

BILL TEXT
S 3711
VERSION: ENGROSSED (PASSED) IN SENATE
Aug. 1, 2006

109TH CONGRESS

2D SESSION

S. 3711

AN ACT

To enhance the energy independence and security of the United States by providing for exploration, development, and production activities for mineral resources in the <Gulf> <of> <Mexico>, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “<Gulf> <of> <Mexico> Energy Security Act of 2006”.

SEC. 2. DEFINITIONS.

In this Act:

(1) 181 area.—The term “181 Area” means the area identified in map 15, page 58, of the Proposed Final Outer Continental Shelf <Oil> and <Gas> <Leasing> Program for 1997-2002, dated August 1996, of the <Minerals> <Management> <Service>, available in the Office of the Director of the <Minerals> <Management> <Service>, excluding the area offered in OCS Lease Sale 181, held on December 5, 2001.

(2) 181 south area.—The term “181 South Area” means any area—

(A) located—

- (i) south of the 181 Area;
- (ii) west of the Military Mission Line; and
- (iii) in the Central Planning Area;

(B) excluded from the Proposed Final Outer Continental Shelf <Oil> and <Gas> <Leasing> Program for 1997-2002, dated August 1996, of the <Minerals>

<Management> <Service>; and

(C) included in the areas considered for <oil> and <gas> <leasing>, as identified in map 8, page 37 of the document entitled “Draft Proposed Program Outer Continental Shelf <Oil> and <Gas> <Leasing> Program 2007-2012”, dated February 2006.

(3) BONUS OR ROYALTY CREDIT.—The term “bonus or royalty credit” means a legal instrument or other written documentation, or an entry in an account managed by the Secretary, that may be used in lieu of any other monetary payment for—

(A) a bonus bid for a lease on the outer Continental Shelf; or

(B) a royalty due on <oil> or <gas> production from any <lease> located on the outer Continental Shelf.

(4) CENTRAL PLANNING AREA.—The term “Central Planning Area” means the Central <Gulf> <of> <Mexico> Planning Area of the outer Continental Shelf, as designated in the document entitled “Draft Proposed Program Outer Continental Shelf <Oil> and <Gas> <Leasing> Program 2007-2012”, dated February 2006.

(5) EASTERN PLANNING AREA.—The term “Eastern Planning Area” means the Eastern <Gulf> <of> <Mexico> Planning Area of the outer Continental Shelf, as designated in the document entitled “Draft Proposed Program Outer Continental Shelf <Oil> and <Gas> <Leasing> Program 2007-2012”, dated February 2006.

(6) 2002-2007 planning area.—The term “2002-2007 planning area” means any area—

(A) located in—

(i) the Eastern Planning Area, as designated in the Proposed Final Outer Continental Shelf <Oil> and <Gas> <Leasing> Program 2002-2007, dated April 2002, of the <Minerals> <Management> <Service>;

(ii) the Central Planning Area, as designated in the Proposed Final Outer Continental Shelf <Oil> and <Gas> <Leasing> Program 2002-2007, dated April 2002, of the <Minerals> <Management> <Service>; or

(iii) the Western Planning Area, as designated in the Proposed Final Outer Continental Shelf <Oil> and <Gas> <Leasing> Program 2002-2007, dated April 2002, of the <Minerals> <Management> <Service>; and

(B) not located in—

(i) an area in which no funds may be expended to conduct <offshore> preleasing, <leasing>, and related activities under sections 104 through 106 of the Department of the Interior, Environment, and Related Agencies Appropriations Act, 2006 ([Public Law 109-54](#); [119 Stat. 521](#)) (as in effect on August 2, 2005);

(ii) an area withdrawn from leasing under the “Memorandum on Withdrawal of Certain Areas of the United States Outer Continental Shelf from Leasing Disposition”, from 34 Weekly Comp. Pres. Doc. 1111, dated June 12, 1998; or

(iii) the 181 Area or 181 South Area.

(7) GULF PRODUCING STATE.—The term “Gulf producing State” means each of the States of Alabama, Louisiana, Mississippi, and Texas.

