerns and clear the way for expediting the leasing and development of OCS lands. Now, over 2 years after enactment, problems still abound--and the future shows little promise for the quick resolution of some crucial issues. The interpretation of the OCSLAA appears to be the core issue affecting its implementation.

The OCSLAA seeks to achieve several national priorities in the management of the offshore oil and gas program. It directs the Secretary of the Interior to expedite oil and gas development,

preserve the coastal environment, ensure receipt of fair market value, maintain free enterprise competition, and include State and local governments in the OCS decisionmaking process.

The numerous groups involved in the OCS programs, including the Secretary of the Interior, have developed their individual perceptions of how the OCSLAA is to be implemented. Conflicts have resulted from these differing perceptions. For example, both the environmental community and the oil and gas industry agree on the need to assess the environmental impacts of OCS activity. However, each group has differing perspectives on the degree of assessment needed. The OCSLAA decrees a necessity for environmental protection, but it does not designate the magnitude of protection required.

Also there is considerable disagreement between Federal and State governments on how State and local governments are to participate in OCS decisions. Several States insist that adequate consideration of their views requires State review and approval of OCS leasing plans prior to a sale. California, for example, insists that prelease activities are subject to a review of consistency with the State's coastal zone management program. Interior rejects this position maintaining that such an action would give States veto power over OCS leasing.

The OCSLAA, by providing for consideration of the views of all affected groups, has led to continued conflict in the offshore program. As in the past, conflict often results in litigation and subsequent resolution by the courts. The OCSLAA specifically provides adversely affected parties having a valid legal interest with an opportunity to challenge U.S. actions. Judicial decisions have significantly affected the policies and direction of offshore energy development as well as the administrative procedures of the Interior Department. Lawsuits have delayed sales in the past, but the cumulative impacts of judicial interpretation of OCS related laws have been (1) clarification and refinement of the objectives of the OCS program and (2) establishment of precedent for use in evaluating the contentions of future litigants.

The litigation on the Beaufort Sea sale is an example of judicial impact. The court's decision to allow Interior to award the leases, without additional environmental analysis, may have set precedent on what constitutes a complete prelease environmental assessment. The court reasoned that there were adequate safeguards built into the offshore program and OCS laws to mitigate environmental damage--the prelease EIS is not the sole mechanism to ensure environmental protection. This decision may lessen the occurrence of future suits charging an inadequate EIS, and it may reverse the trends of the 1970s where increasingly more detail was included in the EIS to meet the demands of the latest lawsuit.

In addition, litigation of a first sale in an offshore area may lessen the likelihood of lawsuits on the next sale. In second

sales, there is precedent to rely upon. Precedent, coupled with an awareness of the problems that occurred with the first sale, may alleviate the need to litigate. Thus, the courts have added definition on how to meet the criteria of the offshore program.

Proposals to increase and accelerate OCS leasing

Proposals to streamline the prelease process and to increase offshore leasing are being considered by Interior. These proposals center primarily on reducing the time required to hold second sales in an OCS area through substantive changes in the EIS process and timing modifications to prelease milestones.

In the latter instance, the time required for milestones such as the call for nominations, tentative tract selection and draft EIS could be reduced during the planning process of second sales. Data on an area's resource potential and environmental sensitivity obtained from the first sale could reduce the time needed for these analyses in a second sale.

The environmental analyses in the prelease process may also be subject to substantive changes. For example, the use of a regional or area-wide environmental impact statement could reduce the amount of time required to conduct similar analyses in second sales. The first EIS in an area would be a regional statement covering the overall effects of potential oil and gas activity in the entire area. It would also analyze the tracts offered in the first sale. An addendum to the first EIS would be issued for subsequent sales in the area.

Also, applying the concurrent EIS method used in Gulf of Mexico sales to other regions would save administrative time and costs. The draft and final environmental statements for two sales in a broad area are issued simultaneously with the actual sales held at different times.

Applying this concept to regions outside the Gulf would require the Interior Department to reevaluate its timing restrictions for first, second, and third sales in an area. Currently it is the Department's policy to space 3 years between first and second sales in a region and 2 years between second and third sales. If the prelease process is streamlined, this policy restriction may be unnecessary.

