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REPORT TO THE GENERAL ASSEMBLY

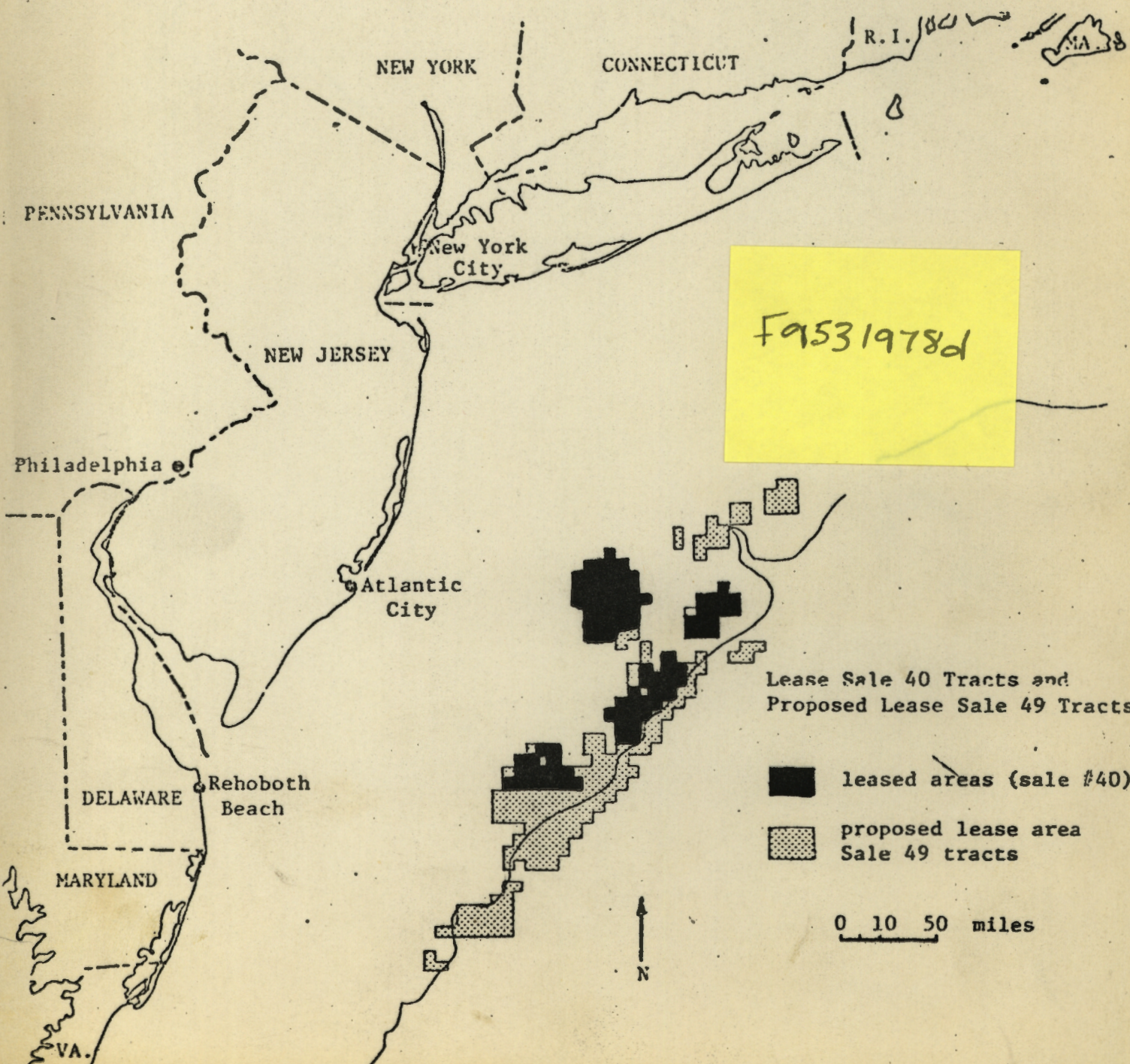
ON

THE OUTER CONTINENTAL SHELF DRILLING SEMINAR

Conducted By The

Assembly Agriculture and
Environment Committee

Assembly Energy and
Natural Resources Committee

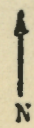


F9531978d

Lease Sale 40 Tracts and
Proposed Lease Sale 49 Tracts

- leased areas (sale #40)
- ▨ proposed lease area Sale 49 tracts

0 10 50 miles



REPORT TO THE ALASKA ASSEMBLY

IN

THE OUTER CONTINENTAL SHELF DRILLING PERIOD

Submitted by the

Department of Energy and
Natural Resources Division

Department of Energy and
Natural Resources Division

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MEMORANDUM

TO: CHISTOPHER J. JACKMAN, SPEAKER
MEMBERS OF THE GENERAL ASSEMBLY

DATE: November 20, 1978

The Assembly Committees on Agriculture & Environment and Energy & Natural Resources hereby respectfully submit a report on the Outer Continental Shelf Drilling Seminar.

This report represents the results of our combined efforts this session and is submitted in the hopes of assisting the General Assembly in protecting and promoting the environmental and economic welfare of the citizens of New Jersey.

Assembly Agriculture & Environment Committee

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Walter J. Kozloski, Vice-Chairman

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Buddy Fortunato

IS/ George T. Orlowski
George T. Orlowski

IS/ Barbara A. Curran
Barbara A. Curran

IS/ Emil Olszowy
Emil Olszowy

that will be needed by the oil and gas industry and to advise the oil and gas industry of the services and products which can be provided in this State.

9. Establish a "job bank" from which the oil and gas industry can draw as needed, and provide training programs for any skills that may be absent or in short supply.

10. Study the advantages and the disadvantages of a sales tax exemption for products used offshore.

11. Lease, rather than grant, pipeline rights-of-way on riparian and other State-owned lands and limit the terms of such leases to 20 years or less.

12. Establish volumetric, rather than linear, rate schedules for pipeline leases on riparian and other State-owned lands.

INTRODUCTION

This past spring, several major oil companies commenced exploratory drilling operations in lease tracts in the Baltimore Canyon.* This summer two of those companies, Texaco and Exxon, have reported finds of hydrocarbon deposits, though they have not as yet confirmed that those deposits are in sufficient quantities to justify commercial exploitation. If, in fact, the mid-Atlantic Outer Continental Shelf contains enough oil and natural gas to warrant production, the development efforts can provide thousands of jobs in ancillary support and service industries, and help assure New Jersey businesses and industries of a substantial and reliable supply of energy. At the same time, those very activities, if not sufficiently planned for, regulated, and supervised, can have adverse effects on our environment.

Because of the potential effects of this new industry on New Jersey's economy and environment, the Assembly Agriculture & Environment and Energy & Natural Resources Committees undertook a project to familiarize themselves with this new area. The Committees sought to better anticipate problems that may arise and have a grasp of the courses of action--legislative and otherwise--available to preclude or alleviate those problems; to help maximize the opportunities that such efforts may offer to New Jersey; and to open the channels of communication among the many industries, government agencies, and interest groups that will inevitably be involved in any offshore oil or gas production and development program.

The Committees' project comprised a series of seminars with the Departments of Energy, Environmental Protection, and Labor & Industry, representatives of the major oil companies, officials from Transcontinental Pipelines Company, representatives of the

* (For a discussion and fact sheet on the legal history of OCS leasing issues, the resolution of which allowed the commencement of drilling in the Baltimore Canyon, see Appendix A).

Southern Jersey Development Council, the Delaware River Port Authority, the Port Authority of New York and New Jersey, organized labor and legislative staff. The Committees also held a series of meetings in New Orleans and Baton Rouge, Louisiana with legislators and officials of executive departments in that state with responsibilities in the relevant areas of concern.

This report summarizes the activities of the Committees, compiles the various relevant documents submitted for their consideration during the course of their deliberations, and makes a series of recommendations based on the information derived therefrom.

OUTER CONTINENTAL SHELF DRILLING SEMINARSUMMARY OF ACTIVITIESTHURSDAY, APRIL 6, 1978

All day meeting with representatives of the major oil companies, at which time presentations on the following topics were made: leases, permits and regulations (by Allen Cluck, Houston Oil and Minerals); exploration through exploratory drilling (by Hal H. Bybee, Continental Oil Company); developments, production, safety and spill prevention (by R.R. Hickman, Exxon); spill prevention and cleanup by Clean Atlantic Associates (by O.J. Shirley, Shell); transportation by pipelines, barges, etc. (by K.E. Anderson, Mobil Pipeline Co.); onshore effects (by J.R. Jackson, Exxon); fate and effect of oil on the marine environment (by Al Lasday, Texaco); and industry needs from New Jersey (by J.R. Galloway, Gulf).

Each presentation was followed by a discussion of the respective topics.

MONDAY, APRIL 10, 1978

1. Morning meeting with the Commissioner of Energy, Joel R. Jacobson, DOE staff; the Assistant Commissioner of Environmental Protection, Glenn Paulson, and DEP staff, during which both departments outlined their respective policies and programs concerning OCS drilling. Specific topics which were discussed included Administration's OCS policy; DEP-DOE coordination, coastal planning efforts, onshore support base siting studies, and CAFRA regulations affecting the siting of energy facilities. (For further information on these topics

see Appendix G).

2. Afternoon presentations by Legislative Services Agency staff on topics including the legal history of the OCS leasing program (by Norman Miller); existing land use and pollution controls (by Michael F. Catania); energy facility siting strategies (by Algis P. Matioska) and pending amendments to the Federal OCS Act (by David C. Mattek). Following these presentations, Committee members and staff discussed various issues raised throughout the course of this and previous meetings. (The full text of these presentations can be found in Appendices A through E, respectively).

TUESDAY, APRIL 11, 1978

Evening meeting with officials of the American Petroleum Institute, including James Prunty of Mobil and O.J. Shirley, L.J. Adams, Lloyd Ottoman, and John Collins of Shell.

Topics discussed at this meeting included the timetable for exploration and production of oil and gas in the Baltimore Canyon; industry intentions vis-a-vis locating support bases in New Jersey; the incidence of, and response to, oil spills; and the various State and Federal statutes and regulations which will affect offshore exploration and production.

WEDNESDAY, APRIL 12, 1978

All day inspection tour, in and around Morgan City, LA., of onshore support facilities directly related to offshore oil and gas exploration and production. These facilities included the J. Ray McDermott fabricating yard, where a majority of the offshore drilling rigs now in

use in the Gulf of Mexico were manufactured; a derrick barge, which is used to install such rigs on the site of drilling and production; the landfalls of several oil and gas pipelines; a gas processing plant; and a variety of the support industries which provide products or services to the oil and gas industry.

Throughout the day, legislators engaged in discussions with industry officials concerning the technical aspects of drilling and producing oil and gas, and the location of support industries in New Jersey, particularly a platform fabricating yard and the physical requirements which would be needed for such a facility.

THURSDAY, APRIL 13, 1978

1. Morning and luncheon meeting with Senator Claude B. Duval, Representative W. J. Tauzin, Chairmen, and other members of the Louisiana Senate and House Committees on Natural Resources. The discussion centered on the Louisiana experience with oil and gas exploration and production, especially the aspects which might be handled differently if that state had it to do over again. Specific topics included the location of pipeline corridors; the conditions and terms of pipeline easements over State lands; the incidence and effect of spills, especially on shellfish beds; the employment opportunities offered by support industries; sales tax exemptions for offshore products; and the interests of coastal states regarding pending Federal legislation, particularly the proposed amendments to the Outer Continental Shelf Lands Act.

2. Afternoon meeting with officials of the Louisiana Department of Natural Resources, including C.J. Bonnacarrere, Assistant Secretary; Ory Poret, Director, Division of State Lands; and Arnold C. Chauviere, Director of Conservation. Topics discussed included the state leasing program for oil and gas production within the three-mile limit; the procedures for granting pipeline rights of way; the State and Federal procedures for spill response; the effect of oil and gas production on coastal areas, particularly recreation and shellfish areas; and the present and proposed procedures for the siting of energy and energy related facilities in Louisiana.

MONDAY, MAY 1, 1978

1. Meeting with the Assistant Commissioner of Labor and Industry, George McGuinness, and L & I staff, at which Mr. McGuinness presented the views of his department on the economic development potential of OCS activities, and the activities which the State should undertake to realize that potential. (For the text of Mr. McGuinness's remarks, delivered for Commissioner John J. Horn, see Appendix H).

2. Meeting with S. J. Bellassai and other officials of the Transcontinental Gas Pipeline Corporation, at which Mr. Bellassai gave a presentation detailing the construction and location of gas pipelines, the potential need for a gas processing plant in New Jersey, as a result of OCS activities, and the environmental impact of such a plant and pipelines. (For the text of this presentation, see Appendix I).

MONDAY, MAY 15, 1978

1. Meeting with W.W. Watkins, Jr., Executive Director of the Delaware River Port Authority, concerning the Authority's views and efforts regarding the utilization of port facilities for OCS activities, the location of support bases in the DRPA jurisdiction, and the economic stimulus that would be derived therefrom. (See Appendix J for the full text of this presentation.)

2. Meeting with Mr. Lou Dalberth, Director of the South Jersey Development Council, concerning the potential location of OCS support bases and related facilities in South Jersey, and the efforts of the Council to promote the location of such bases and facilities.

3. Meeting with representatives of organized labor, including Mr. Jack Pierson, President of the International Union of Operating Engineers, Local 825; James Kirk, N.J. Council of Carpenters; Mr. Robert Gates, President, Gates Contracting; and Mr. Frank Coyne, United Association of Plumbers and Steamfitters, concerning labor perspectives on the potential for economic development and the creation of jobs as a result of OCS activities.

FRIDAY, AUGUST 4, 1978

All day inspection tour of the Gulf exploratory well, 90 miles offshore from Atlantic City, N.J. (OCS-A 0059, Well #1, Block 857, Hudson Canyon). The tour included observing drilling activities underway on the New Era, a semi-submersible drilling rig, and discussions with Gulf officials on the techniques of drilling, required support

services, and the prospect of expanded Gulf activities in New Jersey should oil and/or natural gas be discovered in the Baltimore Canyon. (See Appendix L for more details on this inspection tour).

Any State policy concerning OCS drilling and the attendant on-shore impacts should serve three main purposes: (1) to provide and maintain adequate protection for the marine, estuarine, coastal, freshwater and air resources of New Jersey, and for the tourist, fishing and agricultural industries and the other industrial, commercial and residential uses which rely so heavily upon them; (2) to encourage and expedite the location of support industries in locations compatible with the protection of these natural resources, and to otherwise maximize the economic stimulus and employment opportunities for our economy and residents; and (3) to promote the availability of an adequate supply of energy for New Jersey, the Northeast region, and for the Nation.

At the present time, State, regional and local governments and agencies possess excellent tools to deal with the on-shore impacts of OCS drilling. Included among these are land use controls exercised by municipal planning and zoning boards, county planning boards, and regional agencies such as the Hackensack Meadowlands Development Commission and the Delaware River Basin Commission. State land use controls include riparian grants and leases, CAFRA permits, wetlands permits, flood plain regulations and stream encroachment permits administered by the Department of Environmental Protection (DEP), as well as general energy facility siting approval by the Department of Energy (DOE). State water and air pollution control permits are also administered by DEP. (See Appendix B for a listing of State, regional, county and municipal land use and pollution controls).

Further environmental and economic protection from the adverse impacts of OCS drilling and related on-shore development is provided by the "Spill Compensation and Control Act" (P.L. 1976, c. 141). Under this statute, the State administers a fund, created by a \$0.01 a barrel tax on petroleum and other hazardous substances, which will be used to cover the costs of spill cleanup and compensation for a variety of direct and indirect damages ranging from natural resource restoration to lost wages and taxes suffered by individuals and governments, respectively. Indeed, the protections offered by this statute are the most comprehensive in the nation. Accordingly, in order to maintain this coverage, State policy should oppose any Federal pre-emption of state spill compensation and control programs which would have the effect of weakening the protections now provided by P.L.1976,c.141.

(For a summary of the provisions of P.L.1976,c.141, see Appendix C).

In order to coordinate State, Federal and industry efforts, the Department of Environmental Protection should seek Federal and industry information and cooperation in the establishment of an "early warning" spill detection and monitoring system. Such a system would maximize the protection of New Jersey's environment and avoid both overlaps and gaps in public and private efforts in this vital area.

As one of a growing number of coastal states affected by OCS drilling, New Jersey should promote the establishment of an informal coastal states coalition. Discussions between New Jersey and Louisiana legislators have shown that these states

will have to face very similar problems and will have increasingly compatible interests. In order to better serve these interests, the Legislature should encourage the New Jersey Congressional delegation to cooperate with the representatives of other coastal states in supporting Federal legislation to increase planning funds for the on-shore impacts of OCS activities, to provide a share of lease-sale revenues to the affected coastal states, and to guarantee a fair share of the oil and gas produced from such tracts to the impacted coastal states. (For comments on H.R.1614 and other pending Federal legislation, see Appendix D).

The protection of natural resources and the promotion of economic development need not be incompatible, and State programs can and should serve both purposes. The compilation of an inventory of suitable sites for OCS-related facilities, for example, can serve dual purposes by insuring that such facilities are developed with a minimum of adverse environmental impact while encouraging industry to locate in New Jersey, rather than elsewhere, facilities which will stimulate our economy and create jobs in both the construction and operation phases. Accordingly, a coordinated State program to compile such an inventory of sites in the various regions of New Jersey, including urban Atlantic coastal areas and the Delaware Bay and River area, should be undertaken immediately. This identification of suitable sites should be followed by efforts to inform industry of the availability and advantages of these sites. At the same time, the Port Authority of New York and New Jersey and the Delaware River Port Authority should also be encouraged to promote the excellent port facilities available in their respective jurisdictions.

In addition to the identification and promotion of appropriate sites for OCS-related facilities, the State should designate suitable corridors for the OCS oil and natural gas pipelines which appear likely, even as of this writing. Such designations should utilize, wherever practicable and feasible, existing rights of way, such as the Atlantic City Expressway, the Garden State Parkway, as well as current and abandoned rail, highway, power-line and pipeline routes. In this way, environmental degradation can be minimized, industry will be provided with an early indication of acceptable routes, and State revenues from pipeline corridors will be maximized.

A particular problem concerning the approval of OCS pipelines will need to be addressed prior to such corridor designations, however. Due to the language of our riparian statutes, as interpreted by several court decisions, there now appears to be no mechanism, short of case-by-case gubernatorial and legislative approval, for granting or leasing riparian lands from the "bulkhead line" to the State's 3-mile seaward jurisdiction. As a means of overcoming this gap, some expeditious mechanism, such as explicitly extending the jurisdiction of the Natural Resources Council, should be established to approve riparian leases for pipeline corridors.

For some time, the oil and gas industry has been lobbying for legislation to simplify--or at least speed up--the now cumbersome and time-consuming process by which energy-related facilities are approved for construction. This plea was reiterated at meetings between representatives of the American Petroleum Institute and committee members both in New Orleans and in Trenton. Some states have enacted measures embodying a concept which has become known as "one-stop shopping," wherein the applicant submits plans for

proposed construction to one department, agency, or the like, and secures all required approvals and permits therefrom. Other states, New Jersey among them, are considering such legislation. A streamlined permit approval process would be a strong inducement to industry to locate their facilities in New Jersey, thus significantly strengthening our State's economic and energy supply position, provided that any new procedures adopted continue to afford the protections against adverse environmental impact that existing permit processes are designed to ensure. Given the widely-perceived, if mistaken, image that New Jersey policy is to oppose the construction of OCS-related facilities, such an inducement appears to be both necessary and desirable if the State is to successfully compete with surrounding areas for the economic benefits of OCS activities. For this reason, the Legislature should seriously consider the enactment of a statutory streamlining of the various existing permit processes for OCS-related activities. (For a discussion and fact sheet concerning alternate strategies used by other states in the siting of energy facilities, see Appendix E).

While the industry will, at least at the outset, draw upon already developed expertise and sources of supply for many of their operational needs, New Jersey's industrial and commercial infrastructure can now provide a great number of the products and services that will be required by full-scale OCS activities, e.g. tool and equipment manufacturing, repair and maintenance services, helicopter service, and food service. Other needed products and skills can be readily developed. For example, New Jersey has sites that meet the unique requirements of the drilling platform and deck construction industry which could be developed if the operations in the mid-Atlantic become extensive enough to justify on-site construction. Furthermore, New Jersey has a

vast skilled, semi-skilled, and unskilled labor pool upon which the industry can draw as needs for work arise. The exploitation of New Jersey's industrial, commercial, and labor market will obviously work to the mutual economic benefit of New Jersey and the oil and gas industry. But the services and needs must be matched. The Department of Labor and Industry should, therefore, consult, on a continuing basis, with industry representatives regarding their needs and establish: (1) a program to make those needs known to the New Jersey industrial and commercial community and to make the industry aware of the capacities of New Jersey to serve those needs; (2) a "job bank" from which industry can draw as their work needs arise; and (3) a training program to develop needed skills that may be absent or in short supply.