(8) MILITARY MISSION LINE.—The term “Military Mission Line” means the north-south line at 86°41

(9) QUALIFIED OUTER CONTINENTAL SHELF REVENUES.—

(A) IN GENERAL.—The term “qualified outer Continental Shelf revenues” means—

(i) in the case of each of fiscal years 2007 through 2016, all rentals, royalties, bonus bids, and other sums due and payable to the United States from leases entered into on or after the date of enactment of this Act for—

(I) areas in the 181 Area located in the Eastern Planning Area; and

(II) the 181 South Area; and

(ii) in the case of fiscal year 2017 and each fiscal year thereafter, all rentals, royalties, bonus bids, and other sums due and payable to the United States received on or after October 1, 2016, from leases entered into on or after the date of enactment of this Act for—

(I) the 181 Area;

(II) the 181 South Area; and

(III) the 2002-2007 planning area.

(B) EXCLUSIONS.—The term “qualified outer Continental Shelf revenues” does not include—

(i) revenues from the forfeiture of a bond or other surety securing obligations other than royalties, civil penalties, or royalties taken by the Secretary in-kind and not sold; or

(ii) revenues generated from leases subject to section 8(g) of the [Outer Continental Shelf Lands Act \(43 U.S.C. 1337\(g\)\)](#).

(10) COASTAL POLITICAL SUBDIVISION.—The term “coastal political subdivision” means a political subdivision of a Gulf producing State any part of which political subdivision is—

(A) within the coastal zone (as defined in section 304 of the [Coastal Zone Management Act](#) of 1972 ([16 U.S.C. 1453](#))) of the Gulf producing State as of the date of enactment of this Act; and

(B) not more than 200 nautical miles from the geographic center of any leased tract.

(11) SECRETARY.—The term “Secretary” means the Secretary of the Interior.

SEC. 3. [OFFSHORE](#) [OIL](#) AND [GAS](#) [LEASING](#) IN 181 AREA AND 181 SOUTH AREA OF [GULF](#) [OF](#) [MEXICO](#).

(a) 181 Area Lease Sale.—Except as provided in section 4, the Secretary shall offer the 181 Area for [oil](#) and [gas](#) [leasing](#) pursuant to the [Outer Continental Shelf](#)

[Lands Act \(43 U.S.C. 1331](#) et seq.) as soon as practicable, but not later than 1 year, after the date of enactment of this Act.

(b) 181 South Area Lease Sale.—The Secretary shall offer the 181 South Area for [oil](#) and [gas](#) [leasing](#) pursuant to the [Outer Continental Shelf Lands Act \(43 U.S.C. 1331](#) et seq.) as soon as practicable after the date of enactment of this Act.

(c) Leasing Program.—The 181 Area and 181 South Area shall be offered for lease under this section notwithstanding the omission of the 181 Area or the 181 South Area from any outer Continental Shelf leasing program under section 18 of the [Outer Continental Shelf Lands Act \(43 U.S.C. 1344\)](#).

(d) Conforming Amendment.—Section 105 of the Department of the Interior, Environment, and Related Agencies Appropriations Act, 2006 ([Public Law 109-54; 119 Stat. 522](#)) is amended by inserting “(other than the 181 South Area (as defined in section 2 of the [Gulf of Mexico](#) Energy Security Act of 2006))” after “lands located outside Sale 181”.

SEC. 4. MORATORIUM ON [OIL](#) AND [GAS](#) [LEASING](#) IN CERTAIN AREAS OF [GULF OF MEXICO](#).

(a) In General.—Effective during the period beginning on the date of enactment of this Act and ending on June 30, 2022, the Secretary shall not offer for leasing, preleasing, or any related activity—

- (1) any area east of the Military Mission Line in the [Gulf of Mexico](#);
- (2) any area in the Eastern Planning Area that is within 125 miles of the coastline of the State of Florida; or
- (3) any area in the Central Planning Area that is—
 - (A) within—
 - (i) the 181 Area; and
 - (ii) 100 miles of the coastline of the State of Florida; or
 - (B)(i) outside the 181 Area;
 - (ii) east of the western edge of the Pensacola Official Protraction Diagram (UTM X coordinate 1,393,920 (NAD 27 feet)); and
 - (iii) within 100 miles of the coastline of the State of Florida.