Collapsing milestones might also produce timesavings. Some examples include: issue the proposed notice of sale either before or simultaneously with the final EIS; schedule DOE's energy review after the issuance of the proposed sale notice or concurrent with State government reviews. Also, in the Gulf of Mexico where sales are relatively noncontroversial, the time for public hearings might be shortened.

The time saved by implementing these changes would vary by region and a precise reduction in time, in terms of months or years, is not easily determinable. Many of these changes would be controversial, particularly those affecting the prelease EIS process. Litigation on environmental matters has been inherent to the program and may increase if such changes are implemented.

Streamlining the process could eliminate administrative inefficiencies and possibly accelerate offshore leasing. However, it appears that the primary issue of the leasing program at this time is whether or not the 5-year schedule will be adhered to as planned. Holding OCS sales as planned is of major importance to industry and any significant changes would be disruptive to industry's need for reliability. Thus, in our opinion, any streamlining or fine-tuning of the offshore leasing program must be done with this in mind.

The large amount of tracts offered for lease but not bid on is, in our opinion, a major area that should be examined in the interest of increasing the amount of acreage available for exploration and development. The requirement to satisfy numerous statutory requirements prior to leasing, together with Interior's own administrative constraints, reportedly limits the amount of acreage that can be offered in any one lease sale. These two constraints, coupled with the time required to plan for a lease sale, suggest that all efforts should be made to ensure that a high percentage of the tracts offered for lease are in fact leased.

There are perhaps a number of reasons why industry has elected to bid on only a relatively small percentage of the tracts that have been offered in frontier areas. Additional information may be obtained on the hydrocarbon potential of the tracts selected for lease during the sale planning process which could dissuade industry from bidding on previously nominated tracts. In addition, the bidding system used to award leases may have a bearing on industry's financial capabilities to bid on a large number of tracts. For example, the traditional bonus bidding system used in the past requires a large amount of cash up front to obtain a lease. Perhaps the alternative bidding systems currently being tested in response to the OCSLAA may reduce the amount of money required to obtain a lease and lead to an increase in the percentage of tracts leased. In our opinion, DOE should, as part of current analyses of ways to accelerate leasing, consider this problem and examine possible options for increasing the number of tracts bid on in lease sales.

Current efforts to increase leasing should also encompass consideration of the 25 million acres of OCS land that is not currently available for lease. Our review indicates that a large portion of these lands are believed to have significant energy resource potential. In our opinion, the justification and rationale for excluding these lands should be reexamined to see what could be done to open these lands for leasing.

RECOMMENDATIONS

The 1978 OCS Lands Act Amendments have not, thus far, led to a timely resolution of offshore leasing problems. The new administration is currently reviewing the OCSLAA and considering administrative changes for streamlining the leasing process and for making more land available for leasing. Many opportunities for administrative changes exist. Furthermore, the Secretary now has the advantage of recent judicial decisions to assist in his review. Pending the results of the new administration's review and any administrative actions, GAO does not consider that any legislative changes are appropriate at this time.

However, we recommend that the Secretary of the Interior continue addressing the problems with the present leasing approach, taking into consideration the findings of this report which call for:

- Taking appropriate steps to ensure that sales scheduled under the present program are held as planned--thus giving a greater degree of credibility to the OCS leasing program.
- Continuing to seek ways to streamline the leasing process with special emphasis on reducing the amount of time needed to plan for second and follow-on sales in a lease area, particularly the time needed to comply with EIS requirements.
- Identifying and examining alternatives for leasing more of the tracts offered in lease sales.
- Reexamining the justification and rationale for the withdrawal of the 25 million acres of offshore lands currently not available for lease. The resource potential of these lands should be reexamined and re-weighed against the reasons for exclusion to see if any additional high potential lands could now be made available for lease.
- Directing the USGS to intensify its efforts to define more precisely the portions of the OCS that are potentially attractive for leasing. This action should lead to increased leasing in those specific areas within OCS regions where oil and gas resources are thought to be located.