One of the subjects discussed at our meeting with Louisiana legislators was an exemption from the sales tax for products used offshore. Louisiana legislators expressed regret that their State had granted such an exemption years ago in their anxiety to attract the industry, and cautioned committee members against doing likewise. They felt, in retrospect, that such an exemption would not be a pivotal factor in any industry decision to locate or expand operations within any given jurisdiction, whereas such a tax would provide substantial and needed revenues for the State. The case against New Jersey's granting of any such exemption would appear to be even stronger than Louisiana's. Since OCS operations in the mid-Atlantic are not within the State jurisdictional waters, New Jersey has few opportunities to derive revenue from such operations. Those it does have, such as the

sales tax, probably should not be sacrificed absent compelling reasons to the contrary.

Another subject discussed extensively with Louisiana legislators were pipeline rights-of-way, and the terms and conditions thereof. Again, Louisiana legislators expressed regret at their State's having granted pipeline rights-of-way on riparian and State-owned lands in perpetuity for a one-time linear charge.* Such action resulted in a criss-crossing of the State's wetlands forever by pipelines from which the State no longer derives revenues. It might therefore be appropriate for New Jersey to lease, rather than grant, pipeline rights-of-way on riparian and other State-owned lands and limit the terms of such leases to a finite period of time not to exceed twenty years. Furthermore, New Jersey should consider establishing rate schedules for such leases on a volumetric, rather than linear, basis so that the State would maintain a continuing source of revenue from OCS operations. Such leasing of pipeline rights-of-way for finite periods of time on a volumetric basis would enable New Jersey to maintain some control over pipeline safety while retaining one of the few sources of revenue available to the State from OCS activity.

These recommendations are offered to our colleagues for their consideration in order to help prepare New Jersey for what can be an exciting and profitable experience.

* See Appendix F for a summary of Louisiana procedures for granting pipeline rights-of-way.

APPENDIX ALEGAL HISTORY OF OCS LEASING ISSUES

As the FACT SHEET I have distributed indicates, there are two distinct issues related of offshore operations that have been addressed by the courts and Congress -- the question of jurisdiction as between the states and the Federal government over offshore lands, and the environmental question, one of more recent vintage.

The legal dispute over the respective jurisdictional claims of the coastal states and Federal government over the waters, seabed, and subsoil contiguous to the shores of the states -- and, more to the point, to the mineral rights therein, has a long, interesting, complex, and still somewhat unsettled history.

For most of our nation's history, it had been almost universally assumed that title to lands lying beneath the territorial sea was vested in the states. This assumption derived in large part from an 1845 Supreme Court ruling that the states had an absolute right to all navigable waters and the soil beneath them subject only to the rights surrendered to the Federal government by the Constitution. This view was upheld for the next 100 years or so by various court rulings that all right, title, and interest of the English Crown in lands lying under navigable waters passed not to the United States, but to the people of the several states as sovereigns at the time of the revolution. It rested as well on the Federal government's repeated refusal to issue oil leases for lands under the territorial sea, declaring that title was in the states. Not

incidentally, the doctrine was extended to states admitted to the Union after the revolution on the basis of the "equal footing" provision of the Enabling Act admitting such states. The cases applying the doctrine, however, dealt primarily with property rights in the lands beneath inland waters. The question of title to lands under the territorial sea was never expressly decided, but the language of the cases created the clear impression that the states owned these lands as well.

The question was of relatively little practical significance until the beginning of this century, when oil was discovered off the coast of California. In 1921, California passed an act authorizing the granting of permits to California residents to prospect for oil and gas on blocks of land off its coast under the ocean. On the authority of this statute, and others enacted subsequently, California negotiated and executed numerous leases purportedly authorizing various parties to enter the ocean area to take petroleum, gas, and other mineral deposits in exchange for large sums of money in rents and royalties. Such drilling activity reached significant proportions by the 1930's. In response to pressure from groups interested in federal rather than State control of offshore leasing, the United States, for the first time, began to question the title of the states to offshore oil lands. Attempts to secure legislative abrogation of the state's rights were, however, rejected by Congress in the late 1930's.

Finally, in 1947, the U.S. decided to have the Supreme Court settle the matter in what was to become the landmark case of U.S. v. California. Before getting into the case, I should point out that what was at issue here were property rights within three miles of the shore. Drilling technology had not yet reached the degree of sophistication that would have made production of gas and oil under the waters beyond three miles possible.

California claimed that the three mile belt off its shoreline lay within the original boundaries of the State; that the original 13 colonies acquired from the Crown of England title to all lands within their boundaries under navigable waters, and that, under the "equal footing" doctrine, California could claim title to all such lands. Finally, California pointed to the long-standing Congressional acquiescence in California's asserted ownership.

But the Court held for the United States and against California, and, in so doing, for the first time distinguished between inland and territorial waters, identifying the latter as a purely national creation. It rejected California's claim that the original 13 colonies separately acquired ownership in their territorial waters by virtue of their separation from England, and therefore California could not base its theory of ownership upon the incorporation of such a right under the "equal footing" doctrine. But the Court based its holding

principally on the rationale that the Federal government is burdened with the constitutional responsibilities to protect and secure the borders of the nation against foreign intrusion and to participate in international affairs, commerce and trade, and that the proper discharge these responsibilities required that the Federal government retain paramount rights over offshore lands as an incident of national sovereignty. It also rejected California's claim that by its behavior, the Federal government had effectively turned over the land to the state. While it conceded that the United States had acted as if all rights in the land vested in the states, such conduct could not forfeit these vital rights, especially when these rights were never really of sufficient importance to be of direct concern.

There were two dissents to this opinion, one of which, that of Justice Frankfurter, is important because its reasoning was subsequently to be adopted by other states in their own arguments for similar rights. Justice Frankfurter argued, in effect, that no one doubts that the Federal government has national and international obligations, the discharge of which requires that they retain political sovereignty over these lands. But, he goes on, such political sovereignty is not inconsistent with, is, indeed entirely separable from, property rights. Nowhere does the majority justify granting to the Federal government proprietary rights to the land, nor does it present any evidence that California has in any way interfered with the Federal government's

exercise of its political authority. If, for reasons of national interest, the government were to have to exert its sovereignty it could, of course, do so, just as it could with respect to inland waters or, for that matter, on land. In the meantime, there is no reason why California cannot concurrently exercise its proprietary rights.

Three years later, in companion suits brought by the United States against Louisiana and Texas, the Supreme Court reaffirmed, applied, and extended its holding in California.

The situation giving rise to the litigation in U.S. v. Louisiana was very much like that in California. Claiming rights to its offshore lands, this time 27 miles from its coast into the Gulf of Mexico, Louisiana made leases under her statutes to various parties, who proceeded to take petroleum, gas, and other minerals in exchange for handsome bonuses, rents, and royalties. The United States sued for the rights to all offshore lands, and an accounting of the funds received by Louisiana pursuant to such leases.

Louisiana, in claiming fee simple title to the lands, argued that since her admission to the Union in 1812, she had exercised continuous, undisturbed and unchallenged sovereignty and possession. Conceding federal sovereignty to the extent of government power under the Constitution, she pointed out that Congress had not adopted any law asserting federal authority over the bed of the Gulf.

But the result--and the reasoning--was the same as that in California--that national interests, responsibilities and concerns imply--indeed require--national rights and powers.

The state challenge was even stronger in U.S. v. Texas. Texas' claim to the land off her coast was based on the fact that she had been recognized as an independent and sovereign nation by the United States prior to her admission to the Union. Thus, the same types of rights which the United States as an external sovereign has over the territorial sea had also been possessed by Texas prior to her admittance to the Union. Texas' claim was, therefore, arguably stronger than that of Louisiana.

But it, too, was rejected. The Court concluded that the "equal footing" clause worked both ways--to limit, as well as expand, the rights of a newly-admitted state. Thus, it didn't matter what claim Texas had to submerged lands prior to admission. All such rights were relinquished and passed to the United States upon admittance to the Union.

But these three "tidelands" decisions, clear and consistent as they seemed to be, did not settle the issue. The legislative history of a bill designed to promote the exploration and development of the petroleum deposits in these areas conceded that "the interminable litigation over these areas involving federal and state governments has added nothing but confusion and controversy toward a proper solution of the problem....Since

the Court decision in the cases involving the states of California, Louisiana, and Texas, new development of the vast potentialities located in these lands has been brought almost to a complete standstill, particularly in the Gulf of Mexico." The committee report on the legislation spoke to a crying need to bring to an end, once and for all, the "confusion, chaos, inequalities, and injustices that have resulted from Congress' inaction." The Attorney General testified that "although Texas and Louisiana and their lessees had been enjoined from producing oil and gas from the submerged lands, no department of the federal government now has the authority to manage or lease these lands or drill new wells or produce wells drilled earlier under state authority.

The legislation to which all this was a preface, you no doubt have guessed by now, was the "Submerged Lands Act of 1953." This Act seemingly abrogated the California decision by turning over rights to the coastal states to all the lands underlying "navigable" waters within their boundaries, "boundaries" defined as "the seaward boundaries of a State or its boundaries in the Gulf of Mexico or any of the Great Lakes as they existed at the time such State became a member of the Union, or as heretofore approved by Congress or as extended, but in no event shall the term "boundaries" or the term "lands beneath navigable waters" be interpreted as extending from the coast line more than three geographical miles into the Atlantic Ocean or the Pacific Ocean, or more than three marine leagues into the

Gulf of Mexico." The United States did, however, retain powers of regulation and control of these lands and the navigable waters above them for the purposes of commerce, navigation, national defense, and international affairs. In other words, the act returned to the states proprietary rights to the lands which they had long claimed and over which they had always exercised all the rights and attributes of ownership. Another way of looking at it is that the act decided the California case exactly as California wanted it decided.

In companion legislation, the "Outer Continental Shelf Lands Act," also passed in 1953, the United States claimed all rights to that part of the outer continental shelf not quit-claimed to the states under the "Submerged Lands Act of 1953," and vested the authority over these lands in the Secretary of the Interior.

With title of the states to the submerged lands established, the course of litigation turned to the construction and effect of the terms of the "Submerged Lands Act." Specifically, the limitation to three miles led to disputes over the definition of "coastline," the effect of preadmission Mexican and Spanish land grants which included submerged lands, the interpretation of states' acts of admittance, recognition by the Congress of marine boundaries greater than three miles, and other technical matters.

I'll spare you a detailed rehearsal of all these cases. Suffice it to say that Texas and Florida were, pursuant to decisions in 1960, permitted to claim a belt extending three marine leagues--between 9 and 10 miles--into the Gulf. All other claims of more than 3 geographical miles were ultimately rejected.

There remains but one other case--the most relevant for our purposes--in this line of litigation. In 1969, Maine issued a permit for oil and gas exploration of the outer continental shelf lands off its coast. In response, the United States filed suit against Maine, and joined 12 other states bordering the Atlantic Ocean (including, of course, New Jersey), seeking a declaratory judgment that these states had not rights in outer-continental shelf lands.

Though, of course, similar to the earlier cases in most respects, this was the first case to deal with the offshore rights of a state which had originally been a colony. The states sought to show, through various charters, treaties, and other historical documents, that the English Crown had established a claim of sovereign jurisdiction and ownership over coastal waters which passed to the states either at, or before, the Declaration of Independence. The United States, in addition to arguing that U.S. v. California was controlling, sought to prove that the sovereign rights of the Crown, if any, passed not to the states, but rather to the Continental Congress, and then to the United States.

The Court sided with the United States on this point.

The states also argued that, in passing the "Submerged Lands Act" Congress had repudiated the doctrine enunciated in U.S. v. California. Again, the Court disagreed. It reasoned that the "Submerged Lands Act" was not a repudiation of federal authority over submerged lands but rather an exercise, a demonstration of that authority. If I may rephrase the argument, they said, in effect, "you can't give away what you don't got!"

Though many still argue that the "Submerged Lands Act," together with current national and international commercial practices, demonstrate only that proprietary and political rights can peacefully coexist under different authorities, the Maine decision appeared, finally, to put to an end the long-standing controversy, and clear the way for prompt sale of leases in the outer-continental shelf, and the subsequent production of oil and gas therefrom.

Not quite.

By the time of the Maine decision in March 7, 1975, the Federal government had already laid plans to lease tracts in the OCS region, including tracts off the New Jersey coast. I've included in your materials a chronology of the leasing program, so I won't review it now.

Suffice it to say that the leases were sold in August of 1976 in New York over the institution of a challenge by the

Natural Resources Defense Council and Suffolk County, New York.

The policy objectives and administration of the "Outer Continental Shelf Lands Act" were refined by the subsequent passage of a number of Federal acts, among which was the National Environmental Policy Act (NEPA) in 1969. NEPA required, among other things, that an environmental impact statement be prepared pursuant to the leasing of such tracts, and that any decision on such leases take into account the results of that statement. The basis of the challenge was that NEPA had, in fact, been violated by the Secretary of the Interior.

In February of 1977, United States District Court Judge Weinstein held for plaintiffs and voided Lease Sale # 40. Specifically, the Court found that the Secretary 1) ignored the practical effects of local governmental licensing, permitting and review powers in the NEPA documents; 2) failed to consider the environmental impact of specific probable pipeline routes from the outer continental shelf, in spite of the fact that projection of such routes is routinely made by industry and could have been made by the Secretary or his agents; 3) greatly overstated peak oil and gas production for Sale 40 and significantly understated the cost of such production, including pipeline construction; this resulted in a serious lack of consideration of the likelihood and attendant dangers of increased tanker traffic and

an overestimate of the net value of the entire project;
4) failed to consider the possible impact of particular tract-selection choices on the feasibility and sites of pipelines; there was no consideration of the alternatives of either excluding industry-preferred tracts, or including less highly desired tracts in the final sale offer because of related onshore impacts and developments; and 5) failed to consider the alternative of separating exploration from production leasing. Adequate consideration of these factors might have led to modifications in the Sale 40 leasing program, resulting in greater environmental protection without impairing reasonable exploitation of offshore hydrocarbon resources.

Each of the inadequacies constitutes a violation of both the letter and spirit of NEPA and requires rescission of the Secretary's leasing decision.

But in August, 1977, the United States Court of Appeals reversed Judge Weinstein's decision with respect to Lease Sale # 40, thus validating the original sale.

The oil companies, however, waited to see whether this last decision would be appealed before committing themselves to the institution of drilling operations.

Just a couple of months ago, in February, the United States Supreme Court refused to hear an appeal on the case thus removing the last hurdle to drilling operations off our coast.

I. FEDERAL-STATE JURISDICTIONAL DISPUTE

1. The "Tidelands" Cases

a. U.S. v. California, 332 U.S.19(1947)

Court held that the U.S. owned all rights to lands lying beneath navigable waters off California coast.

b. U.S. v. Louisiana, 339 U.S.699(1950)

Court held that U.S. owned all rights to lands lying beneath navigable waters to a distance of 27 miles into the Gulf off Louisiana coast.

c. U.S. v. Texas, 339 U.S.707(1950)

Court ruled the U.S. owned all rights to lands lying beneath navigable waters of the Gulf notwithstanding Texas' status as an independent and sovereign nation prior to admittance to Union.

2. Federal Statutory Enactments

a. "The Submerged Lands Act of 1953," 43 USC §§ 1301-15

Ceded to coastal States proprietary rights to lands beneath navigable waters to a maximum distance of 3 geographical miles into the oceans, or 3 marine leagues into the Gulf.

b. "The Outer Continental Shelf Lands Act," 43 USC §§ 1331-43

Claimed all rights to lands beneath navigable waters not ceded to States by the "Submerged Lands Act," and vested authority therefor in the Secretary of Interior.

3. The Atlantic Coastal States Challenge

a. U.S. v. Maine, 420 U.S.515(1975)

Court held that U.S. owned all rights to lands in Outer Continental Shelf (beyond 3 mile limit) notwithstanding States claim to sovereignty prior to Formation of Union.

II. THE ENVIRONMENTAL CHALLENGE

Chronology

- 1955 et seq. - First published reports by geologists classifying submerged Outer Continental Shelf (OCS) lands of the Mid-Atlantic as a potential source of oil and natural gas.
- October, 1973 - Imposition of Oil Embargo by the Organisation of Petroleum Exporting Countries.
- December, 1973- Nixon Administration announces that accelerated leasing and development of the Mid-Atlantic OCS is a high priority item in the Administration's plan for lessening U.S. dependence on foreign sources of oil. As first announced, accelerated OCS development plan called for leasing a total of 10 million acres in a single year, an amount equal to the total that had been leased during the previous 21 years.
- February, 1974 - Studies by U.S. Geological Survey estimate that as much as one-third of the U.S. oil reserves for the future were most likely to be discovered in the OCS regions. In the Mid-Atlantic, estimates are that oil production could be as much as 7 percent of the 1973 national production level, and gas production could be as much as 8 percent of the 1975 production level.

March, 1975 - United States Supreme Court rules in U.S. v. Maine that federal government possesses sole and exclusive jurisdiction in the OCS region extending from 3 miles offshore (except for Texas and Florida, where the jurisdiction of the states are 3 marine leagues, approximately 10 miles) to the furthest point of federal jurisdiction (200 miles offshore). The significance of this case is that no federal program to lease and develop the OCS lands would have been possible without it. Contrary to the claims of the states bordering the Atlantic Ocean that they were vested with title to the OCS lands "by descent" from the "British Crown," the Supreme Court ruled that the United States, as a nation, acquired title to all this property following the rebellion and the establishment of American independence.

March, 1975 - Immediately following the U.S. v. Maine decision (March 17), the Bureau of Land Management, Department of the Interior, which acts as the Department's agent in lease sales, called (on March 25) for nominations by the oil industry of tracts in the Mid-Atlantic it would like to have offered for leases. Oil companies designated 557 tracts covering 3.1 million acres of the Outer Continental Shelf. This acreage represented about half of the Baltimore Canyon Trough area which

runs parallel to the Atlantic Coast for approximately 150 miles between New York and the North Coast of Virginia.

August, 1975 -

The Bureau of Land Management selected 154 tracts covering 876,750 acres from among those nominated by the oil companies. A sale of these leases was tentatively scheduled for May, 1976. Some of the 557 tracts nominated by the oil companies were eliminated because of concerns among commercial fishermen that oil operations would interfere with their activities. In other cases the BLM gave no reasons for withdrawing nominated tracts from the lease sale.

September, 1975
through
March, 1976

Department of Interior prepares, distributes and conducts series of public hearings on DRAFT ENVIRONMENTAL IMPACT STATEMENT on proposed Lease Sale # 40 (Mid-Atlantic).

May, 1976

Distribution by Department of Interior of FINAL ENVIRONMENTAL IMPACT STATEMENT on proposed Lease Sale #40 (Mid-Atlantic).

June, 1976

Secretary of the Interior, Thomas Kleppe announces a "final decision" to hold the Mid-Atlantic Lease Sale #40 in August.

August, 1976

On August 17, Lease Sale #40 held in New York City. This sale was held despite the institution of a legal challenge thereto by the Natural Resources Defense Council, Nassau County, New York, and

- February, 1977 United States District Court Judge Weinstein voids Lease Sale #40 on the grounds that it violated the provisions of the federal "National Environmental Policy Act," specifically with respect to serious deficiencies in the "Environmental Impact Statement" process.
- May, 1977 Department of Interior delays second Mid-Atlantic Lease Sale originally scheduled for June, pending results of litigation challenging Lease Sale #40.
- August, 1977 United States Court of Appeals reverses District Court decision with respect to Lease Sale #40. This latest judicial action effectively validates original sale.
- February, 1978 United States Supreme Court refuses to hear appeal of United States Court of Appeals reversal of Judge Weinstein's decision.

EXISTING LAND USE AND POLLUTION CONTROLS

AFFECTING THE SITING OF OCS RELATED FACILITIES

I. MUNICIPAL ZONING POWER

- A. Article IV, Section VI, paragraph 2 of the New Jersey Constitution
- B. Municipal Land Use Law
- C. Zoning, subdivision, and site plan review ordinances
- D. Not superseded by other permits or approval requirements

II. COUNTY AUTHORITY

- A. County planning board approval required for:
 - 1. subdivisions having an impact on county roads
 - 2. site plans for projects on county roads
- B. County authority minimal re OCS facilities

III. REGIONAL LAND USE CONTROL AUTHORITY

A. Delaware and Raritan Canal Commission

This commission has approval power over all projects within an administratively determined review zone adjacent to the State park following the approval of such project by the appropriate municipality.

B. Delaware River Basin Commission

This interstate commission has approval power over all projects adjoining the Delaware River and Bay which will affect water resources.

C. Hackensack Meadowlands Development Commission

This commission has approval power over projects in portions of 14 municipalities in Bergen and Hudson counties.

D. Pinelands Environmental Council

This regional planning council is basically advisory in nature; it can, however, delay a project up to 90 days for purposes of review and recommend compliance with the council-prepared master plan for the pinelands region.

IV. STATE LAND USE CONTROLS

A. Department of Environmental Protection

1. Riparian grant or lease

Approval of Natural Resource Council required for conveyance of State interest in lands seaward of the mean high tide level. Recent AG opinion raises legal question as to whether the Council has jurisdiction past the pierhead line to the three mile limit.