(b) Military Mission Line.—Notwithstanding subsection (a), the United States reserves the right to designate by and through the Secretary of Defense, with the approval of the President, national defense areas on the outer Continental Shelf pursuant to section 12(d) of the [Outer Continental Shelf Lands Act \(43 U.S.C. 1341\(d\)\)](#).

(c) Exchange of Certain Leases.—

(1) IN GENERAL.—The Secretary shall permit any person that, as of the date of enactment of this Act, has entered into an oil or gas lease with the Secretary in any area described in paragraph (2) or (3) of subsection (a) to exchange the lease for a bonus or royalty credit that may only be used in the Gulf of Mexico.

(2) VALUATION OF EXISTING LEASE.—The amount of the bonus or royalty credit for a lease to be exchanged shall be equal to—

(A) the amount of the bonus bid; and

(B) any rental paid for the lease as of the date the lessee notifies the Secretary of the decision to exchange the lease.

(3) REVENUE DISTRIBUTION.—No bonus or royalty credit may be used under this subsection in lieu of any payment due under, or to acquire any interest in, a lease subject to the revenue distribution provisions of section 8(g) of the Outer Continental Shelf Lands Act (43 U.S.C. 1337(g)).

(4) REGULATIONS.—Not later than 1 year after the date of enactment of this Act, the Secretary shall promulgate regulations that shall provide a process for—

(A) notification to the Secretary of a decision to exchange an eligible lease;

(B) issuance of bonus or royalty credits in exchange for relinquishment of the existing lease;

(C) transfer of the bonus or royalty credit to any other person; and

(D) determining the proper allocation of bonus or royalty credits to each lease interest owner.

SEC. 5. DISPOSITION OF QUALIFIED OUTER CONTINENTAL SHELF REVENUES FROM 181 AREA, 181 SOUTH AREA, AND 2002-2007 PLANNING AREAS OF GULF OF MEXICO.

(a) In General.—Notwithstanding section 9 of the Outer Continental Shelf Lands Act (43 U.S.C. 1338) and subject to the other provisions of this section, for each applicable fiscal year, the Secretary of the Treasury shall deposit—

(1) 50 percent of qualified outer Continental Shelf revenues in the general fund of the Treasury; and

(2) 50 percent of qualified outer Continental Shelf revenues in a special account in the Treasury from which the Secretary shall disburse—

(A) 75 percent to Gulf producing States in accordance with subsection (b); and

(B) 25 percent to provide financial assistance to States in accordance with section 6 of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 4601-8), which shall be considered income to the Land and Water Conservation Fund for purposes of section 2 of that Act (16 U.S.C. 4601-5).

(b) Allocation Among Gulf Producing States and Coastal Political Subdivisions.—

(1) ALLOCATION AMONG GULF PRODUCING STATES FOR FISCAL YEARS 2007 THROUGH 2016.—

(A) IN GENERAL.—Subject to subparagraph (B), effective for each of fiscal years 2007 through 2016, the amount made available under subsection (a)(2)(A) shall be allocated to each Gulf producing State in amounts (based on a formula established by the Secretary by regulation) that are inversely proportional to the respective distances between the point on the coastline of each Gulf producing State that is closest to the geographic center of the applicable leased tract and the geographic center of the leased tract.

(B) MINIMUM ALLOCATION.—The amount allocated to a Gulf producing State each fiscal year under subparagraph (A) shall be at least 10 percent of the amounts available under subsection (a)(2)(A).

(2) ALLOCATION AMONG GULF PRODUCING STATES FOR FISCAL YEAR 2017 AND THEREAFTER.—

(A) IN GENERAL.—Subject to subparagraphs (B) and (C), effective for fiscal year 2017 and each fiscal year thereafter—

(i) the amount made available under subsection (a)(2)(A) from any lease entered into within the 181 Area or the 181 South Area shall be allocated to each Gulf producing State in amounts (based on a formula established by the Secretary by regulation) that are inversely proportional to the respective distances between the point on the coastline of each Gulf producing State that is closest to the geographic center of the applicable leased tract and the geographic center of the leased tract; and

(ii) the amount made available under subsection (a)(2)(A) from any lease entered into within the 2002-2007 planning area shall be allocated to each Gulf producing State in amounts that are inversely proportional to the respective distances between the point on the coastline of each Gulf producing State that is closest to the geographic center of each historical lease site and the geographic center of the historical lease site, as determined by the Secretary.