EDWIN B. FORSYTHE
303 CANNON HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515
202-225-4785

Congress of the United States
House of Representatives
Washington, D.C. 20515

APPENDIX I
MEMBER:
COMMITTEE ON
MERCHANT MARINE AND FISHERIES
COMMITTEE ON
SCIENCE AND TECHNOLOGY

February 26, 1980

The Honorable Elmer B. Staats
The Comptroller General of the United States
441 G Street, N.W. Room 7000
Washington, D. C. 20548

Dear Mr. Staats:

I am the Ranking Minority Member of the House Select Committee on the Outer Continental Shelf, the Ranking Minority Member of the subcommittee on Fisheries and Wildlife of the House Merchant Marine and Fisheries Committee, and a member of the House Science and Technology Committee.

Because of these Committee assignments, I have become aware of the fact that the policies of the Department of the Interior have all but locked up 90 percent of this nation's remaining estimated hydrocarbon fluid resources that are located on public lands.

For this reason, I would like the General Accounting Office to investigate leasing on all public lands (onshore Alaska and the lower 48, and the OCS) to determine what hindrances exist to the rapid production of the oil and gas estimated to be located in those areas.

By hindrances I mean anything (public law, regulations or administrative procedures) that either delays the production of hydrocarbons, or adds to the cost of producing those hydrocarbons. These hindrances could be the OCSLAA (which require 150 procedures to be followed before the production of hydrocarbons may begin), the 1920 Mineral Leasing Act, as examples.

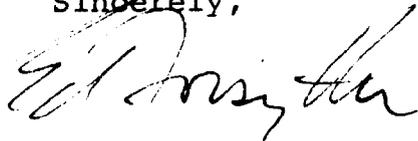
In addition, I would be interested in your recommendations for leasing public lands in the absence of the OCSLAA or the Minerals Leasing Act. In other words, given our current energy crisis, and without these two statutes, what would be

the most efficient procedures to follow in leasing public lands, accelerating production, and still comply with pertinent Federal statutes.

I understand that there are many subjective interpretations to be made in this area, and if you have any questions, please contact C. Grady Drago, Minority Counsel, Select Committee on the OCS at 225-1245.

I would appreciate your immediate attention to this matter, and look forward to hearing from you in the near future.

Sincerely,

A handwritten signature in cursive script, appearing to read "Edwin B. Forsythe".

EDWIN B. FORSYTHE
Member of Congress

EBF:CGD:hh

LIST OF ORGANIZATIONS CONTACTEDFederal Agencies

Council on Environmental Quality
Department of Commerce
 National Oceanic and Atmospheric
 Administration
Department of Energy
Department of State
Department of the Interior
 Bureau of Land Management
 U.S. Fish and Wildlife Service
 U.S. Geological Survey
Department of Transportation
 U.S. Coast Guard
Department of the Treasury
Environmental Protection Agency

State/Local Governments

Alaska

 North Slope Borough

California

 City of Los Angeles
 Marin County
 Mendocino County
 San Diego County
 San Mateo County
 Santa Barbara County
 Southern California Association of
 Governments

Florida

Louisiana

Maryland

Massachusetts

New Jersey

New York

Texas

Industry

American Gas Association

American Petroleum Institute

Atlantic Richfield Company
Chevron, U.S.A., Inc.
Continental Oil Company
Exxon
Gulf Oil Corporation
Hamilton Brothers Oil Company
Houston Oil and Minerals Corporation
Louisiana Land and Exploration
Marathon Oil Company
Michel T. Halbouty
Mitchell Energy and Development Corporation
Mobil Oil Corporation
National Ocean Industries Association
Occidental Petroleum, Inc.
Pennzoil Company
Shell Oil Company
Tenneco, Inc.
Texaco, Inc.
Texas Eastern Exploration Company
Union Oil Company of California
Western Oil and Gas Association

Private Interest Groups

Alaska Public Interest Research Group
American Littoral Society
Conservation Law Foundation of New England
Energy Action Educational Foundation
Florida Audubon Society
Friends of the Coast
Friends of the Earth
Get Oil Out, Inc.
Greenpeace
Lawrence Berkely Laboratory
Natural Resources Defense Council, Inc.
Oceanic Society
Peninsula Conservation Center
Sierra Club