2. CAFRA permit

Required for the construction of major facilities in a statutorily designated coastal zone. Major facilities include petroleum refineries; storage, handling, and transfer facilities for crude oil, gas and finished petroleum products; petroleum and natural gas pipelines; marine terminal and cargo handling facilities; and many other facilities related to OCS activities. CAFRA permits are not required for areas subject to wetlands regulations.

3. Wetlands permit

Required for certain regulated activities in an estuarine zone which has been mapped by the department pursuant to statutory guidelines and authority. These activities include most excavation and construction activities which would be associated with

4. Flood plain regulations

Prohibit the erection of structures and the storage of petroleum products within floodways mapped by the department pursuant to statutory authority.

At present, some 644 out of an estimated 6,500 linear miles of floodways have been delineated by the department to date; total delineation is expected to reach 2,400 linear miles when studies currently underway are completed within the next two years.

The department is statutorily authorized to waive strict compliance with the regulations, where necessary to alleviate hardship. Flood plain regulations do not apply to lands subject to wetlands regulation.

5. Stream encroachment permit

Required for the erection or alteration of structures within the natural high-water mark of any stream.

B. Department of Energy

1. The department has coextensive jurisdiction with all other State agencies concerning the granting of any permit for the construction or location of any energy facility.
2. Any conflict between the department and such other State agency will be resolved by an Energy Facility Review Board.

C. Department of Agriculture/Soil Conservation Districts

Approval of the district is required for any project requiring municipal approval which disturbs more than 5,000 square feet.

V. STATE POLLUTION CONTROLS

A. Air pollution permits

Each individual source of air pollutants associated with a proposed facility, or with any addition to an existing facility, requires an air pollution control construction permit. Permit applicants must demonstrate that the facility will meet the existing emissions standards for the different categories of pollutants and that the facility will not cause the region or State to exceed ambient air quality standards for any particular pollutant. Since New Jersey now exceeds such ambient air quality standards for oxidants, any new sources of hydrocarbon emissions must, pursuant to recent amendments to the Federal Clean Air Act, work with the department to offset new sources of hydrocarbons by decreasing existing sources. Applicants may do this by revamping their own sources, or by arranging for a reduction of another source. The department is now considering several options, especially the commencement of Phase III of the auto emission control program, in an attempt to "buy" room for new hydrocarbon sources.

B. Water pollution permits

The discharge of any pollutant into any of the waters of this State requires a New Jersey Pollutant Discharge Elimination System (NJPDDES) permit. This permit will include effluent limitations for individual pollutants as well as schedules for compliance with gradually more stringent limits necessary to meet water quality standards, and is issued for a period of up to five years, at which time a new permit must be obtained.

THE NEW JERSEY SPILL COMPENSATION AND CONTROL ACT (P.L.1976,c.141)SUMMARY OF PROVISIONS1. Discharge of hazardous substances prohibited

- a. Hazardous substances designated by rules and regulations promulgated by DEP, include substances on the EPA 311 list, pesticides and petroleum products.
- b. Sewage and sewage sludge will not be considered as hazardous substances.

2. Information to be supplied to DEP by owner or operator of major facility

- a. Capacity of facility for storage.
- b. Average daily throughput.
- c. Cleanup and removal plans detailing containment and removable equipment and personnel available and when.
- d. Any contractual agreements with a cleanup organization.
- e. Type and amount of hazardous substances handled by the facility.
- f. Evidence of insurance.

3. Immediate notification of discharge of hazardous substance required

Failure subjects discharger to penalty of up to \$25,000.00.

4. Spill response.

DEP is responsible for cleanup and removal, but may allow or require discharger to take such actions.

5. Liability of Fund

The NJ Spill Compensation Fund will be absolutely liable for all cleanup and removal costs and for all direct and indirect damages including:

- a. The costs of restoring, repairing or replacing real or personal property, (including the loss of income from such property or a diminution in its value) which is damaged or destroyed by a discharge.
- b. The cost of restoration or replacement of natural resources damaged or destroyed by a discharge.
- c. Loss of income or impairment of earning capacity due to damage to real or personal property or natural resources

as a result of a discharge, as long as such loss or impairment exceeds 10% of proven income derived from activities related to the property or resource.

- d. Loss of tax revenues by State or local governments for up to 1 year.
- e. Interest on loans or other obligations incurred to ameliorate discharge damages.

6. Liability of dischargers

- a. Absolute discharger liability for cleanup and removal costs.
- b. Maximum limits of discharger liability for damages:
 - (1) Up to \$50 million for each major facility.
 - (2) Up to \$150,000 per gross ton for each vessel.
 - (3) Maximum limits do not apply in cases of gross negligence, willful misconduct or gross or willful violations of safety, construction or operating standards.

7. Defenses of dischargers

- a. Acts of war.
- b. Sabotage.
- c. Governmental negligence.
- d. Acts of third parties.
- e. Any combination of the above.

8. Taxation of hazardous substances

a. Rate of tax

\$.01 per barrel of hazardous substance transferred, paid upon first transfer into state by transferee.

b. Duration of tax

- (1) Until fund reaches \$25 million, thereafter when fund is less than \$20 million or when pending claims exceed 50% of the existing balance of the fund unless,
- (2) Should claims paid from the fund in the first 3 years not exceed \$5 million, then until fund reaches \$18 million or when pending claims exceed 50% of the existing balance of the fund.

c. Emergency tax

If a major discharge or discharges result in claims in excess of the fund, the tax may be set at up to \$.04 per barrel until the balance in the fund equals pending claims.

- d. Tax paid via monthly return; taxation aspects administered by Division of Taxation.

9. Administration of fund

- a. State treasurer will appoint an administrator of the fund.
- b. Moneys in the fund may be used for:
- (1) DEP cleanup and removal costs.
 - (2) Damages.
 - (3) Administrative expenses.
 - (4) Interest may be appropriated for research on the prevention and effects of spills and on research and demonstration programs on the causes and abatement of ocean pollution.

10. Settlement of Claims

- a. Claims must be filed with the administrator within 1 year of the discovery of damage and within 6 years of the discharge which caused the damage.
- b. Administrator will attempt settlement between claimant and discharger (if known) or between claimant and fund, if discharger is unknown.
- c. The administrator may convene a board of arbitration (one arbitrator or three) to settle disputed claims. Determinations made by the board will be final, and payments will be made as a result thereof.
- d. Pro-rata payments of claims may be made when awards exceed the balance of the fund.

11. Subrogation of claims

The administrator will seek to collect amounts of awards paid by the fund from the discharge, subject to the allowable defenses and liability limitations.

12. Rules and Regulations authorized

- a. By DEP:
Designations of hazardous substances, standards for the

availability of preventative cleanup and removal procedures, personnel and equipment at major facilities as well as standards for cleanup and removal plans where not already required by existing federal laws or regulations.

- b. By the State Treasurer:
Re the investment of moneys in the fund and the administration of the fund, including settlement of claims.
- c. By the Director of the Division of Taxation:
Re the taxation aspects of this law.

13. Penalties

- a. Up to \$25,000.00, plus a misdemeanor charge, for fraud in making, or responding to, a claim.
- b. Up to \$25,000.00 for otherwise violating this law or rules or regulations promulgated hereunder.
- c. Penalties revert to fund, collected pursuant to "Penalty Enforcement Law."

14. Collateral Compensation

Remedies in this act are in addition to existing statutory or common law remedies, but fund will not compensate cleanup or damage costs already compensated pursuant to any other State or Federal law.

15. Annual Report

Commissioner of DEP and the administrator are required to present an annual report to the Legislature concerning the administration of this act.

16. Commissioner of DEP to recommend revisions to this act in the event of Federal spill compensation legislation

No express "self-destruct" in the event of such federal legislation was included.

17. Effective Date -- April 1, 1977.

APPENDIX D

COMMENTS ON HR 1614 AND OTHER FEDERAL LEGISLATION

After three years of extensive debate and discussion, the federal government is about to significantly revise the Outer Continental Shelf Lands Act for the first time in its 25 year existence. This Wednesday, HR 1614 and S 9, the companion Senate bill, will be taken up in conference committee.

The bill is designed to expedite OCS development by minimizing existing opposition to offshore development on the part of State and local governments, by reducing the possibility of frivolous lawsuits, by eliminating bureaucratic conflicts, and by insuring proper financial relief to fishermen and those affected by oilspills.

The most controversial aspect of the bill is a complete revision of the bidding and lease provisions for the exploitation of OCS tracts. The current system for awarding leases is known as the cash bonus bidding system. It was used in Lease Sale Number 40. The act, however, requires the use of several new experimental bidding and lease systems in a large portion of future sales. The general objective of this is to encourage competition within the oil industry. As Glen Paulsen indicated this morning, the Department of Environmental Protection and the Administration have supported this objective. Subsidiary objectives are to increase government revenues and to reduce the amount of front end money the oil companies must put up on a very speculative basis. Nevertheless, the oil companies are opposed to such a substantial change in policy. They also oppose another controversial provision, which authorizes the federal government to sink exploratory wells prior to making lease sales.

New Jersey should benefit significantly from a provision which increases federal aid to the States from \$50,000,000.00 to

effects of offshore operations. This provision, in the form of an amendment to the Coastal Zone Management Act Amendments of 1976, is not contained in the Senate bill.

The money may be used to cover the upgrading and establishment of schools, roads, hospitals and other public facilities and services to accommodate the population increase that accompanies offshore oil and gas production. Congressmen Hughes and Forsythe are House Members of the Conference Committee now considering the respective bills.

The House bill, but not the Senate bill, also amends the allocation formula for OCS grants. The proposed formula is based 50% on OCS acreage leased adjacent to each State and we now have acreage leased adjacent to New Jersey,, 25% on annual production of OCS oil and gas first landed in the State. The existing formula contains a 33 1/3% share for new OCS employment in the adjacent State with the other three shares reduced to one-third, one-sixth and one-sixth respectively. The House bill also contains a 2% minimum of federal aid for each State and a 30% maximum for any State.

Both the existing formula and the formula contained in HR 1614 depend on a definition of the OCS waters "adjacent to the State." A portion of the money earmarked for New Jersey under this program has been impounded pending a delineation of the respective boundaries. There are significant differences in the claims made between New Jersey on the one hand and Delaware and New York on the other. For purposes of negotiating, New Jersey is actually claiming a maritime boundary with Maryland in the South.

Both OCS bills enable Governors and local officials in the affected States to make recommendations to the Department of the Interior on the size, timing, and location of proposed lease sales and on the development and production plans proposed by the leasees. The Interior Department would have to accept these recommendations, provided that they strike a "reasonable balance" between State and local interests and the national interest. The Interior Department would have to consult the Governor and explain its activities in writing before it could reject the States recommendations.

An interesting aspect of the bill defines "Governor" to include any entity designated by the Legislature to exercise the Governor's powers under the act. The Legislature, therefore, could choose to designate itself or a State department to exercise those powers under this act.

The House bill will preempt the States on the establishment of an oil spill liability fund and on the enforcement of State liability requirements. The Senate bill will not preempt the States on oil spill control measures. The House bill will authorize the States to levy fees to acquire cleanup equipment. The federal fund will then pay the cost of using this equipment. Under the House bill the hazardous substances portion of our current "Spill Compensation and Control Act" would not be affected.

The oil spill control portions of the act contain many provisions similar to New Jersey's act. The fund is created by a 3¢ per barrel charge on oil obtained from the Outer Continental Shelf. The fund can increase to not more than \$200,000,000.00 through the per barrel charge. In the case of an emergency, the

fund may also issue up to \$500,000,000.00 in notes to obtain working capital to cover clean up costs and costs for damages. Liability for the owner or operator of a facility shall not exceed \$35,000,000.00 and for the owner or operator of a vessel shall not exceed \$150.00 per gross registered ton, both without regard to fault, as is the case in New Jersey.

The OCS Conference Committee is unlikely, however, to make the key decisions on federal oil spill legislation, however. S 2083, now being considered in the Senate, and HR 6103, which has passed the House of Representatives are comprehensive oilspill control bills. The provisions of HR 6103 are, however, similar to those described previously, ^{ex}~~ac~~cept that they apply to any petroleum products, rather than petroleum products obtained in the Outer Continental Shelf.

In response to concern with damages to the fishing industry, such as Senator Parker's, the federal act also establishes a fisherman's gear compensation fund.

On behalf of my colleagues, thank you for your interest and attention.

APPENDIX EENERGY FACILITY SITING: ALTERNATE SITING STRATEGIES

ENERGY FACILITY SITING HAS BECOME AN INCREASINGLY IMPORTANT SUBJECT FOR STATE LEGISLATION OVER THE PAST DECADE. AS A KEY ELEMENT OF THE LAND USE PLANNING PROCESS, ENERGY FACILITY SITING ACTIVITIES HAVE BECOME A MEANS TO AN END. MANY STATES HAVE NOW COME TO REALIZE THAT THE LOCATION OF ENERGY FACILITIES MAY WELL DETERMINE WHERE PEOPLE LIVE, THE SITE OF RECREATIONAL FACILITIES AND INDUSTRIAL COMPLEXES, AS WELL AS THE TRADE-OFFS INVOLVED WHEN LAND IS COMMITTED TO A SPECIFIC PURPOSE FOR MANY YEARS.

WHO SHOULD DECIDE THE ISSUES INVOLVED IN THE SELECTION OF WILDERNESS PRESERVATION AREAS, MANAGEMENT OF THE COASTAL ZONE, LOCATIONS FOR ENERGY PARKS AND FACILITIES AND SIMILAR DECISIONS WITH MONUMENTAL IMPACT ON THE ENVIRONMENT AND THE FUTURE QUALITY OF LIFE IN NEW JERSEY? MANY LEGISLATIVE BATTLES HAVE BEEN FOUGHT AND WILL CONTINUE TO BE WAGED ON THESE AND RELATED ISSUES--SOME HAVE ALREADY BEEN RESOLVED, OTHERS STILL REMAIN BEFORE US--ISSUES REVOLVING AROUND THE CENTRAL QUESTION OF WHO SHOULD BE THE DECISION-MAKER ON THE STATE LEVEL WITH RESPECT TO ENERGY FACILITY SITING AND ITS COROLLARY ENVIRONMENTAL, ECONOMIC AND RECREATIONAL IMPACTS. THE FOLLOWING DISCUSSION OF HOW SEVERAL OF OUR SISTER STATES HAVE HANDLED THESE MATTERS MAY WELL PROVE INSTRUCTIVE IN THIS REGARD.

STATE PLANNING IS AN IMPORTANT CONCERN IN ALL OF OUR FIFTY STATES. WHETHER PLANNING AND ZONING LAWS OR ORDINANCES ARE

IMPLEMENTED AT THE STATE OR LOCAL LEVEL, ENERGY FACILITY SITING IS A SIGNIFICANT KEY TO THE LIFE, OVERALL GROWTH AND PROSPERITY OF ANY COMMUNITY. FOR THE PURPOSES OF ILLUSTRATION, THEN, I HAVE SELECTED FIVE STATES: CONNECTICUT, MAINE, NEW YORK, CALIFORNIA AND OREGON, ALL OF WHOM HAVE SITING LAWS OF VARIABLE QUALITY AND COMPLEXITY, WHOSE EXPERIENCE MAY CAST SOME LIGHT UPON THE EFFICACY OF ANY GIVEN ALTERNATIVE SITING STRATEGY FOR NEW JERSEY'S FUTURE NEEDS AND PURPOSES.

NEW ENGLAND

TWO MAJOR CHARACTERISTICS OF THE NEW ENGLAND REGION STRONGLY INFLUENCE ENERGY POLICY ISSUES. FIRST, THE AREA'S INDUSTRIAL, UTILITY AND RESIDENTIAL SECTORS RELY UPON PETROLEUM PRODUCTS FOR MORE THAN 80 PERCENT OF THEIR TOTAL ENERGY REQUIREMENTS. ALL OF THESE PRODUCTS MUST BE IMPORTED, PLACING THE REGION IN AN ENERGY-DEPENDENT POSITION. IN ADDITION TO LACKING ITS OWN SOURCES OF OIL, NEW ENGLAND HAS NO REFINERIES NOR DEEPWATER PORTS. MUCH OF THIS HEAVY DEPENDENCE ON OIL, GREATER IN THIS REGION THAN ANYWHERE ELSE IN THE COUNTRY, IS RELATED TO ITS LOCATION AT THE VERY END OF THE FUEL DISTRIBUTION LINES AND TO THE FACT THAT, ALTHOUGH GAS PIPELINES WERE CONSTRUCTED IN MANY OTHER PARTS OF THE COUNTRY, THEY ARE STILL LACKING IN NEW ENGLAND. THE EFFECT OF THESE CIRCUMSTANCES HAS BEEN THAT OTHER REGIONS HAVE HAD THE ADVANTAGE OF INEXPENSIVE FUEL, PLACING NEW ENGLAND'S INDUSTRIES AT A

COMPETITIVE DISADVANTAGE. THE REGION'S SECOND MAJOR CHARACTERISTIC RELATES TO ITS NATURAL RESOURCE AMENITIES, WHICH MAKE IT A HIGHLY DESIRABLE PLACE TO LIVE AND WORK. THIS FAVORABLE ENVIRONMENTAL QUALITY HAS CREATED STRONG SENTIMENT IN BOTH PUBLIC AND PRIVATE SECTORS TO PROTECT THE REGION'S NATURAL RESOURCES FROM THE POTENTIAL IMPACTS OF PROPOSED NEW ENERGY FACILITIES.

IN RECENT YEARS, PARTICULARLY IN 1975, CONNECTICUT'S LEGISLATURE HAS BEEN VERY ACTIVE IN ENACTING LEGISLATION BEARING ON ENERGY FACILITY SITING. ALTHOUGH CONNECTICUT'S ENERGY LAWS ARE COMPREHENSIVE AND APPEAR GENERALLY TO OFFER GOOD COVERAGE, NO CENTRALIZED PERMIT AUTHORITY EXISTS FOR OIL REFINERIES OF DEEPWATER PORTS. SUCH APPROVALS MUST BE TIED TO THE NUMEROUS REGULATORY PROCEDURES FOR ISSUING AIR AND WATER POLLUTION CONTROL PERMITS THROUGH THE STATE'S DEPARTMENT OF ENVIRONMENTAL PROTECTION. HENCE, CONNECTICUT DOES NOT HAVE THE HIGHLY REGARDED "ONE-STOP" PROVISION WHICH INFORMED OPINION HAS CONTENDED IS FUNDAMENTALLY NECESSARY TO RATIONAL ENERGY FACILITY SITE PLANNING. THE POWER FACILITY EVALUATION COUNCIL (PFEC), CREATED IN 1971, HAS THE LEAD COORDINATIVE AND REGULATORY ROLE FOR ISSUING CERTIFICATES OF ENVIRONMENTAL COMPATIBILITY AND PUBLIC NEED FOR POWER PLANTS AND RELATED FACILITIES, AND FOR OIL AND GAS PIPELINES. MEMBERSHIP IN THE PFEC CONSISTS OF THE COMMISSIONER OF ENVIRONMENTAL PROTECTION, CHAIRMAN OF THE PUBLIC UTILITIES CONTROL AUTHORITY (PUCA), TWO LEGISLATORS, ONE FROM EACH HOUSE, PLUS FIVE

CITIZENS APPOINTED BY THE GOVERNOR. UTILITIES MUST SUBMIT 10-YEAR ENERGY USE FORECASTS, UPDATED ANNUALLY. BEFORE REACHING ITS DECISIONS ON APPLICATIONS FOR CERTIFICATES, PFEC MUST CONSULT WITH THE DEPARTMENTS OF ENVIRONMENTAL PROTECTION AND HEALTH, AND WITH THE STATE'S COUNCIL ON ENVIRONMENTAL QUALITY. THIS IS TO ASSURE THAT THE PROPOSED FACILITY COMPLIES WITH OTHER PERMIT REQUIREMENTS UNDER STATE AND FEDERAL LAW. HOWEVER, IF ANY CONFLICT EXISTS WITH OTHER STATE STATUTES, THIS SITING ACT IS TO TAKE PRECEDENCE. IN THIS RESPECT, THEN, CONNECTICUT MAY BE CONSIDERED TO HAVE A MODIFIED "ONE-STOP" PROVISION SITING LAW.

THE CONNECTICUT PUCA OPERATES IN CONJUNCTION WITH PFEC RELATIVE TO APPROVAL OF POWER PLANT CONSTRUCTION. PFEC, HOWEVER, HOLDS FINAL AUTHORITY PERTAINING TO LOCATION OF FACILITIES, AND HAS OVERRIDE POWERS OVER THE DECISIONS OF ALL OTHER STATE AGENCIES. PFEC CAN AUTHORIZE EMINENT DOMAIN PROCEEDINGS FOR SITE ACQUISITION, THEREBY OVERRIDING LOCAL AUTHORITY CONCERNING POWER PLANTS AND PIPELINES (THOUGH NOT FOR REFINERIES).

PFEC WORKS IN CONCERT WITH THE DEPARTMENT OF PLANNING AND ENERGY POLICY CREATED IN 1975 TO DEVELOP AND IMPLEMENT A STATE-WIDE ENERGY PLAN.