(B) MINIMUM ALLOCATION.—The amount allocated to a Gulf producing State each fiscal year under subparagraph (A) shall be at least 10 percent of the amounts available under subsection (a)(2)(A).

(C) HISTORICAL LEASE SITES.—

(i) IN GENERAL.—Subject to clause (ii), for purposes of subparagraph (A)(ii), the historical lease sites in the 2002-2007 planning area shall include all leases entered into by the Secretary for an area in the ≤Gulf> ≤of> ≤Mexico during the period beginning on October 1, 1982 (or an earlier date if practicable, as determined by the Secretary), and ending on December 31, 2015.

(ii) ADJUSTMENT.—Effective January 1, 2022, and every 5 years thereafter, the ending date described in clause (i) shall be extended for an additional 5 calendar years.

(3) PAYMENTS TO COASTAL POLITICAL SUBDIVISIONS.—

(A) IN GENERAL.—The Secretary shall pay 20 percent of the allocable share of each Gulf producing State, as determined under paragraphs (1) and (2), to the coastal political subdivisions of the Gulf producing State.

(B) ALLOCATION.—The amount paid by the Secretary to coastal political subdivisions shall be allocated to each coastal political subdivision in accordance with subparagraphs (B), (C), and (E) of section 31(b)(4) of the [Outer Continental Shelf Lands Act \(43 U.S.C. 1356a\(b\)\(4\)\)](#).

(c) Timing.—The amounts required to be deposited under paragraph (2) of subsection (a) for the applicable fiscal year shall be made available in accordance with that paragraph during the fiscal year immediately following the applicable fiscal year.

(d) Authorized Uses.—

(1) IN GENERAL.—Subject to paragraph (2), each Gulf producing State and coastal political subdivision shall use all amounts received under subsection (b) in accordance with all applicable Federal and State laws, only for 1 or more of the following purposes:

(A) Projects and activities for the purposes of coastal protection, including conservation, coastal restoration, hurricane protection, and infrastructure directly affected by coastal wetland losses.

(B) Mitigation of damage to fish, wildlife, or natural resources.

(C) Implementation of a federally-approved marine, coastal, or comprehensive conservation management plan.

(D) Mitigation of the impact of outer Continental Shelf activities through the funding of onshore infrastructure projects.

(E) Planning assistance and the administrative costs of complying with this section.

(2) LIMITATION.—Not more than 3 percent of amounts received by a Gulf producing State or coastal political subdivision under subsection (b) may be used for the purposes described in paragraph (1)(E).

(e) Administration.—Amounts made available under subsection (a)(2) shall—

(1) be made available, without further appropriation, in accordance with this section;

(2) remain available until expended; and

(3) be in addition to any amounts appropriated under—

(A) the [Outer Continental Shelf Lands Act \(43 U.S.C. 1331 et seq.\)](#);

(B) the [Land and Water Conservation Fund Act of 1965 \(16 U.S.C. 4601-4 et seq.\)](#); or

(C) any other provision of law.

(f) Limitations on Amount of Distributed Qualified Outer Continental Shelf Revenues.—

(1) IN GENERAL.—Subject to paragraph (2), the total amount of qualified outer Continental Shelf revenues made available under subsection (a)(2) shall not exceed \$500,000,000 for each of fiscal years 2016 through 2055.

(2) EXPENDITURES.—For the purpose of paragraph (1), for each of fiscal years 2016 through 2055, expenditures under subsection (a)(2) and shall be net of receipts from that fiscal year from any area in the 181 Area in the Eastern Planning Area and the 181 South Area.

(3) PRO RATA REDUCTIONS.—If paragraph (1) limits the amount of qualified outer Continental Shelf revenue that would be paid under subparagraphs (A) and (B) of subsection (a)(2)—

(A) the Secretary shall reduce the amount of qualified outer Continental Shelf revenue provided to each recipient on a pro rata basis; and

(B) any remainder of the qualified outer Continental Shelf revenues shall revert to the general fund of the Treasury.

Passed the Senate August 1, 2006.