Others

Dr. James Mitchell, Chairman
Scientific Committee
OCS Advisory Board

Dr. Stephen L. McDonald
Professor of Economics
University of Texas at Austin

PAST GAO OCS RELATEDREPORTS

1. "Information on United States Ocean Interests Together With Positions and Results of Law of the Sea Conference at Caracas." ID-75-46, Mar. 6, 1975.
2. "Outlook for Federal Goals to Accelerate Leasing of Oil and Gas Resources on the Outer Continental Shelf." RED-75-343, Mar. 19, 1975.
3. "Outer Continental Shelf Oil and Gas Development--Improvements Needed in Determining Where to Lease and At What Dollar Value." RED-75-359, June 30, 1975.
4. "Outer Continental Shelf Sale #35--Problems Selecting and Evaluating Land to Lease." EMD-77-19, Mar. 7, 1977.
5. "Domestic Energy Resource and Reserve Estimates--Uses, Limitations, and Needed Data." EMD-77-6, Mar. 17, 1977.
6. "Outer Continental Shelf Sale 40--Inadequate Data Used to Select and Evaluate Lands to Lease." EMD-77-51, June 28, 1977.
7. "Opportunities to Resolve Some Basic Conflicts Over Outer Continental Shelf Leasing and Development." EMD-78-39, Mar. 16, 1978.
8. Letter report to Congresswoman Elizabeth Holtzman on OCS royalty rates and industry rate of return on OCS operations." EMD-78-54, Apr. 25, 1978.
9. "Benefits Derived From the Outer Continental Shelf Environmental Studies Program are Questionable." CED-78-93, June 1, 1978.
10. "Lower Cook Inlet--Another Example of More Data Needed For Appraising Outer Continental Shelf Oil and Gas Resources." EMD-78-48, June 8, 1978.
11. Letter report to the Chairman of FERC on nondiscriminatory access to OCS transportation pipelines; EMD-79-23, Jan. 12, 1979.
12. Letter report to Congressman Morris K. Udall on improving OCS multiple-use resource reports; CED-79-53, Feb. 22, 1979.

13. "Georgia Embayment--Illustrating Again the Need For More Data Before Selecting and Leasing Outer Continental Shelf Lands." EMD-79-22, Mar. 19, 1979.
14. "Oil and Gas Royalty Collections--Serious Financial Management Problems Need Congressional Attention." FGMSD-79-24, Apr. 13, 1979.
15. "Federal Leasing Policy--Is the Split Responsibility Working?" EMD-79-60, June 4, 1979.
16. "Natural Gas Resource Estimates: A Good Federal Program Emerging, but Problems and Duplication Persist." EMD-78-66, June 15, 1979.
17. "Policy Needed to Guide Natural Gas Regulation on Federal Lands." EMD-78-76, June 15, 1979.
18. "Interior Lacks Adequate Oversight of Shut-In or Flaring Natural Gas Wells on the Outer Continental Shelf." EMD-80-3, Nov. 21, 1979.
19. "Analysis of Current Trends in U.S. Petroleum and Natural Gas Production." EMD-80-24, Dec. 7, 1979.
20. "Some Issues Affecting Southern California Outer Continental Shelf Oil and Gas Lease Sale 48." EMD-80-47, May 5, 1980.

LEGISLATION PERTAINING TO THE FEDERAL
OUTER CONTINENTAL SHELF LEASE PROGRAM

The legislation described below provides the basis for the Federal Government's Outer Continental Shelf (OCS) lease program aimed at the expeditious leasing of offshore lands for oil and gas exploration and development and protection of the public's interest in those lands.