IN SUM, THEN CONNECTICUT IS NOW ACTIVELY INVOLVED IN DEVELOPMENT OF AN ENERGY RESOURCES MANAGEMENT PLAN WHICH COULD RESULT IN STATE INITIATIVES IN ENERGY FACILITY SITING, RATHER THAN THE CURRENT REACTIVE POSTURE WHICH IT SHARES WITH MOST OTHER STATE GOVERNMENTS ACROSS THE COUNTRY.

FACT SHEET - ALTERNATE SITING STRATEGIES

Connecticut:

Power Facility Evaluation Council (PFEC): (Lead Agency)

- issues siting certificates for Power Plants,
Related Facilities and Oil and Gas Pipelines

Public Utilities Control Authority (PUCA):

Department of Environmental Protection:

- issues various air and water pollution control
permits, affects siting decisions thereby...Hence,
not true one-stop

Comments: No centralized permit authority exists
for oil refineries or deepwater ports

Maine:

Board of Environmental Protection (BEP): (Lead Agency)

- issues siting certificates for Power Plants, Oil
Refineries, Oil Wells, Deepwater Ports, Transmission
Lines, and Pipelines

Exception: Under state's Public Utilities Law, electric
companies must also obtain certificate from Public
Utilities Commission (PUC) for construction of
power plants in excess of 1,000 megawatts or
transmission lines over 125 kilovolts

Comments: Maine's siting law reactive mechanism,
leaving siting initiatives to the utilities, rather
than state government; siting law does include
consideration of alternative sites, as does New
York's for example

New York: Public Service Commission (PSC): (Lead Agency)

Exception: Siting certificate is issued by Board on Electric Generation Siting and the Environment, a five member panel including Chairman of PSC (Board Chairman), Commissioners of Environmental Conservation (DEC), Commerce, Health, one appointee of Governor who is also resident of area under siting consideration

Comments: New York has been criticized for not consolidating proceedings for approval of power plants and transmission facilities -- response: need time to see how system works... as of January 1977 no siting request has reached Board stage....7 applications since 1973, 3 for nuclear alone...

- Certificate, then, issued by Board, pertains to Power Plants only

- Utilities must detail alternate sites in proposal

Comments: Critics claim the act's one-stop mechanism, if you choose to call it that, does not work...actually inhibits siting decisions...the public participation provisions encourages raising of emotional, rather than factual, technical issues -- such as federal energy intervention procedures

- Other Energy Matters: New York has no specific siting provisions for other facilities, such as refineries, gas separation plants or tank farms...this gap may well prove crucial, in light of OCS development... gas pipeline are covered, however.

- Repeat Criticism: New York's siting law does not unite the certification of electric generating facilities and transmission line under the same regulatory mechanism...No Provision for Site Banking...Hence, considered a one-stop siting law, but reality suggests otherwise

California: Public Utilities Commission (PUC)...Formally issued siting certificates...
1975 law -- State Energy Resources and Development Commission (ERCDC) (Lead Agency)... exclusive power to certify energy sites, except for coastal zone sites...in such cases, approval must come from Coastal Zone Conservation Commission

- Utilities must propose at least three alternate sites with application

Comments: Fairly detailed and methodical application and hearing process, all deadlines speci-

fied...Some would argue that siting decisions here are not one-stop, since coastal siting permits also required

- Oregon:
- Oregon Nuclear and Thermal Energy Council, 1971 act, (Lead Agency)...
 - one-stop procedure for review of power plant sites with extensive coordination, as opposed to coextensive authority, of all relevant State agencies
 - Energy Council consists of all health, environment, energy and PUC cabinet heads, several scientists and citizen member
 - fairly comprehensive hearing and application process...
 - adequate public participation provisions, without the emotional "shouting match" atmosphere made conducive by New York's siting law

- Summary:
- Points to Remember:
- I. ALL Five States claim to have a one-stop mechanism...However, only Oregon, and perhaps Maine, have realistic one-stop provisions;
 - II. ALL five are coastal states, with attendant problems...some are more environmentally conscious, some say overly conscious, at the expense of rational energy facility site planning and development...

more to do with history and local conditions than any aesthetic concern for environment over energy concerns

III. Despite problems, all five states are apparently "better off" with some variant of comprehensive energy facility siting legislation than beforehand

SUMMARY

BY WAY OF SUMMARY, IT IS IMPORTANT TO KEEP IN MIND, IN GENERAL TERMS, THE VARIOUS CONCEPTUAL FEATURES WHICH THESE FIVE STATES HAVE BROUGHT TO THEIR RESPECTIVE ENERGY FACILITY SITING STRATEGIES:

---AN ANALYSIS AND INCLUSION OF ALTERNATIVE SITES IN THE SITE PROPOSAL SUBMITTED BY DEVELOPERS: ALSO, THE AGENCY'S OWN INVENTORY OF ALTERNATIVE SITES

---ORDERLY AND TIMELY PROCEDURES FOR MAKING SITING DECISIONS, INCLUDING LONG_RANGE PLANNING, A CLEARLY SPECIFIED SCHEDULE OF HEARINGS, PLAN SUBMISSIONS, AND DEADLINES WITH RESPECT TO PERMIT APPLICATIONS

---IMPLEMENTATION OF A ONE-STOP PROCEDURE FOR THE REVIEW OF ENERGY AND ENERGY RELATED FACILITY SITES WITH EXTENSIVE COORDINATION OF ALL RELEVANT STATE AGENCIES, AS WELL AS ALL FEDERAL, STATE AND LOCAL PERMIT REQUIREMENTS AND ENVIRONMENTAL STANDARDS, THROUGH A CENTRALIZED "LEAD AGENCY" WITH EXCLUSIVE AND OVERRIDING SITING POWER

___ COMPREHENSIVE ENERGY LAWS AND ENERGY PLANS WHICH DESIGNATE EARLY IN THE SITING DECISION PROCESS WHICH AREAS ARE SUITABLE OR UNSUITABLE FOR USE AS SITES FOR PARTICULAR ENERGY AND ENERGY RELATED FACILITIES.

---LAST, BUT NOT LEAST, REGULARIZED AND FREQUENT OPPORTUNITY FOR PUBLIC PARTICIPATION, AND OPPORTUNITY FOR ALL INTERESTED PARTIES TO HAVE INPUT INTO THE DECISION-MAKING PROCESS, NOT ONLY FOR SITING DECISIONS, BUT ALSO FOR THE LONG_TERM PLANS SUBMITTED BY DEVELOPERS AND OTHER STATE AND LOCAL ENERGY PLANNERS.

-The End -

APPENDIX F

State of Louisiana

GRANTING OF PIPELINE RIGHTS-OF-WAY

to

CORPORATIONS

or

INDIVIDUALS

(As defined in R.S. 41:1173-1174
and provided for by R.S. 36:1 et seq.)

July 20, 1977

DEPARTMENT OF NATURAL RESOURCES

**P. O. Box 44124, CAPITOL STATION
BATON ROUGE, LOUISIANA 70804**

§1173. Granting of rights-of-way to corporations or individuals.

The Governor and the Secretary of the Department of Natural Resources may grant rights-of-way across and through any public lands belonging to the State of Louisiana—to any individual or corporation doing business in this State—provided that adequate consideration is paid the state by the Grantee of the right.

(Source: Acts 1916, No. 215 §1.)

§1174. Disputed title; deposit of consideration in escrow.

Should the Governor and the Secretary of the Department of Natural Resources grant rights-of-way across and through any public lands, the title to which is in dispute, they may provide that the consideration to be paid the State by the Grantee of the right shall be deposited in escrow with the Secretary of the Department of Natural Resources, to be held by that officer pending the final determination of the validity of the title to the land or until the Governor and the Secretary of the Department of Natural Resources and the Grantee otherwise agree the payment should be made or released as provided for in the agreement. Added Acts 1964, No. 29 §1.

♦ ♦ ♦ ♦ ♦

The following rules and regulations concerning the granting of rights-of-way have been adopted by the Secretary of the Department of Natural Resources.

1. Applicants are to use the State Right-of-Way form provided by the Department of Natural Resources. A special form is used for escrow agreement permits.
2. The Right-of-Way form must be submitted in triplicate with a legal size plat(s) attached to each copy.
3. The description contained in the Right-of-Way form must indicate section, township and range, or area and block number(s) if offshore; name of the body of water to be crossed; the size of the pipe and the length of the right-of-way in rods.
4. The plat(s) must reveal the following:
 - a. Station numbers at the mean low water elevation on a river; the station number at the mean high water elevation on a lake, bay or Gulf of Mexico; or station number at ingress and egress of State properties. Said plat, when illustrating the mean low water line of a river or the mean high water line of a lake or the Gulf, will be authoritative only as to the date of the application for calculation of the State's consideration. The limits of State property reflected on said plat are illustrative only and recognized solely and only for computing the fee for this grant, and are not intended and shall not be construed as determinative of actual

title for the benefit of any adjoining owners, whether a Grantee herein or a third party.

- b. The section, township and range if in an area that has been surveyed.
 - c. The product to be transported.
 - d. The location of the pipeline with respect to the right-of-way.
5. Names of adjoining land owners cannot be shown on the plat unless necessary for legal description.
 6. The Right-of-Way form must be accompanied by a letter of intent which shall contain the following information:
 - a. Initiating and terminating point of the pipeline.
 - b. Point of origination of product to be transported as a result of this construction.
 - c. Capacity or if a loopline added capacity as a result of this construction.
 - d. Estimated volume of product to be transported as a result of this construction.
 - e. A detail of construction.
 - f. Pipe specifications including size, wall thickness and type.
 - g. The proposed and maximum operating pressures.
 7. Where State mineral leases are traversed, an applicant will furnish the Secretary of the Department of Natural Resources a copy of the letter of notification (with signed, certified returned receipt attached) which has been sent to the mineral lessees.
 8. It is necessary that permission or clearance be obtained from the United States Corps of Engineers; State Office of Public Works, Department of Transportation and Development; and Louisiana Stream Control Commission if the proposed line crosses navigable waters. A copy of the letter of clearance from the State Office of Public Works, Department of Transportation and Development, must accompany the application.
 9. Clearance shall be obtained from the Secretary of the Department of Wildlife and Fisheries, 400 Royal Street, New Orleans, Louisiana, when oyster leases are to be traversed.
 10. Written consent must be obtained from the Secretary of the Department of Wildlife and Fisheries if the proposed right-of-way crosses a State or Federal preserve. Similar clearance is required from any agency having jurisdiction over surface rights of state lands being crossed.
 11. The State requires payment for *all* grants across State lands or navigable streams—regardless of size.
 12. The proposed route of the pipeline shall be subject to approval of the Secretary of the Department of Natural Resources.
 13. Fees for permits shall be as follows:
 - Class 1. Pipe 2 up to 19 inches outside diameter with a maximum of 75 feet right-of-way during construction to revert to 35 after con-

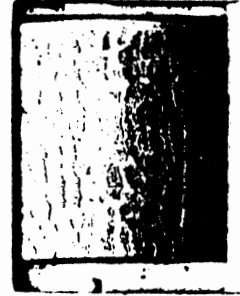
struction is completed with the additional right of ingress and egress for the purpose of maintenance, repairs, removal or modification—\$25.00 per rod.

Class 2. Pipe 19 inches up to 36 inches outside diameter with a maximum of 100 feet right-of-way during construction to revert to 50 feet after construction is completed with the additional right of ingress and egress for the purpose of maintenance, repairs, removal or modification—\$35.00 per rod.

Class 3. Pipe over 36 inches outside diameter with a maximum of 200 feet right-of-way during construction to revert to 60 feet after construction is completed with the additional rights of ingress and egress for the purpose of maintenance, repairs, removal or modification—\$45.00 per rod.

The minimum fee for any application processed shall be \$50.00 with a \$100.00 fee assessed for any assignment of permit thereafter.

14. Contract term—20 years with option to renew for additional 20 year term. The option to renew shall be on the same terms and conditions as the original agreement except that the consideration shall be adjusted to reflect the percentage of increase or decrease in the cost of living index as established by the Consumer Price Index for Urban Wage Earners and Clerical Workers published by the Bureau of Labor Statistics of the United States Department of Labor or any revision or equivalent of any such index published by the United States Government, which has occurred from date of this instrument to the date of renewal provided however that in no event shall consideration of such renewal be less than the consideration paid herein for the original term.
15. There shall be no above-ground installations, i.e., valve setting, tie-overs, platforms, etc., without the express consent and approval of the Secretary of the Department of Natural Resources. The Secretary shall have authority to establish the basis of compensation (which amount shall be in addition to the per-rod consideration referred to in these rules) for such above-ground installation. The application for pipeline rights-of-way shall contain a concise description of any such above-ground facility together with appropriate drawing, showing location of same and profile of design and style.
16. All pipelines constructed under permits granted by the State of Louisiana shall be in accordance with Parts 191, 192 and/or 195 of Title 49 of the Code of Federal Regulations, as amended, and other Federal and State Laws not in conflict therewith.
17. The State of Louisiana is held free from any and all liabilities.
18. A copy of the Right-of-Way Grant, along with a pertinent plat(s) attached, must be filed with the Clerk of Court of the Parish or Parishes affected and the Department of Natural Resources furnished recordations data.





APPENDIX G

State of New Jersey

DEPARTMENT OF ENVIRONMENTAL PROTECTION

TRENTON 08625

OFFICE OF THE COMMISSIONER

New Jersey Legislature
Outer Continental Shelf Drilling Seminar
Trenton, New Jersey

April 10, 1978
11:00 a.m.

DEP Perspective on OCS Activities: 1974-1978

1. Governor Byrne's position on OCS
2. DEP-DOE Coordination
3. Federal OCS Legislation
4. Federal OCS Leasing, Exploration and Development Program
 - Bureau of Land Management (BLM), U. S. Geological Survey (U.S.G.S.) stipulations, operating orders, EIS and OCS exploration and development plan review.
 - changes as a result of DEP activities
 - National OCS Advisory Board
5. New Jersey Spill Compensation and Control Act
6. Coastal Planning Efforts by DEP
 - framework for onshore and nearshore planning for siting of OCS related energy facilities
 - Coastal Management Strategy (September 1977)
 - Coastal Management Program - Bay and Ocean Shore Segment (May 1978)
 - workshops with industry, state, and local agencies and interest groups
 - "Call for Information on Energy Facility Siting" - DEP initiative in late 1975
7. State-County Coastal Energy Facility Planning Project
 - DEP initiative in late 1976
 - one year study completed, useful information and greater understanding at local level.
 - continuing State-County Coastal Management Project in 1978
8. Public Education on OCS
 - extensive public speaking to groups, agencies, media
9. Onshore Support Base Siting Studies
 - DEP initiative in late 1976
 - Rutgers, Center for Coastal and Environmental Studies report
 - Perth Amboy and similar locations preferred
 - cooperation with similar study by Port Authority of New York and New Jersey.

10. Coastal Regulation by DEP

- pre-application conferences for Rum Point, Brigantine, during 1977; Natural Resource Council hearing in December 1977 on Rum Point; CAFRA permit application not submitted yet.
- no pending OCS-related permit applications (Rum Point is waiting for applicant action)
- CAFRA, Wetlands, and Riparian procedures, beginning with pre-application conference

DEP

Assistant Commissioner Glenn Paulson, PhD
Director Donald T. Graham, Division of Marine Services
Steven Picco, Chief, Office of Regulatory and Government Affairs
David N. Kinsey, Chief, Office of Coastal Zone Management
Dr. Kemble Widmer, State Geologist
Helga Busemann, Office of Coastal Zone Management
Edith Casey, Office of the Assistant Commissioner for Science

Office of Coastal Zone Management
 April 1978
Fact Sheet on Offshore Drilling in New Jersey

In August 1976, the U. S. Department of the Interior leased 93 tracts off the New Jersey coast to oil and gas companies to develop offshore oil and gas to decrease the region's and nation's dependence on foreign oil. On February 21, 1978, the U. S. Supreme Court refused to hear appeals from plaintiffs on challenging the adequacy of the environmental impact statement prepared by the Department of the Interior on the lease sale, and allowed drilling to begin. As of March 1, 1978, six companies had received federal approvals to permit drilling from the U. S. Geological Survey, Environmental Protection U. S. Army Corps of Engineers. Exxon "spudded" the first exploratory well in the Mid-Atlantic on Block 684, on March 29, 1978.

Companies About 40 companies have shares and/or interests in leases sold by the Department of the Interior in August 1976. Companies with a major interest who will be the lead operators in the development of their leases are: Continental Oil Company, Exxon, Gulf, Houston Oil and Minerals, Mobil, Murphy, Shell, Texaco, and Transco. Companies with lesser interests include Getty, Hamilton Brothers and Skelly.

Leases Ninety-three leases in OCS lease sale No. 40 covering 93 tracts were awarded to the oil companies by the Department of the Interior as a result of lease Sale 40 held in August 1976.

Tracts The tracts are located between fifty and one hundred miles off the shore of New Jersey and Delaware in water depths ranging up to 600 feet. The map on the next page shows the location of these tracts. (Use Figure 5 from the energy paper).

**Resource Estimate
 for Lease Sale #40**

Oil: 0.4 to 1.4 billion barrels of oil. **Gas:**
 2.6 to 9.4 trillion cubic feet of gas.

Regulatory
Authority

Federal

Control over outer continental shelf (OCS) drilling resides with the Department of the Interior (DOI) in which the Bureau of Land Management is responsible for the selection and evaluation of tracts prior to the lease sale. The U. S. Geological Survey, also within DOI, supervises day-to-day operations and will be making inspection flights to the rigs and/or platforms from its regional office in Atlantic City.

State

While drilling on the outer continental shelf beyond the state's three mile limit is essentially a federal program, states have recently been provided the opportunity to comment on various phases of the leasing process. This includes review of industry exploration and development plans. In New Jersey, these plans are reviewed by the Departments of Environmental Protection and Energy. Under the Coastal Area Facility Review Act, wetlands, and the riparian statutes, DEP will review permit applications for onshore facilities along the waterfront. These applications will also be reviewed by the Department of Energy created in 1977 by the Department of Energy Act. In addition, any proposed onshore oil and gas facilities needing air, water and solid waste disposal permits along the coast and inland will be reviewed issued by DEP to determine if they meet appropriate state and federal standards.

Local

Municipalities in which oil related facilities are proposed retain their traditional authority to process building permits.

Likely
Onshore
Impacts

Exploration

During exploration, companies drill to determine if oil and gas, does in fact exist. Exploration may last as long as companies believe oil and/or gas is to be found, but will

be most intensive during the first five years following a lease sale.

Drilling is conducted from drill ships or semisubmersible rigs (floating platforms anchored to the sea floor) which are kept supplied by vessels carrying drilling equipment and material. Supply vessels operate out of marine terminals. Marine terminals for initial Lease Sale 40 activities are located in Rhode Island. Helicopters will be transporting crews and USGS inspection teams out of Atlantic City. Drilling crews usually work seven days at a time at sea followed by seven days of rest.

Development

If oil and gas is found in commercial quantities, companies will proceed to install permanent platforms, pipelines and pumping stations to recover the oil and gas. On-land facilities will also be built for platform fabrication, pipeline coating and installation, pipeline laying and installation, and gas processing in the event of gas finds. Not all of these facilities have to be built in New Jersey. Platforms could, for example, be built in the Gulf of Mexico and floated into position. Refineries to process oil will not be needed in connection with lease Sale 40 according to oil company information, since newly discovered oil is intended to replace foreign oil. If large finds are discovered, existing facilities in ports and harbors such as docks and terminals may have to be expanded.

Production

Once facilities have been installed, construction will cease and employment level off. During this period

offshore production teams will continue to be supplied with food, water and equipment from shore. Onland, inspection personnel will be needed to monitor operation of pipeline, pumping stations and other facilities.

Shut-down: Production of oil and gas is estimated to last up to 20 to 30 years. Three lease sales are anticipated for the Mid-Atlantic region within two to three years of each other. Potential oil and gas production is thus expected to wind down by the year 2010.

Job

Opportunities: The number of jobs anticipated as a result of Lease Sale No. 40 is between 4,200 and 15,400 for the lease sale area which covers New Jersey, New York, Delaware, Maryland and Virginia. Between 300 and 700 of these jobs are estimated to be directly related to offshore drilling. The total new population for this activity is estimated to be between 5,600 and 26,000. Oil and gas job opportunities, resulting from OCS development are relatively few, therefore. Initially, many tasks will be performed by skilled workers coming from the Gulf of Mexico. OCS and gas-related jobs require skills which include marine and freight handling, drilling, welding, mud engineering, machine and tool repair, quality control, pipeline laying, communications, diving, helicopter operations, trucking, warehousing, craftsmanship, petrochemical engineering, and geology.

Training

Oil companies mostly train their own personnel in the various aspects of offshore drilling. At a minimum company training programs must meet

standards set by the U. S. Geological Survey. Many jobs are also provided by the ancillary industries in which backgrounds including but not limited to chemistry, engineering, catering, diving and freight handling may be helpful. People applying to oil companies will find a background in geology useful.

APPENDIX H

REMARKS BY JOHN J. HORN, COMMISSIONER
NEW JERSEY DEPARTMENT OF LABOR AND INDUSTRY

BEFORE THE
JOINT LEGISLATIVE COMMITTEE ON THE OUTER CONTINENTAL SHELF

MAY 1, 1978

I am thankful for the opportunity to come before you today to present one view on one dimension of Outer Continental Shelf development. Over the course of your deliberations, you have heard and will hear from numerous persons, some expert, some not so expert on many facets of OCS. Some are advocates, some are adversaries; but, certainly, all are well intended and have a message worth hearing.

Developing policies and plans to maximize the economic and energy impacts of the OCS resource, while at the same time protecting the legitimate needs of our State and its citizens is no easy task. We must view OCS from a total perspective, giving due consideration to such important issues as:

- . Impact on Community and State Services and Facilities
- . Impact on the environment
- . Impact on land use policy
- . Impact on citizen Safety and Health
- . Impact on jobs and the economy

We are dealing with a very delicate balance, and we must not upset it. Government cannot unreasonably usurp private business decision making prerogatives, but it must do what a prudent government should to protect its citizens and its economic well being. Nor should State Government needlessly override local government policy.

As you look across the various Departments of State Government, many of them have a legislated role and legitimate concern in matters directly or indirectly related to OCS. To name just a few:

- . Wetlands and Coastal Development are the concern of the Department of Environmental Protection, as is the protection of our air quality
- . A secure and reasonably priced supply of energy is the responsibility of the Department of Energy
- . Land use policy is a concern of the Department of Community Affairs

- . Overall energy planning is the province of Governor Byrne's Office of Policy and Planning and his Cabinet Committee on Energy Problems
- . The State's Economic Development is the concern of my own Department of Labor and Industry

It is toward this last responsibility that I will address the majority of my remarks today. However, before I do, I think it important to note the need for a comprehensive approach to OCS development which utilizes the best talents available in State Government and one which properly prioritizes its concerns and doesn't let subjectivity or over zealous advocacy get in the way of reason. Examples are the need for a process to expedite permit processing and facility siting, while still insuring the integrity of the functions of the Departments of State Government which serve the valuable role of checks and balances on one another.

Turning now to the specific issue of the job and economic development functions related to OCS, it is clear that we must use our available lead time wisely in getting ready or we will miss the opportunity to secure maximum potential. And, we do have some lead time available for our purposes, if we move quickly. A calendar of events in OCS should look something like this, now that leasing has been accomplished and exploration has commenced:

- . Exploration - 1 to 7 years with an average of 2 years
- . Development - 4 to 9 years, from the date of finding economically recoverable resources
- . Production- 10 to 25 years or more (duration)
- . Shut down - 1 to 3 years

My major concern now is, of course, what we must be doing during the exploratory period, but let's not lose sight of the fact that OCS resource, if found, won't last forever and we cannot allow our State's economy to develop an overdependency on it.

During the period of exploration, I would propose that the State Economic Development program which I administer must carry out a multifaceted approach, to insure not only that we get our fair share of jobs and revenues in the immediate time but, also, that we develop the business and industry infrastructure required to obtain that same fair share during the developmental and production phases as well.

Right now, we know a great deal about the kinds of directly related support facilities which will be required. For certain, the companies will need:

- . Temporary support bases
- . Permanent support bases
- . Pipe coating yards
- . Platform fabrication yards

Then, in the slightly more distant future, its safe to predict a need for:

- . Partial processing plants
- . Gas processing plants
- . Refinery capacity
- . Increased and improved transportation facilities
- . Tank Farms and storage facilities

Until, however, the first wells are sunk and the crude begins to flow, what these will mean in terms of jobs and revenues is not that easily definable, even though a lot of people are making many diverse "guesstimates." Given a resource find, we can anticipate that the job impact will be substantial and the picture will become clearer as time passes.

What is really urgent, to me, is the need for the State of New Jersey, in total, private sector and public sector to marshall its resources to wring every drop of economic advantage out of the OCS crude we can in the short span of time it will be available. Our agenda will, of necessity, have to be a mixed bag of action and study, and look something like this:

1. Cataloguing the service, support and facility needs of OCS involved firms.
2. Inventorying the firms who can support OCS which we already have in the State and communicating their availability on to the oil companies.
3. Determining what facilities are necessary which we do not have in the State.

Then, we have to ascertain which of these facilities it would be economically advantageous for us to have located here and develop strategies to obtain them. This may mean that the State will have to take an active involvement in the actual creation of new industry.

4. Projecting what kinds of industry will develop as a by product of OCS and then establishing activities to support those we desire, control those which need be controlled and limit those which need limiting.
5. Develop a plan for alternative employment and revenue to replace OCS when it does, as it inevitability will, phase down, and the plan must provide for an orderly phase down without severe job dislocation.

I recognize that all the development which could evolve because of OCS will not necessarily respond to our long run best interest, and definitive action will be required. The tricky part will be to separate the good from the bad and then to define and take appropriate action.

My focus has been and will be to treat OCS as one more thread in a mozaic of development which slowly but inextricably is leading New Jersey back to economic and social prominence. But, in that fabric it must interrelate with, complement and not negatively impact such other important economic activities as: tourism, casino gambling, sport and commercial fishing and the resurgence of the motion picture industry.

No one piece of economic progress is a panacea, and the program I am structuring provides a place for everything and, hopefully, everything in its place.

Governor Byrne earlier designated me as coordinator of the Off-Shore Oil Coordinating Committee.

I accepted this assignment with the clear understanding that while the off-shore oil matter is essentially an economic development concern, it involves almost all areas of State Government, some more than others.

Certainly, we will continue the full scale cooperation that has been the pattern between Labor and Industry and the Departments of Energy and Environmental Protection.

This will not only make our activities more effective and insure rapid progress, but will also avoid any possible duplication of effort.

And, I believe that the program we are implementing in Labor and Industry will secure for New Jersey the maximum return for its off-shore oil resources without endangering other facets of the State's social, economic and aesthetic life.

I would be pleased to respond to any questions you might have.

APPENDIX ISTATEMENT OF S. J. BELLASSAI BEFORE INFORMAL HEARING BY THE NEW JERSEY
LEGISLATURE COMMITTEES ON AGRICULTURE AND ENVIRONMENT, ENERGY AND
NATURAL RESOURCES, AND ENERGY AND ENVIRONMENT

Trenton, New Jersey
May 1, 1978

My name is S. J. Bellassai. I am Vice President of Engineering for Transcontinental Gas Pipe Line Corporation, Houston, Texas.

I have been with the Company for 29 years, serving in various capacities, including: Construction Engineer in New Jersey and New York during the building of the system; Corrosion Engineer at Linden, New Jersey; System Corrosion Supervisor; Offshore Construction Superintendent; and Manager of Engineering, prior to my present position.

It is a pleasure to be here today to speak about the natural gas pipeline industry in the offshore environment and the transportation of gas resources via pipeline to connect to an onshore interstate gas transmission system.

I am accompanied by Mr. L. P. Seaton, Marketing Representative for Transcontinental at Newark, and by Fletcher W. Hartley, Supervising Engineer, working on development of a possible Baltimore Canyon natural gas pipeline project.

Transcontinental was the first interstate gas transmission pipeline Company to take deliveries of natural gas into its system from wells in Federal waters offshore Louisiana, commencing in 1957. Roughly 2/3 of our current daily deliveries, or about 1.3 BCF, originate in the Gulf of Mexico. Our Company today has in excess of 900 miles of offshore pipelines in the Gulf of Mexico, with an additional 35 miles of 26" pipeline, built in 1967, between Morgan, New Jersey, and Long Beach, New York. In addition, the Company has four major underwater pipeline crossings of the Hudson River and the Narrows serving the metropolitan New York area; and four additional major underwater pipeline crossings of the Delaware River in the Philadelphia area.

All pipelines meet applicable Federal codes and standards with respect to design, construction and operation. The system was developed under authority of the Natural Gas Act of 1948. It complies in all respects with the requirements of the Pipeline Safety Act of 1968.

Our safety record in construction and operations has been excellent. In the 20 years since we entered the offshore environment, we have never experienced a line failure. Our pipelines are installed on approximately 75 to 100 platforms in the Gulf of Mexico, of which 10 structures are Company owned. Transcontinental performs all design and construction supervision of its facilities. Construction is performed by independent contractors on a competitive basis. Our pipelines have crossed beaches at least 20 times at locations in Texas, Louisiana, New Jersey and New York.

Transcontinental is also proud of the fact that many of the standard design and construction practices utilized in the offshore pipeline industry throughout the world today were developed by us and for our needs during the past 20 years.

In planning and routing a pipeline, all aspects of the route and its environment are thoroughly studied. This includes complete hydrographic studies of the ocean and its bottom, utilizing the latest technology available to identify bottom sediments and anomalies along the route. The matter of a pipeline transitioning from the offshore to the onshore environment is considered extremely critical and sensitive. All historic and current meteorological and oceanographic data is obtained and studied. The depth of a pipeline crossing the beach and surf area is thoroughly engineered with respect to erosion, construction method required, environmental impact, and calendar scheduling to create the least interference. Safety and elimination of all hazard during construction and operation with respect to the environment and its inhabitants are uppermost considerations.

Transcontinental is familiar with processing applications for permits through local, State, and Federal agencies. We are concerned that, at the present time, there are no administrative procedures in the State of New Jersey which can grant authority for the construction of pipelines across the offshore territorial waters of the State. It is recognized that a pipeline project of the type that we envision to transport the probable large natural gas reserves offshore New Jersey will require a variety of permits. It is also necessary that pipeline projects pursue a consolidated and expeditious permitting procedure. Such a process will allow the earliest and most economic connection of New Jersey offshore energy resources to its citizens and industry. New Jersey is on the threshold of possibly realizing these new energy resources becoming available. Transcontinental is ready with years of experience, a nearby pipeline system connecting to major gas distributors throughout New Jersey, and the resources of people and expertise needed to make delivery of offshore natural gas possible.

We have with us a new map of New Jersey prepared by our Gas Supply Department depicting the Transco system, the offshore Baltimore Canyon, and other gas transmission pipeline systems in the State. You are all welcome to copies.

There has been reference in the past reflecting that the impact on New Jersey beaches being somewhat different in the Northeast than along the Gulf Coast. Let me assure you, by virtue of being personally familiar with both areas, that there are few fundamental differences. The oil and gas industry operates across many beach areas and in and through a large number of wildlife refuge areas in Texas and Louisiana, from the Breton Sound Wildlife Preserve, east of the mouth of the Mississippi River, to the Padre Island National Seashore Park in south Texas.

We are prepared to show you a number of slides depicting beach crossing areas prior to, during, and after construction of major segments of offshore pipeline

transitioning beaches in Texas, Louisiana, New Jersey and New York. I will explain each to you and I solicit your questions during the presentation.

Further, we also invite you to visit our facilities in the local area and on the Gulf Coast. We would be most happy to provide local transportation, including helicopter, to better familiarize your committees with what has been done during the past 20 years with respect to pipelines crossing beach areas in remote and metropolitan areas along our system.

Transcontinental and the gas industry sincerely appreciate your invitation to meet with you today.

APPENDIX J

DELAWARE RIVER PORT AUTHORITY

(609) 963-6420
(215) 925-8790OF
PENNSYLVANIA AND NEW JERSEYBRIDGE PLAZA
CAMDEN, NEW JERSEY 08101WILLIAM W. WATKIN, JR.
EXECUTIVE DIRECTOR

May 25, 1978

The Honorable Donald H. Steward
Chairman, Committee of Agriculture
and Environment
188 West Main Street
Penns Grove, New Jersey 08069

Dear Chairman Steward:

We appreciate the opportunity which you afforded the Delaware River Port Authority to present testimony before your Committee regarding the onshore economic impact of offshore drilling. Mr. James R. Kelly, Director of our World Trade Division, and Mr. John P. Gaffigan, our Manager of Marketing Services, have advised me of your Committee's interest in providing assistance to insure that our Port region achieve substantial economic benefits through the location of offshore drilling related industry. Mr. Kelly stated in his presentation and in the material that he left with the Committee that several basic requirements must be met: 1) The design of a support base system, 2) Land use plans for the attraction of heavy platform construction activities, and 3) Pipeline systems and tank farm storage, together with degassification stations.

This Authority has undertaken several studies of the onshore economic impact of offshore drilling in the Gulf Coast and in the North Sea. We have also developed for marketing purposes a very substantial library of industry associated with offshore drilling. We would welcome an opportunity to participate in land use inventory planning and marketing strategies for our region. We understand that the National Oceanic and Atmospheric Administration of the U. S. Department of Commerce is providing planning funds to the Coastal States for planning purposes under the Federal 308-CG-2 program. Funds under this program have already been provided to the State of New Jersey. In your earlier discussions with this Authority, we advised you of the necessity of the Authority seeking outside funding to assist us in our marketing and planning programs. We believe this may be an opportunity to assist and cooperate with the State by providing this Authority with a portion of the Federal Grant money to pursue the planning of a program outlined in Mr. Kelly's presentation.

There was some question on the part of the Committee as to the potential for the location of a platform construction firm in New Jersey. We are providing you with a copy of an article from the "Baltimore Sun" under the date of 11 May, 1978, which reports that Brown & Root, one of the world's largest

The Honorable Donald H. Steward

May 25, 1978

construction firms in offshore drilling, has acquired property in Virginia ~~for the purpose of constructing drilling platforms.~~ This indicates to us that other platform manufacturers will be looking for similar locations in our area.

Therefore, we believe that some land use planning should be commenced as soon as possible to enable us to market New Jersey before other States beat us to the punch.

We look forward to having the assistance of your Committee and we look forward to hearing further from you.

Sincerely yours,



W. W. Watkin, Jr.
Executive Director

WWW:JRK:ld

enc.

Challenge to Va, Shore industrial complex appears ended

Richmond (AP) — A legal challenge to Brown & Root's 4-year-old plans for an industrial complex on the rural Eastern Shore apparently has died at the door of the Virginia Supreme Court.

The court decided not to hear an appeal from 35 landowners whose arguments to stop the project failed to convince the Northampton County Circuit Court last year.

"I have no plans to go anywhere else with it," Grover Wright, attorney for the landowners, said yesterday. "I see no federal question involved."

Brown & Root, one of the world's largest construction firms, in 1974 bought 2,000 acres of farmland near Cape Charles on Virginia's Eastern Shore, with its easy access to potentially productive Atlantic oil fields.

The Texas-based company is in the process of obtaining permits to use about half that area for a complex that would make platforms and other equipment for use in offshore oil drilling.

In a statement announcing its pleasure at the court's decision, Brown & Root said, as it has in the past, that its plans "depend on economic considerations" related to the oil-drilling industry.

"We have no indication of whether the Eastern seaboard offshore drilling program will be successful, or if the owners [of leases] will aggressively seek commercial production," the statement said.

"We are hopeful, of course, that the continuing pursuit of our plan will result in a successful venture."

Exxon Corporation began drilling the first oil well off the East Coast March 23, and said the project probably would take 90 days. Other companies are expected to begin their own exploratory wells by the end of the spring.

One phase of the Brown & Root complex, a steel facility for making metal pipe and storage tanks, has all the necessary permits except a building permit

from Northampton county.

The remainder of the complex will require numerous permits, including one from the Army Corps of Engineers. Brown & Root began an environmental impact assessment for the corps about a year ago and expects to complete it by January.

The 35 landowners, among them some of the oldest and wealthiest families in the county, have been the core of opposition to Brown & Root's plan since it was announced in 1974.

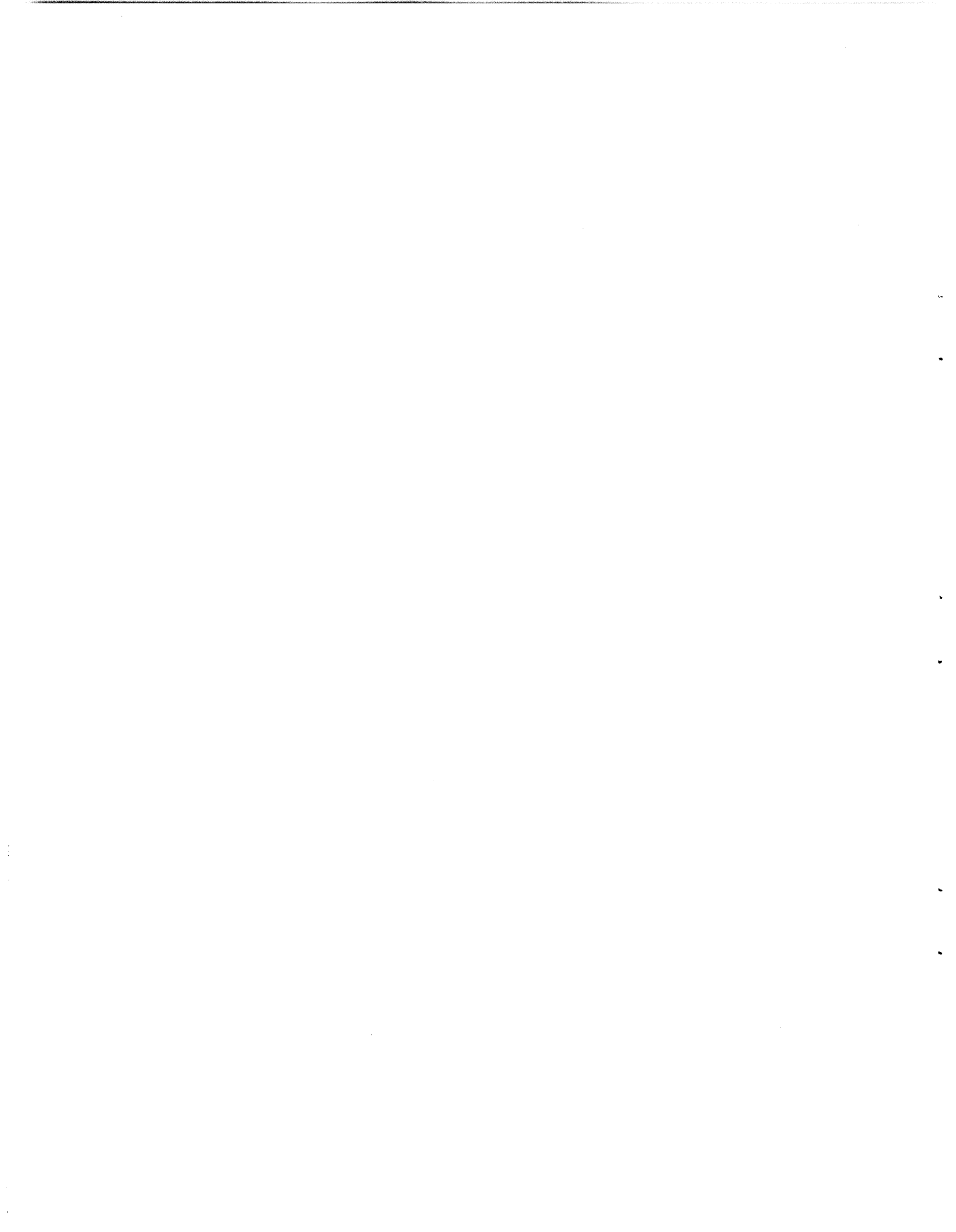
But even they concede that county elections have demonstrated that most Northampton residents favor the planned complex, which the company projects could employ up to 1,800 persons.

The opponents claim Brown & Root's plan would lead to tax increases, smother the county's limited facilities with a rapid influx of new residents and in general bring unwanted changes to the rural area.

But supporters have replied that the project would provide a much-needed boost to the county's sagging economy without hurting its fishing and farming industries.

The landowners' suit specifically challenged the validity of Northampton county's first industrial zoning ordinance, passed in 1975 with the backing of Brown & Root supporters.

*Britten on Sun
11 May 1978*



Committee on
Agriculture & Environment
Trenton, N. J.