LEGISLATIVE MANDATES

The Outer Continental Shelf Lands Act (43 U.S.C. 1331) of 1953, as amended by the Outer Continental Shelf Lands Act Amendments of 1978, provides the basic legislative foundation for planning and administering the leasing of Federal offshore oil and gas lands. Major provisions of the legislation

- authorized the Secretary of the Department of the Interior to administer mineral exploration and development and conserve natural resources on the OCS,
- established a national policy for OCS development so as to obtain to the maximum extent practicable a proper balance between the potential for environmental damage, the potential for discovery of oil and gas, and the potential for adverse impact on the coastal zone;
- required development of a 5-year leasing plan for the timing and location of lease sales;
- established bidding systems designed to promote competition and small company participation in lease sales and ensure the public a fair and equitable return from OCS lease sales;
- emphasized consideration of impacts from OCS activities which may cause damage to the environment or to property, or endangered life or health, and required the establishment of funds for defraying oil spill clean-up costs and damages resulting from OCS operations;
- required participation by coastal State and local governments in OCS policy and planning decisions;
- called for regulation of OCS operations including a requirement that emphasis be placed on the diligent exploration and development of leased OCS land; and

- established mechanisms for bringing lawsuits against alleged violations of the 1978 Amendments and for expediting their resolution.

Additional legislation

Several additional laws have been passed that have application to OCS areas and operations. The major pieces of legislation include:

- ✓ --The Fish and Wildlife Act of 1956 (16 U.S.C. 742a). This law established the United States Fish and Wildlife Service to study, protect and manage the fish resources under U.S. jurisdiction, and to promote maximum use and enjoyment of wildlife resources compatible with their perpetuity.
- The Fishery Conservation and Management Act of 1976 (16 U.S.C. 1801). This act established a 200-mile fishery conservation zone off U.S. coasts and gives the United States exclusive management authority over fish within the zone. The Department of State published a notice of the zone's limits 1/ which also provide the basis for OCS lease area boundary designations. However, precise marine boundaries between the United States and opposite or adjacent nations are for the most part unsettled with regard to jurisdiction over commercial fishing or oil and gas leasing/development.
- The National Environmental Policy Act of 1969 (42 U.S.C. 4321). This law calls for draft environmental impact statements (DEIS), hearings, and final environmental impact statements (FEIS) for areas of leasing and actual leases. The Environmental Protection Agency (EPA) is consulted on all OCS environmental impact statements and can refer any FEIS found unsatisfactory to the

1/March 7, 1977, Federal Register, at page 12937.

Council on Environmental Quality. The Council reviews draft and final environmental impact statements prepared by the Bureau of Land Management and considers EPA protests.

- The (Federal) Water Pollution Control Amendments of 1972 (33 U.S.C. 1251). This act limits and controls the discharge of oil or hazardous substances into or upon navigable waters, and requires EPA to issue National Pollutant Discharge Elimination System permits for exploratory and development drilling involving such discharges.
- The Coastal Zone Management Act of 1972 (16 U.S.C. 1451). This law authorized the Secretary of Commerce to provide grants-in-aid to coastal States to encourage the establishment of management programs for uses of land and water in coastal areas, and required consistency of Federal programs with approved State plans.
- The Coastal Zone Management Act Amendments of 1976 (16 U.S.C. 1451). These amendments established the Coastal Energy Impact Fund to ameliorate adverse impacts from OCS development and made exploration and development activities requiring Federal permits subject to a coastal state's certification of consistency with its approved coastal zone management program.
- The Marine Protection, Research, and Sanctuaries Act of 1972 (16 U.S.C. 1431). This act authorizes the Secretary of Commerce, after consultation with the heads of other interested agencies and the approval of the President, to designate areas extending seaward as far as the outer edges of the OCS as marine sanctuaries for preservation or restoration due to their conservation, recreational, ecological, or esthetic values. The Secretary is part of the OCS advisory process and can issue necessary and reasonable regulations to prohibit or control activities within a sanctuary. Of the sites nominated for sanctuary consideration three have been so designated and three are under active consideration.
- The Marine Mammal Protection Act of 1972 (16 U.S.C. 1361). This law established the Marine Mammal Commission and assigned to the Secretaries of Commerce and the Interior responsibilities for

protecting the international, esthetic, recreational and economic significance of marine mammals in danger of extinction or depletion as a result of man's activities. The act encourages their development and provides steps for maintaining the health and stability of the marine ecosystem of which they are a part.

--The Endangered Species Act of 1973 (16 U.S.C. 1531). This law requires that all Federal departments and agencies shall utilize their authorities to conserve endangered and threatened species of fish or wildlife and plants facing extinction.

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