Prepared by
World Trade Division
Delaware River Port Authority
Camden, N. J. 08101
15 May, 1978

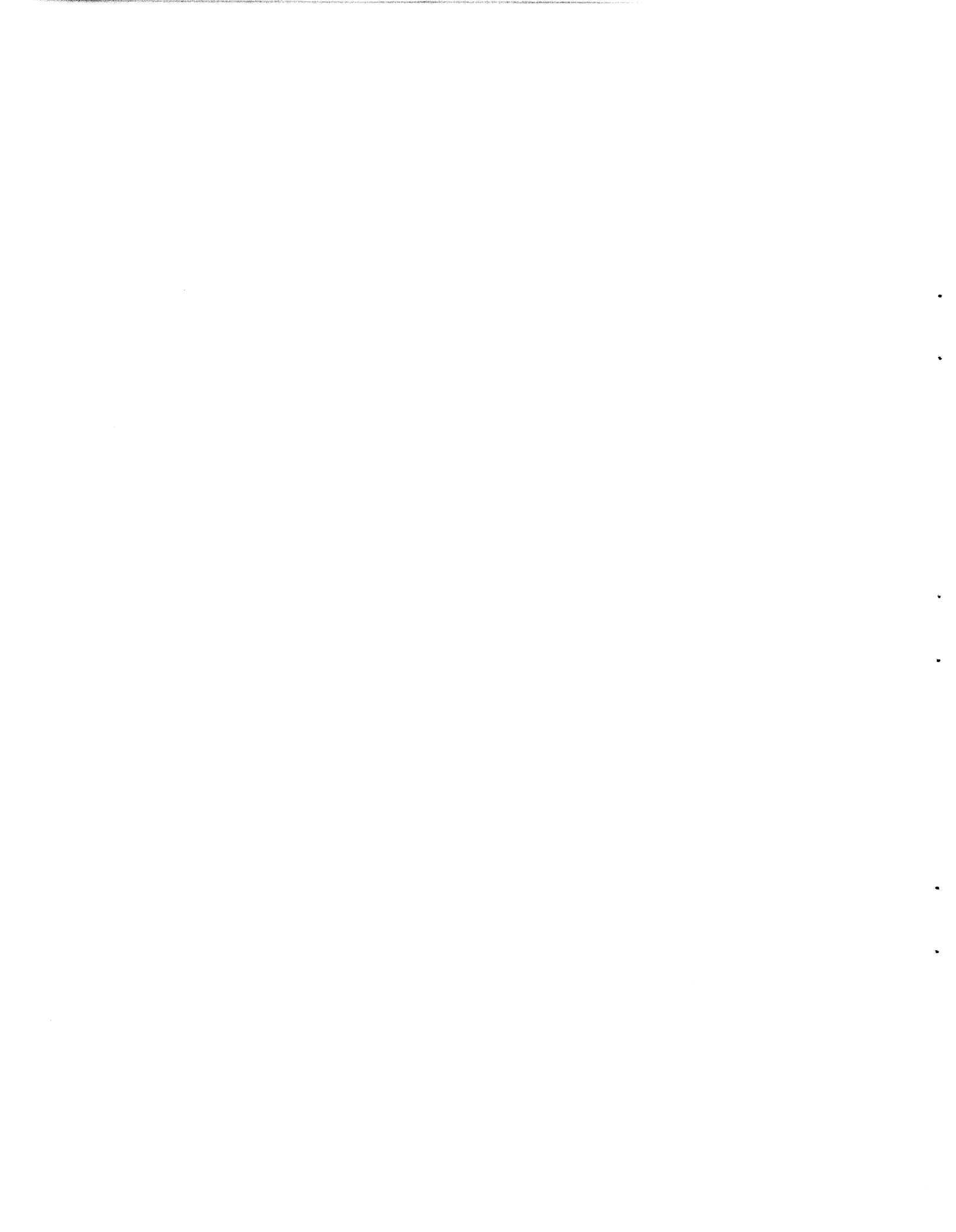
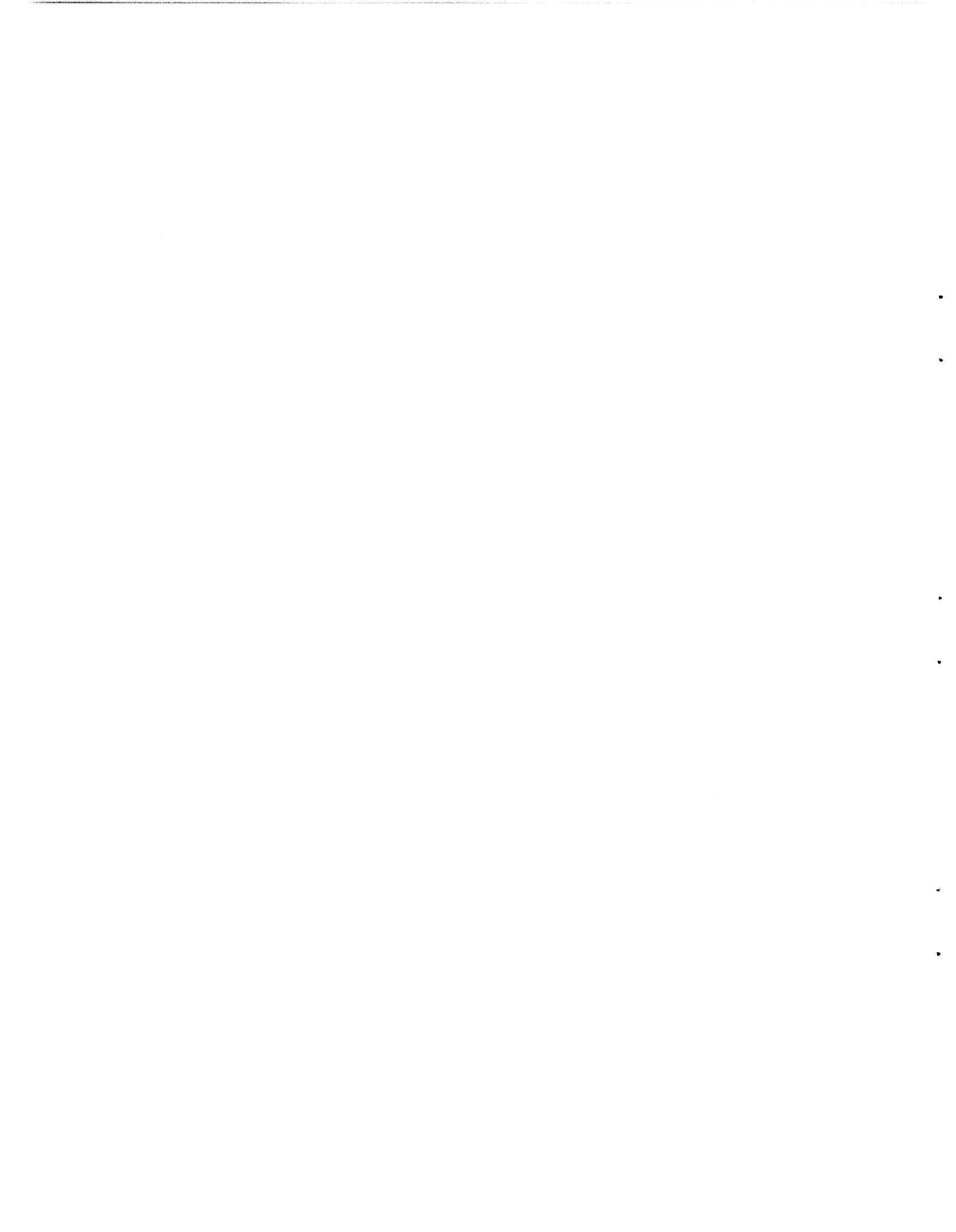


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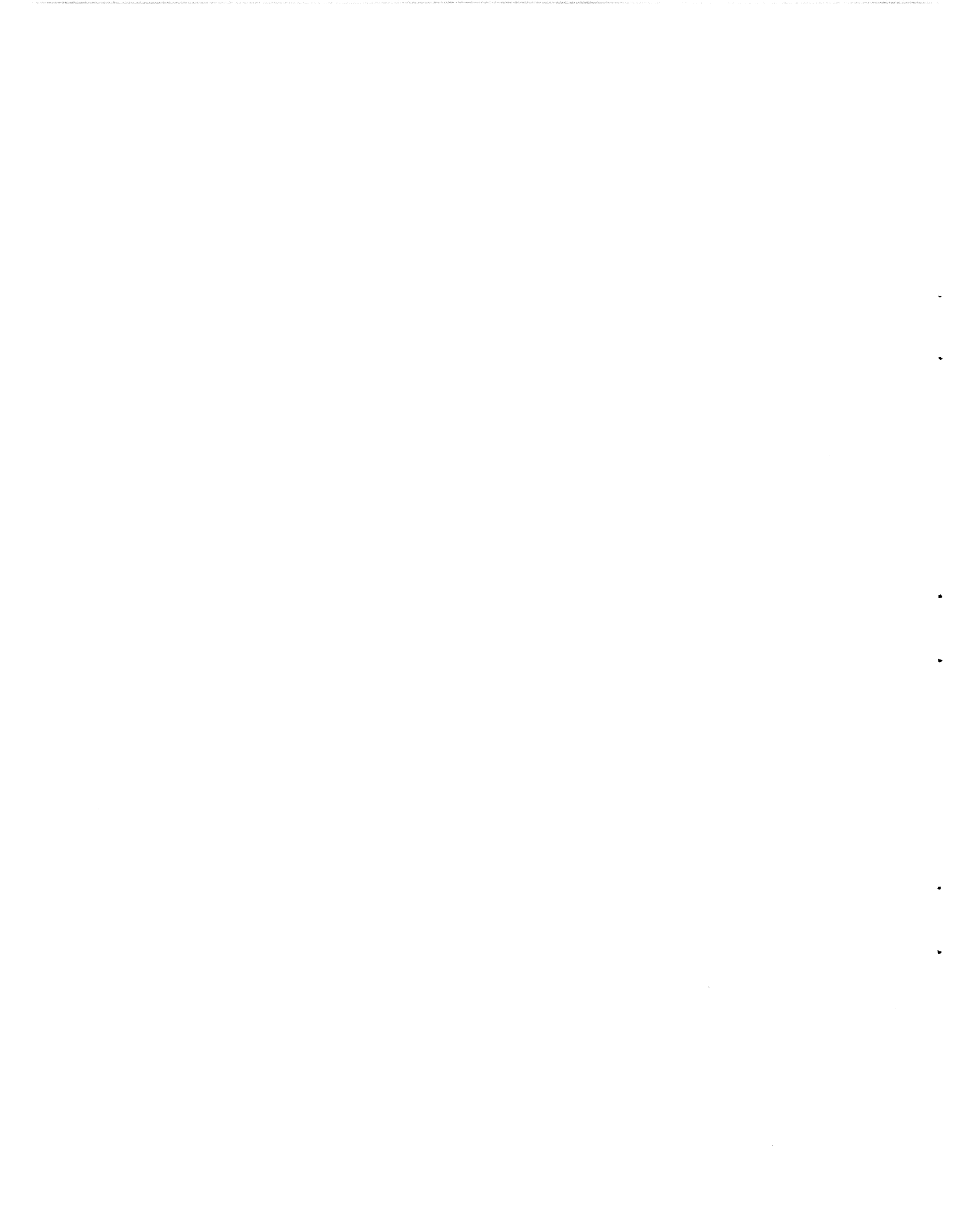


CONCLUSIONS

If there is considerable oil/gas in the Baltimore Canyon then there will be a considerable amount of economic benefits to the Ameriport region. It is anticipated that a large site, minimum of 2000 acres, together with accommodations for 50 support boat berths will have to be provided.

Ameriport would be an ideal location because the economic impact could readily be absorbed into our existing port structure. The principal areas which would receive this economic stimulus would be the New Jersey port counties of Cumberland, Salem, Gloucester, Camden, Burlington and the Pennsylvania port counties of Delaware and Philadelphia.

We estimate that within ten years of the first successful well at least 40,000 new employment positions will be created as a result of the drilling for oil/gas in the Baltimore Canyon.



We have researched the offshore oil/gas drilling in the Gulf of Mexico and in the North Sea. We concluded in 1974 that the drilling in the Baltimore Canyon will be more closely related to the North Sea operations than the Gulf of Mexico. In the Baltimore Canyon, the drilling will be in deep water and roughly 100 miles from shore. These are the same characteristics as the United Kingdom sector of the North Sea. The Scotland office at Whitehall prepared the following forecast for the economic impact of offshore oil drilling in the North Sea. During the build-up of drilling, 1970-1974, 260 direct service companies and 300 indirect service firms employed 14,000 people. In the 1975/76 period, the employment was projected to be 21,000 and employment was forecasted to be about double, 40,000, in 1985. In March, 1978, the Secretary of State for Scotland, Mr. Bruce Millan, corrected their initial forecast. Mr. Millan said that in mid-1976, there were 350 firms who were wholly involved in offshore support activities and a further 400 who were partially involved. He said that the number of jobs associated with oil developments in Scotland at the present time ranged from 56,000 to 65,000. He anticipates more up-to-date information would be available by the end of the year.

Of particular importance was the amount of land which had been used for support base activities. On the 2nd of March, the Scottish Economic Planning Department informed the Port Authority that 4800 acres of land had been used and an additional 1250 acres had received planning permission for oil related uses. Of equal importance was the number of berths. Sixty berths at Leith, Dundee, Montrose, Aberdeen, Peterhead and Lerwich were provided with Aberdeen as the major center with 17 operational berths. A copy of Mr. Millan's statement is presented for your review.

We make the following assumptions:

1. The volume of oil/gas in the Baltimore Canyon will be approximately equal to the United Kingdom sector of the North Sea. This is highly probable.
2. Since the characteristic traits of drilling in the Baltimore Canyon approximate the drilling in the North Sea, then the same type of development which resulted in Scotland would follow in New Jersey. However, in our Delaware Valley region, there already exists substantial industry capable of supplying offshore drilling.
3. Since the New Jersey coast is reserved for recreation and tourism, substantial support base activities would not be located along the seashore.
4. A support base from 2000 to 5000 acres with 60 berths should be available, somewhere on the Delaware River or Bay.
5. A special site should be made available for the construction of production drilling rigs and platforms. This site of 1000 acres should be on the Delaware River with 35 feet of water and free from any height restrictions, e.g., bridges, etc.

Requirements for establishing onshore support bases:

1. Immediate design of the total production system, pipelines across beach, degassification plant, pipelines to support base, tank farm, marginal bulkheads.
2. Exhibit I is attached. Exhibit I indicates the total system that must be designed toward optimizing the efficiency of the entire design oil/gas drilling system.

This system would consist of the following:

- a) In the Atlantic City region, there would be pipelines carrying gasses and crude oil from the production sites into an area for a degassification and pumping station. This site would be approximately 10 to 15 miles west of Atlantic City. At this site the gasses would be separated into wet and dry. The dry gasses would be pipelined into the existing gas distribution system. The wet gasses together with the crude oil would then be pumped via

pipeline across the State into a site on the Delaware River adjacent to present refining facilities.

- b) At the Delaware River site, there would be a crude oil tank farm which would act as a reservoir and distribution of the crude from the Baltimore Canyon to the seven existing refineries on the Delaware River. The existing crude oil storage tanks at the seven refineries would be filled from this reservoir. The wet gasses would be distributed via pipeline to the existing refineries on the Delaware River. Sufficient land should be made available for the possibility of a petro-chemical industry in this region. If the wet gasses are in greater supply than the seven refineries can handle, then it would be necessary to provide a site for polymerization plants to handle these wet gasses.
- c) Exhibit 2 shows the typical sites in South Jersey. The support base should have a marginal dock at the 35 foot line with space for 50 berths of 300 feet per berth. These berths would accommodate ocean-going support vessels from 200 to 225 feet in length. A minimum backup support site of 2000 acres should be provided for the warehouse distribution, repair, and manufacturing facilities which would be required to support the production drilling in the Baltimore Canyon.
- d) A 1,000 acre site should be provided for a platform manufacturing facility. The platform manufacturing facility should have depths of water of 35 feet. The site selected must be in the Bay area where no inhibition exists to hinder the height of the structure which would be towed out into the producing fields. Sites upriver would limit the height of the platform structure because of the bridges which cross the Delaware River.

e) Land is available in the City Center Project in Camden, New Jersey, for building of high-rise office structures which would house the corporation's staffs which would oversee the development in the Baltimore Canyon. The development of the downtown Camden office space would be in accordance with the City Center Project. The City Center Project would house the administrative, legal, accounting, engineering, etc., services which the oil corporations would require the proper development of the drilling in the Baltimore Canyon. The location of this office structure in the City Center Project, Camden, New Jersey, would enhance the redevelopment of Camden and it would make Camden a viable city once more. In addition, there is considerable number of industrial parks in Burlington County where assembly and production of offshore oil drilling equipment could be centered.

Coastal Area Facility Review Act

U. S. Coast Guard

NOAA

**U. S. Army Corp
of Engineers**

large acreage support base;
 platform fabrication; large
 number of berths; degassification
 site; finance; wet gas pipelines;
 crude oil pipeline; pipeline right
 of way; storage & distribution
 crude; storage & distribution and
 gas; dry gas pipelines; food
 catering services; warehouse/
 distribution machine parts; diesel
 services; pipeline coating; pipe-
 line storage; pipeline barge
 facilities; small boat repair
 facilities; muds & chemicals;
 electronic test equipment; derrick
 barge facilities; production
 equipment fabrication; contract
 maintenance; pipeline companies; well
 head supplies; supply companies;
 service companies, medical health;
 plan facilities;
 Operational Headquarters

Economics

Interior

Wetlands

Riparian Rights

County & Municipal Regulation

"Baltimore Canyon Off-shore Oil/Gas"
Production Drilling/Distribution/Processing System

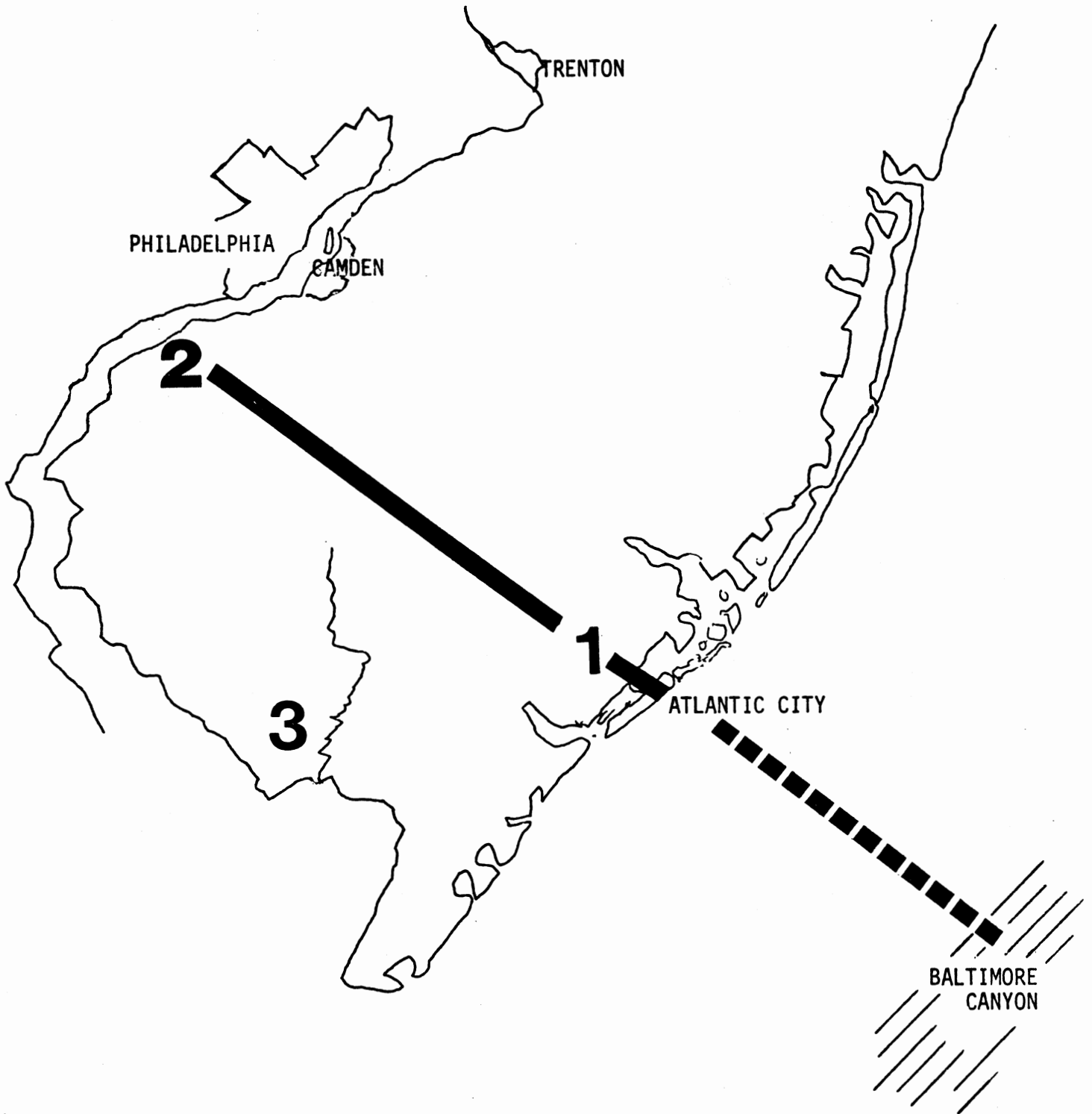
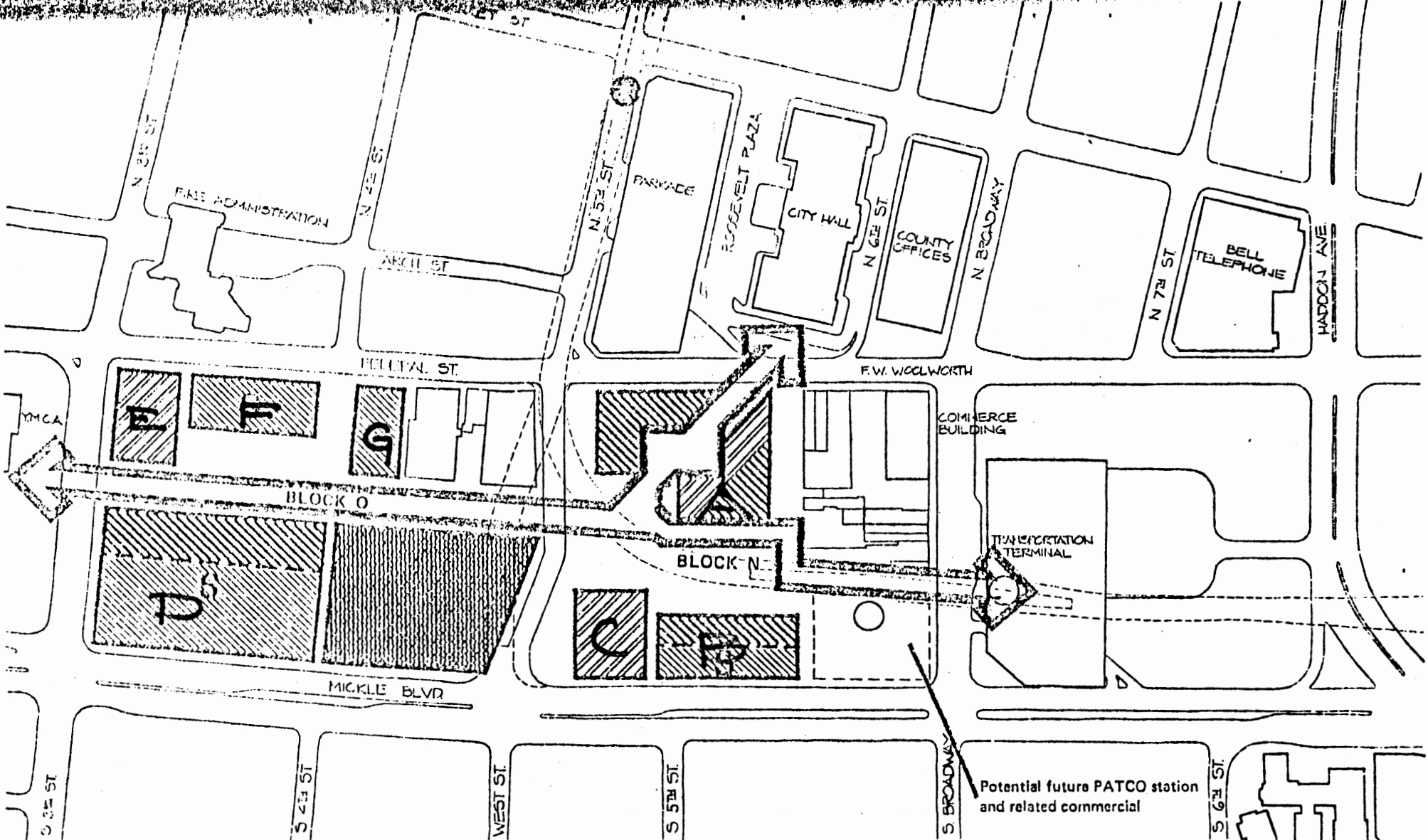





Exhibit II







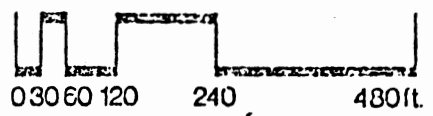
City Centre Project

Blocks N & O
NJR 150
A LAND USE AND DEVELOPMENT STUDY

Prepared For:
The Housing Authority of the City of Camden

-  Transit Station
-  Proposed transit station
-  Circulation

-  Parking (Structure)
-  Commercial
-  Office
-  Courthouse



SCHEME 1 MAXIMUM LONG TERM
Prepared By:
Wallace McHarg Roberts & Todd

THE PREPARATION OF THIS PLAN AND THE INFORMATION CONTAINED THEREIN IS SOLELY FOR THE INFORMATION OF THE HOUSING AUTHORITY OF THE CITY OF CAMDEN AND IS NOT TO BE USED FOR ANY OTHER PURPOSE WITHOUT THE WRITTEN PERMISSION OF WALLACE MCHARG ROBERTS & TODD.



By Bruce Millan
Secretary of State
for Scotland

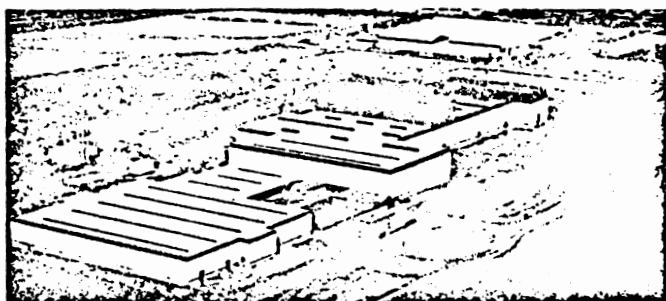
North Sea Oil Exploitation Transforms Scotland's Economy

*... brings drastic readjustments
in corporate facility planning*

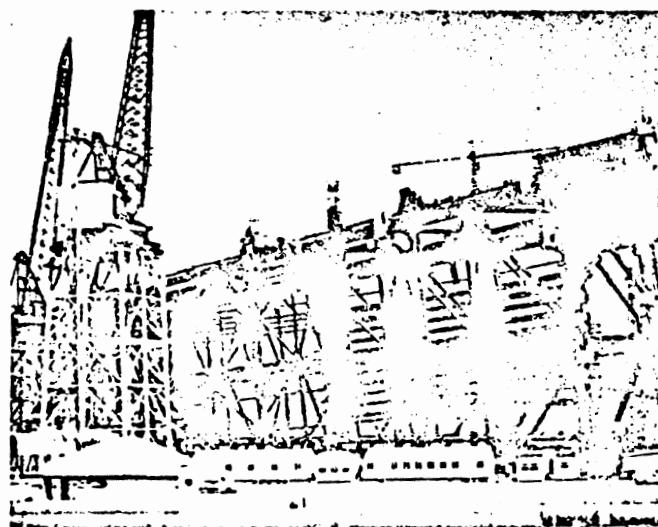
BEGINNING IN 1967, oil activity in the North Sea has rapidly increased in momentum and has made the sea east and northeast of Scotland one of the world's foremost areas of offshore development. More than 400 wells have been drilled and, in the four years 1972-1975, field development programs were begun for 14 oil fields for which total costs are expected to be about \$14 billion.

Over the past three years, the annual value of orders placed for the British sector of the North Sea has been over \$1.75 billion, and it is expected that the amount of business will remain at near this level for the next few years as exploration continues, further fields are developed, and maintenance and repair activities grow in importance. These figures give an

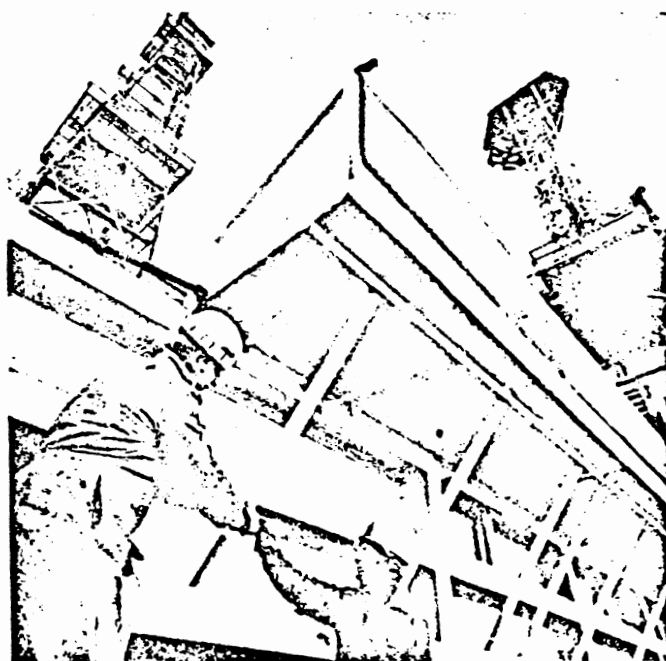
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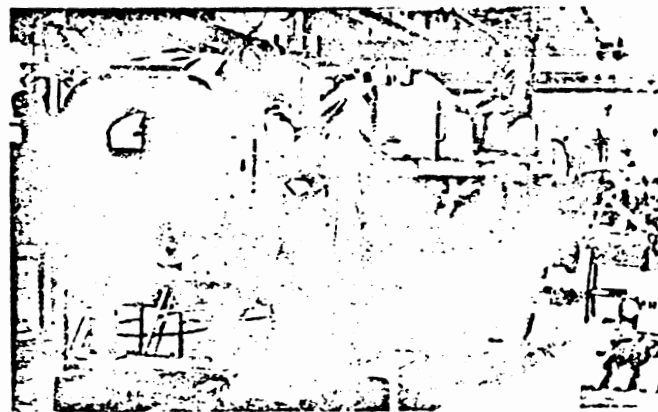
ALLOY FORGINGS are produced by Cameron Iron Works, largest employer in Livingston New Town near Edinburgh.



OIL PLATFORMS are constructed by Brown & Root/Wimpey Highland Fabricators at Nigg Bay in the Moray Firth area.



OIL RIGS are maintained by Seaforth Maritime/Perry, a joint company in Aberdeen on the East Coast.



PRODUCTION LINE at the Terex plant of General Motors Ltd. on the Newhouse Industrial Estate in Motherwell.



Scottish Economic Planning Department
 New St Andrew's House
 St James Centre Edinburgh EH1 3TA

Telephone 031-556 8400 ext

J P Gaffigan Esq	Your reference
Manager, Marketing Services	
Delaware	Our reference
River Port Authority	
Bridge Plaza	Date
Camden	2 March 1978
NEW JERSEY 08101	

Dear Mr Gaffigan

You wrote to the Secretary of State for Scotland on 8 February asking for details of oil employment and land uptake in Scotland.

The latest comprehensive figure we have of total employment in Scotland due to offshore developments is 56-65,000. This figure was derived from a survey carried out by the Scottish Office in mid-1976; more up-to-date information should be available later this year. I attach for your information a copy of an article on the survey which gives some indication of the basis of the calculations as well as a broad indication of the geographic distribution of the oil-related jobs.

On land uptake it is estimated that by the end of 1977 all oil developments in operation or under development (supply bases, administrative accommodation, oil and gas terminal platform yards) had resulted in the use of about 4,800 acres of additional land in Scotland; a further 1,250 acres had received planning permission for oil related uses. It is estimated that little over 100 acres is currently in use at supply bases providing some 60 berths at Leith, Dundee, Montrose, Aberdeen, Peterhead and Lerwick. At these bases there is some immediate backup land behind the quays especially in Lerwick, Peterhead and Montrose; elsewhere the greater proportion of backup land is found on industrial estates. Aberdeen is the major centre with 17 operational berths developed by the Harbour Authority in association with either specialist supply companies or oil operating companies.

I hope that you will find this information helpful.

Yours sincerely

I G F Gray
 I G F GRAY

Exhibit V

Enc

Scotland

continued from page 18

indication of the remarkable market potential which has developed over a very short period.

Industrial development and employment have been boosted by the business created by oil activities. To date, about 350 establishments are wholly involved and a further 400 are partly involved. Together these firms employ about 40,000 people. Additionally, the developments have created jobs in construction and a wide range of supporting and associated services, so that in mid-1976, it was estimated that the total number of jobs associated with oil developments in Scotland ranged from 56,000 to 65,000.

Many companies previously involved in marine activities—servicing/supply, engineering—have naturally extended their activities toward the oil industry. Others with substantial oil markets elsewhere have somewhat reoriented their activities to the local market. In addition, many companies have pooled their diverse expertise to form consortia able to bid against companies long established in the oil business.

A very substantial contribution also has been made by the companies from North America and mainland Europe which moved to Scotland in the post-World War II period. These firms were engaged in a variety of fields, such as electronics, mechanical engineering, and oil-related equipment for the world market. For them, the development of the North Sea was a bonus.

Experience of Gray Tool Co.

One such company is the Gray Tool Co. of Houston. During the 1960s, Gray Tool decided to set up a manufacturing unit in Scotland, Gray Tool Company (Europe) Ltd., primarily to provide a more efficient service to Eastern Hemisphere customers. The start of activities in the North Sea also influenced Gray, as did its desire to enter other European markets.

1968 at Douglas, 30 miles southeast of Glasgow, with government assistance in a government-owned factory of 15,000 sq. ft. An addition which more than doubled the size of the factory was occupied in 1972. About 300 people are now employed there, and the 1976 turnover was about £5 million. The company claims to hold 60% of the market for platform wellheads in the North Sea.

Since 1972, Gray Tool has received more government help under the regional schemes of financial assistance. Further expansion is planned at Douglas, which will become the manufacturing center of operations, and a new unit will be built at East Kilbride, a new town in the west of Scotland, which Gray intends to make its European headquarters. This expansion is expected to provide many new jobs and will involve investment of about £2 million. The company also has service bases at Aberdeen, on Scotland's east coast, and Great Yarmouth in eastern England.

Cameron Iron Works Ltd.

Another example is Cameron Iron Works Ltd., which set up at Livingston, a new town in the east of Scotland, in 1965 with the aid of a government loan. The unit totals about 400,000 sq. ft. on a 117-acre site. Employment in 1966 was 150; but it is now over 1,000, making Cameron the largest employer in the new town. About half the work force is employed making ball valve equipment, some of which is used in the oil industry. Cameron says that its products are used on all rig/platforms operating in the North Sea.

Exploration to exploitation

In the early days of North Sea development, most companies participated in exploration activities—oil operating companies, drilling companies, supply boat operators, specialized supply companies—and were largely from the U.S.A. (for example, ODECO, Occidental, Jackson Marine, Schlumberger). The progression from exploration to exploitation has led to the establishment of enterprises engaged in the production of specialized hardware and in hardware, design and construction. These companies are often British/foreign consortia.

94.
with a major British civil engineering company, Wimpey, established a steel jacket fabrication yard at Nigg in the Moray Firth area. Additional facilities have since been incorporated into the yard, including a rolling mill and advanced testing facilities. At peak, the firm has employed more than 3,000 workers. To cater for this work force, government—both central and local—has financed major infrastructure improvements in the area.

Also in the Moray Firth, J. Ray McDermott set up a fabrication yard which has steadily increased its labor force over the past four years to about 1,700. Five major jackets have been completed by these yards and each has won another order this year for drillings in the British sector of the North Sea.

The technological advances made by these groups and the operating companies in designing and constructing platforms for deep water in hostile marine environments have opened up more markets in other offshore areas of the world where the pace of development is quickening. For example, the McDermott company is working in Scotland on export orders for jackets destined for the Dutch sector of the North Sea and for offshore Brazil.

Other joint companies also have been established, with complementary capabilities, to take full advantage of the worldwide search for oil. Examples include Seaforth Maritime/Perry, Ferranti Offshore Systems/Eastmann Whipstock, John Wood/Pool Co. of Houston and Scott Lithgow CFI.

New manufacturers

The stimulus of the North Sea market, both in the British and other sectors, together with increasing activity offshore in the Eastern Hemisphere generally, has led to the establishment of new companies to manufacture oil field equipment. A good example is Baker Tools. The company has had sales and service operations at London and Great Yarmouth since 1965. A manufacturing unit, Baker Oil Tools (UK) Ltd., was established at Aberdeen in October 1973 to serve the North Sea industry. In 1976, the area of the factory was more than doubled to over 100,000 sq. ft., and employment has risen to about 300 in 1977. Present turnover now exceeds £10 million, 80% of which is exported.

The company has been well pleased by the achievements of the Aberdeen unit. This plant now supplies the whole of the Eastern Hemisphere (Europe, Middle East and Far East).

Incentives

A number of incentives are offered by the British Government for companies locating or expanding in Scotland. For manufacturing industries, these incentives include regional development grants of up to 22 percent (depending on the area concerned) on new buildings, enlargements of buildings and new plant and machinery, and loans of up to 50 percent at a concessionary rate of interest with possible interest-free periods. As an alternative to a loan, the government may give an interest-relief grant on private borrowings.

Service projects which have a clear choice of location—that is, are not confined to Scotland by virtue of market or the service offered—may qualify for rental concessions, employee transfer grants and job-creation grants. Service and manufacturing industries completely relocating either within or to Scotland may also be given a contribution of up to 80% of removal costs.

Offshore activity is likely to remain at a high level, and there are still areas of real potential growth in the offshore market. Opportunities in downstream processing and petrochemicals are also emerging. Scotland, therefore, will continue to be of world importance for a wide range of oil activities for some time to come. □

THE PORT AUTHORITY OF NY & NJOne World Trade Center
New York, N.Y. 10048APPENDIX K

Law Department

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May 25, 1978

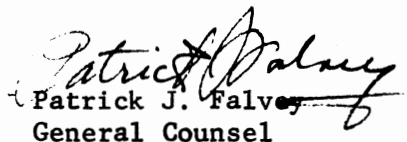
Hon. H. Donald Stewart
Chairman
N.J. Assembly Agriculture
and Environment Committee
Room 223
State House
Trenton, New Jersey 08625

Dear Chairman Stewart:

In accordance with your request, I am pleased to enclose a statement which outlines the Port Authority's views regarding the potential of support bases for off-shore drilling in the Port.

If you require additional information, we shall be pleased to respond.

Sincerely,


Patrick J. Falvey
General Counsel

enclosure

SUPPORT BASES FOR OFFSHORE DRILLING: THE PORT OF NEW YORK/NEW JERSEY POTENTIALIntroduction

The energy crisis of 1973 and its on-going effects have impacted the Northeast more than any region in the nation. It is estimated that the Northeast currently obtains more than 90% of its energy supplies from outside of the region and over 40% of this amount in the form of petroleum from foreign sources, particularly the OPEC countries in the Middle East, North Africa and South America. Major new discoveries of both oil and natural gas in North America and their rapid development can materially reduce this dependence on oil from OPEC and other foreign sources, and national energy policies recognize the immediate importance of this course of action. Oil and natural gas have become increasingly more difficult and costly to find on land, but offshore areas are estimated to have important potential reserves of hydrocarbons that as yet have been only partially tapped.

Offshore drilling is not new but has been conducted for several decades and has resulted in the discovery of large quantities of oil off the shores of the U.S. Drilling offshore normally is more difficult and expensive than drilling wells onshore. While there is no greater assurance of success, there is believed to be more opportunity for finding large new fields capable of significant production in the undrilled offshore basins than in the mature, well-drilled onshore producing areas.

A number of areas on the United States Outer Continental Shelf (OCS) have been identified through geophysical exploration as potentially having the proper geologic conditions for the formation of oil and gas. Among these are the Baltimore Canyon Trough, an elongated basin off of the coast of New Jersey, and a similar feature beneath the Georges Bank, which runs northward from Nantucket Island.

The first OCS Lease Sale of rights to begin drilling off the Atlantic Coast took place in New York on August 17, 1976, when the Department of the Interior offered for lease drilling rights on 154 tracts in the Baltimore Canyon Trough. It has been estimated that the recoverable hydrocarbon resources in these tracts range from 0.4 to 1.4 billion barrels of oil and from 2.6 to 9.4 trillion cubic feet of gas. However, it must be stressed this area has never been tested by actual production drilling, and until exploratory drilling has been completed, there is no way of actually confirming the existence or magnitude of any resources. Discoveries of this magnitude, particularly the higher estimates, can provide significant additions to the supply of energy fuels required in the Northeast.

Onshore Requirements

Offshore drilling requires onshore waterfront base support for supply and construction purposes during all phases of OCS activities. Onshore base siting is a major decision that must be made by the oil companies early in the OCS development process. Basically, there are two principal categories of OCS land support bases; those which store supplies and provide transportation for material and personnel used in offshore drilling activities, and those of a more industrial nature which are engaged in some form of OCS construction activity (i.e., modules, jackets, pipe coating).

The Port Authority of New York and New Jersey has undertaken a study of the feasibility of locating one or more of these waterfront bases in the Port District for the support of Mid-Atlantic OCS activities. The Port of New York/New Jersey is located at the crossroads of the Georges Bank and the Baltimore Canyon Trough. As the nation's major harbor complete with a full range of air and marine port facilities and services, the bi-state Port is particularly well-qualified to provide sites for OCS supply and industrial support bases. Numerous facilities exist along the 650 miles of shoreline of the Port that could

accommodate such OCS activities with a minimum of development. The types of bases required for OCS support are compatible with other existing uses in industrial areas along the waterfront and could thus be sited adequately at a number of locations. Their general character as clean, revenue producing operations which tend to generate employment in related areas enhances their attraction for the waterfront.

Potential Energy Benefits and Economic Advantages

It is not at all clear how much oil and gas will be discovered offshore, but the finding of significant hydrocarbon deposits can be a boost to the region's economic vitality. The volume of the discovery will govern the actual number of drilling platforms to be installed and their locations. This in turn will influence the numbers, types and coastal distribution of the onshore support bases that will be required.

Direct economic benefits for the area could begin as soon as support bases are established. Generally, the greatest amount of activity occurs during the exploration and development phases of OCS operations. The bulk of this activity, and the consequent demand for labor and material, would normally occur relatively early in the life span of successful oil and gas fields and would then slowly decline through the production phase until the recovered deposits are depleted. If major finds of oil and natural gas are made, substantial activity and consequent economic impact could be expected to last through the turn of the century with maximum employment totalling at least 2,500 persons yearly.

The New York/Northern New Jersey Metropolitan Area has a large supply of the kinds of labor required by both supply and industrial base activities, and the large and diversified nature of this Metropolitan Area's economy would allow the absorption of this new industry without dislocation. By contrast, the

siting of OCS support facilities in smaller towns would likely have noticeable impacts on basic local economic resources and community facilities.

Beyond the direct economic benefits that may be derived from OCS support activities, the area may also benefit from the location of ancillary activities within the region. However, it is not likely that substantial capital investment would occur within the Port. Experience has indicated that the oil industry would seek to utilize sites for support bases that require only minimal investment for upgrading rather than sites that need major construction and renovation.

While most attention is focused on the immediate potential benefits in the form of onshore jobs and relative activities which would result from the location here of OCS onshore support bases, the ultimate value of successful OCS operations will be the contribution to meeting both national and regional energy requirements. While OCS development will not be a total panacea for the energy problems facing the Northeast, a high offshore resource discovery could provide an important reserve cushion at a time when the nation is attempting to lessen its dependence upon imported petroleum.

One final, albeit important, benefit to this Port area of the location here of onshore OCS support bases would be the psychological lift the region would experience as a result of capturing this important highly visible activity. The New York/New Jersey Metropolitan Area has suffered persistent economic setbacks since the beginnings of the 1969-1970 recession. Many manufacturing industries have either moved away from the Region or gone out of business in the past seven years. In an atmosphere of understandable pessimism, the ability of the Harbor to attract OCS support bases, and, therefore, the potential for more extensive ancillary industries, would perhaps yield a psychological shot in the arm that would outweigh the more obvious employment and income results of the activities.

APPENDIX L

GULF OIL EXPLORATION AND PRODUCTION COMPANY

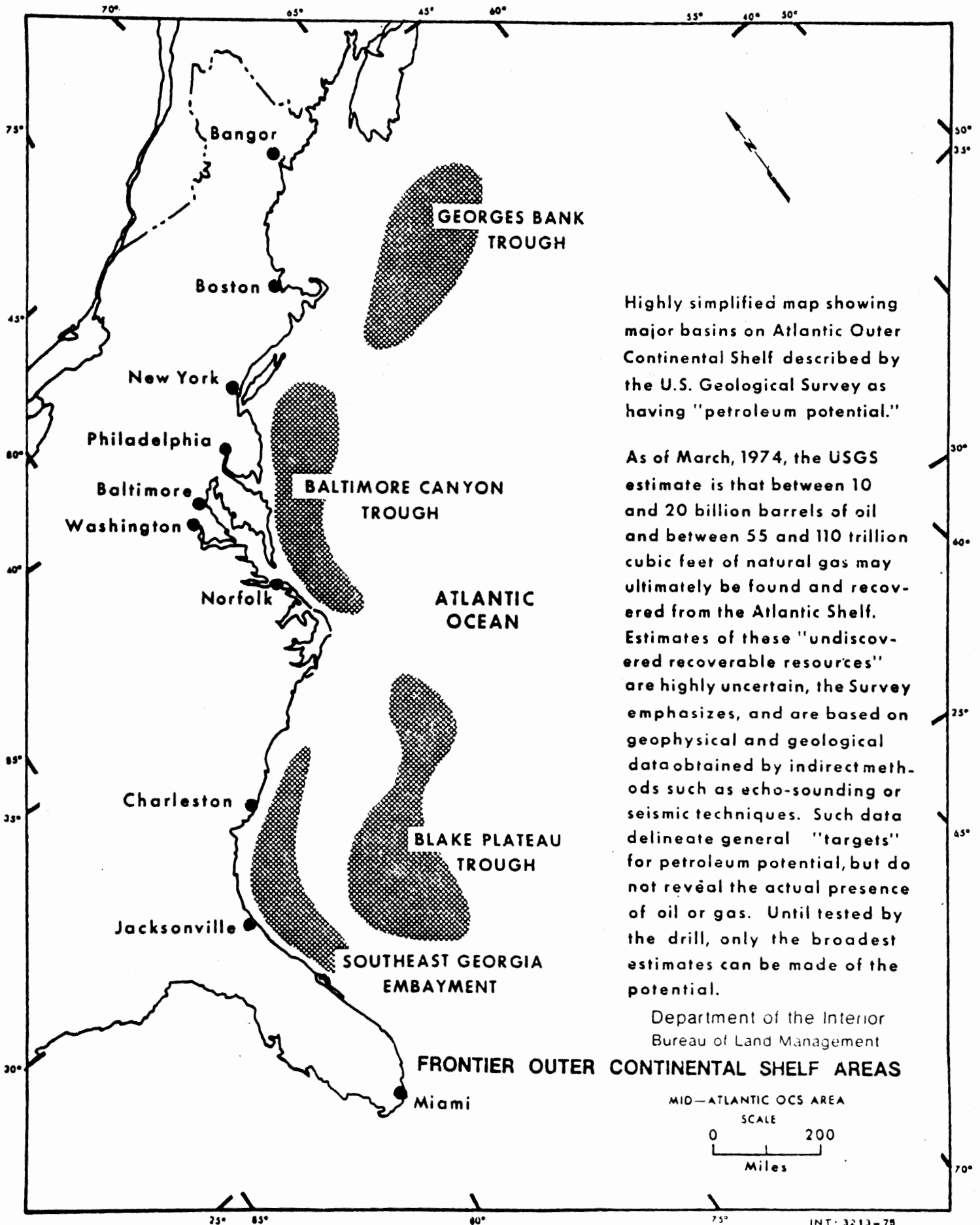
SOUTH AND EAST OFFSHORE DIVISION



OCS-A 0059, WELL NO. 1
BLOCK 857, HUDSON CANYON

EAST COAST TASK FORCE
ATLANTIC CITY, NEW JERSEY

AUGUST 1978



Highly simplified map showing major basins on Atlantic Outer Continental Shelf described by the U.S. Geological Survey as having "petroleum potential."

As of March, 1974, the USGS estimate is that between 10 and 20 billion barrels of oil and between 55 and 110 trillion cubic feet of natural gas may ultimately be found and recovered from the Atlantic Shelf. Estimates of these "undiscovered recoverable resources" are highly uncertain, the Survey emphasizes, and are based on geophysical and geological data obtained by indirect methods such as echo-sounding or seismic techniques. Such data delineate general "targets" for petroleum potential, but do not reveal the actual presence of oil or gas. Until tested by the drill, only the broadest estimates can be made of the potential.

Department of the Interior
Bureau of Land Management

FRONTIER OUTER CONTINENTAL SHELF AREAS

MID-ATLANTIC OCS AREA
SCALE
0 200
Miles

INDUSTRY DATA
BALTIMORE CANYON DEVELOPMENT

DATE OF LEASE SALE:	August 17, 1976
TOTAL BIDS:	\$1.1 billion
TOTAL TRACTS OFFERED:	154
TRACTS BIDDED:	101
SIZE OF TRACTS:	5,693 acres
CLOSEST DISTANCE TO SHORE:	47 miles
FURTHEST DISTANCE FROM SHORE:	92 miles
LOW FEDERAL OIL RESERVE ESTIMATE:	400 million barrels
HIGH FEDERAL OIL RESERVE ESTIMATE:	1.4 billion barrels
LOW FEDERAL GAS RESERVE ESTIMATE:	2.6 trillion cubic feet
HIGH FEDERAL GAS RESERVE ESTIMATE:	9.4 trillion cubic feet

GULF OIL EXPLORATION & PRODUCTION COMPANY DATA
BALTIMORE CANYON DEVELOPMENT

LEASE SALE ACQUISITIONS:	3 tracts
TOTAL BONUS PAID:	\$40.6 million
GULF SHARE PAID:	\$18.5 million
TRACTS OBTAINED:	New Jersey Area 18-3, block 857 New Jersey Area 18-6, blocks 187 and 230
SUBSEQUENT ACQUISITIONS:	Interest in 7 additional tracts
TERMS OF ACQUISITION:	50 percent of six tracts 12½ percent of seventh tract
ACQUISITION COSTS TO GULF:	\$25.6 million
DATE OF ACQUISITION:	September, 1976
TRACTS INVOLVED:	New Jersey Area 18-3, blocks 502, 546, 590, 633, 634, 718, and 719

LEASE DEVELOPMENT

Manpower Needs:

Each drilling rig will require about 100 workers laboring around the clock in two 50-man crews. Therefore, 5 rigs positioned in the Baltimore Canyon would require a direct workforce of 500 people in such jobs as dispatchers, material expeditors, deck hands, and clerks. Adding the backup services provided by contractors, the exploration phase of development could involve over 2,000 people.

Transportation:

Each crew working an offshore rig shift is primarily shuttled from shore by helicopter. Materials and supplies are transported by boat.

Drilling Rigs:

There are basically three types of drilling rigs used in offshore exploration. They are the jackup, which sits on the seabed, the semi-submersible, which floats on flooded pontoons, and the drillship, which operates much like a conventional sea-going vessel. Initially, Gulf will be using a semi-submersible in its Baltimore Canyon operations.

Land Support Facilities:

Various onshore facilities will be needed to support the various operations of offshore drilling. These include a transportation base from which workers will depart for work on rigs, a shoreside staging area for equipment and supplies needed to startup, maintain and expand operations, and an environmental support base to monitor and cleanup oil spills. Gulf's onshore operations will be based in Atlantic City, N. J., and Davisville, R. I.

GULF'S FIRST EAST COAST EXPLORATORY WELL

The Hudson Canyon Block 857 No. 1 well was spudded in June 10, 1978. It is scheduled to be drilled to 16,000 feet. The estimated cost of \$9 Million will be borne by a group consisting of Gulf Oil Corporation, owner of 50 percent interest; Aminoil U.S.A. Inc., a unit of R. J. Reynolds Industries, Inc., 25 percent interest; Tenneco Oil Company, 15 percent interest; and Cities Service Company, 10 percent interest.

The drill site is approximately 90 miles offshore from Atlantic City, N. J. in 348 feet of water. The operation is expected to require from 90 to 120 days to complete. Daily costs will average approximately \$70,000 per day over the life of the project.

The semi-submersible rig "New Era" owned by the Diamond M Company of Houston is being used to drill the well. This twin hull catamaran "semi" was constructed in 1974 at a cost of \$42 million. It is 200 feet wide and 290 feet long, with 32,258 square feet of main deck. From the bottom of its twin hulls to the crown block atop its derrick, the rig stands 314 feet. When ballasted for drilling, its deck rides 40 feet above the surface of the water. It is capable of drilling to 30,000 feet and has a weight of 11.6 million pounds. There are housing accommodations for 70 people with a crew compliment varying between 38 to 63 people on board in any one instance.

Gulf Supervision on board consists of a Drilling Supervisor, a Drilling Engineer and two Geologist.

The rig is serviced by two supply vessels operating from a shore base at Davisville, Rhode Island. Additionally, an emergency standby vessel is on station at the site and one helicopter is used to transport crews and light supplies from the Atlantic City Base.

Overall the supervision of the project is provided from Atlantic City where the staff consists of the Task Force Manager, a Drilling Superintendent, Office Manager and Material and Transportation Supervisor.

Communications are via radio with satellite back up.

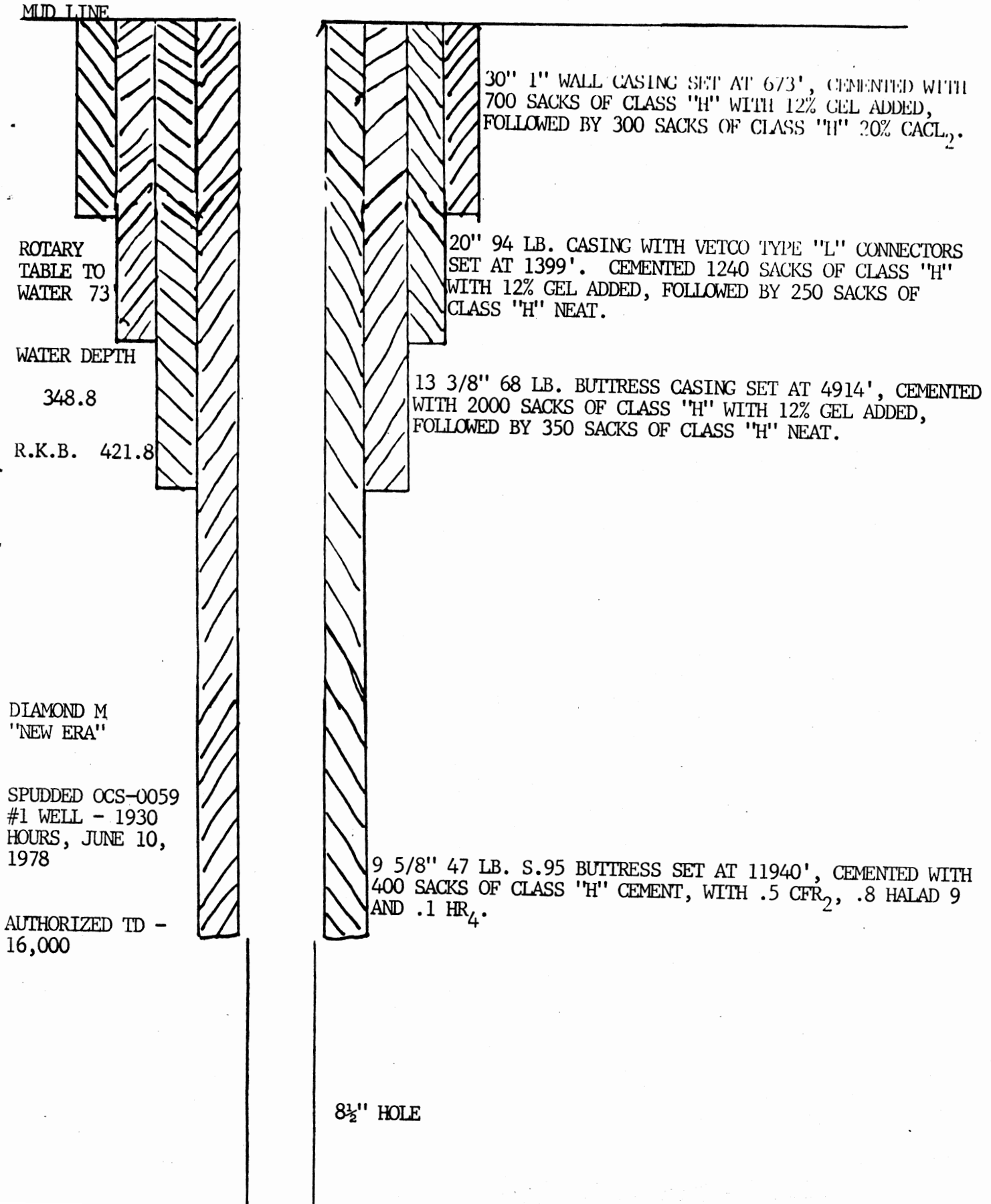
Pollution control equipment is available on the rig and an additional \$1,000,000 worth is available through Clean Atlantic Inc. at Davisville. Thirty-five trained operators for this equipment are available and on contract in the event of an emergency from a firm in Rhode Island.

This well is one of eight exploratory wells that has been spudded off the Atlantic Coast since operations began last March, 1978. These are:

Exxon	Block 684
Continental Oil	Block 590
Shell Oil	Block 632
Shell Oil	Block 273
Texaco	Block 598
Houston Oil & Mineral	Block 676
Gulf Oil	Block 857
Mobil	Block 544

Two wells have been completed; a 12,000 foot test by Continental and a 14,000 foot test by Shell have been pronounced dry and abandoned. Texaco has announced a discovery and is presently testing to determine if it's commercial. The rest are still in progress.

OCS-0059 WELL #1

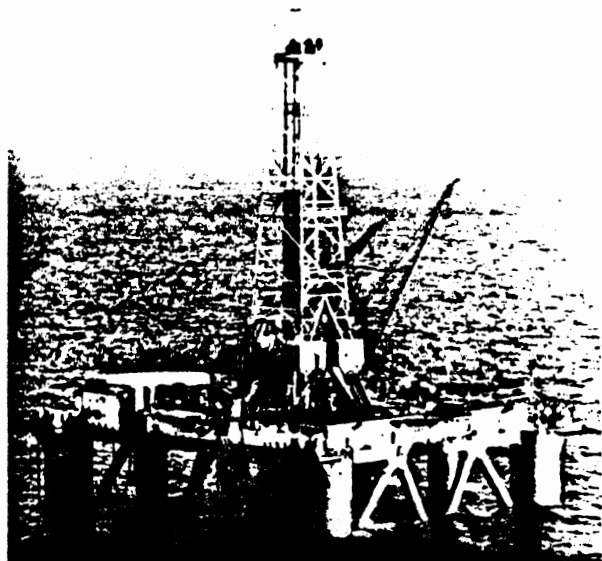


Diamond New Era

Semi-Submersible Drilling Unit


Water Depth Capacity 1,200 ft

Drilling Depth Capacity 30,000 ft



Draft	Condition	Displacement	Top Deck Load
15.5 ft	Lightship	7,493 LT	
20 ft	Ocean Tow	10,110 LT	1300 ST
23 ft	Field Move	11,642 LT	2688 ST
50 ft	Drilling	16,404 LT	2688 ST

Vessel

Classification ABS  AI (E) (M)

Length 290 ft

Beam 200 ft

Hulls (2)

Beam 35 ft

Depth 25 ft

Main Deck 95 ft

Pipe Rack 108 ft

Drill Floor 128.25 ft

Natural Period

Heave 20.7 sec

Roll 40.6 sec

Pitch 31.5 sec

Propulsion

5100 hp

Cranes

Two Link Belt ABS 238, 50-ton

Heliport

For S-61N helicopter

Storage

Quarters

70-man + 6-man hospital
(expansion space available)

Bulk Tanks 9120 ft³

Sack Storage 3500 sx

Fuel 5100 bbl

Potable Water 700 bbl

Drilling Water 15,842 bbl

Mud Tanks 1575 bbl

Safety

Fire Extinguishers

One lot portable, CO₂ flood system.

One 500-lb dry chemical

Life Jackets

Per USGS Regulations

Life Rafts

Four 8-man

Life Boats

Two

Anchoring

Eight 2 3/4 in. x 4800 ft anchor
chains, each with 30,000-lb anchor
Eight tension recorders

Motion Compensator

Vetco MC 400-20D

Drilling Equipment

Derrick & Substructure

160-ft Pyramid, 1,000,000 lb with Continental Emisco crown block, 50 ft x 50 ft x 33.25 ft welded superstructure.

Drawworks

Oilwell E-3000, two EMD D-79 DC motors, Baylor 7838 electric brake, 1 1/2-in. wire line.

Mud Pumps

Two Oilwell 1700 PT Triplex, Two EMD D-79 DC motors each pump

Mixing Pumps

Three Mission 5 x 6 centrifugals with 75 hp electric motors.

Prime Movers

Two GM EMD MD 16E-8 diesel, 3070 hp, each driving EMD A 20-6 2000-kw AC generators.
One GM EMD MD 16 E-8 diesel, 2200 hp, driving EMD A 20-6 1500-kw AC generators

Rotary

Oilwell 37 1/2-in. with Oilwell RT 2010 transmission, EMD D-79 DC motor.

Travel Block

Oilwell 650-ton with alignment guide

Hook

BJ 5500 dynaplex

Swivel

Oilwell PC 650.

Shale Shaker

Hutchinson-Hayes Rhumba 102

Drill Pipe

5-in. Grades E and S-135

Drill Collars

6-in. and 7 3/4-in.

Blowout Preventers

(All H₂S Trimmed)

Two Shaeffer 18 3/4-in., 5000 psi annular

Two Cameron Type "U" double units, 18 3/4-in., 10,000 psi

One Collet connector, hydraulic, 18 3/4-in., 10,000 psi

Accumulator

660-gal, 3000 psi Payne.

Diverter

Regan KFDH-3

Desander

Demco, six 8-in. cones with 50-hp 5 x 6 Mission pump

Desilter

Demco, 416-H Siltmaster with 50-hp 5 x 6 Mission pump

Degasser

Wellco 5200

AC-DC System

GE 6-unit SCR, each 750 v, 1000 a

Emergency Generator

CAT D343 with 250-kw AC generator

Riser

1200-ft, 21-in. Cameron x-52 integral choke and kill line

One Collet connector, hydraulic, 18 3/4 in., 10,000 psi

Three 21-in. Riser pup joints, 40 ft, 20 ft and 10 ft, RCK connector ends.

One Telescoping joint.

One ball joint 18 3/4-in., 5000 psi

One bell nipple.

Riser Tensioners

Six Western Gear 80,000-lb, 50-ft stroke

Guide Line Tensioners

Four Western Gear 16,000-lb, 40-ft stroke

Choke Manifold

10,000 psi WP.

Instruments

Martin Decker four-channel recorder.

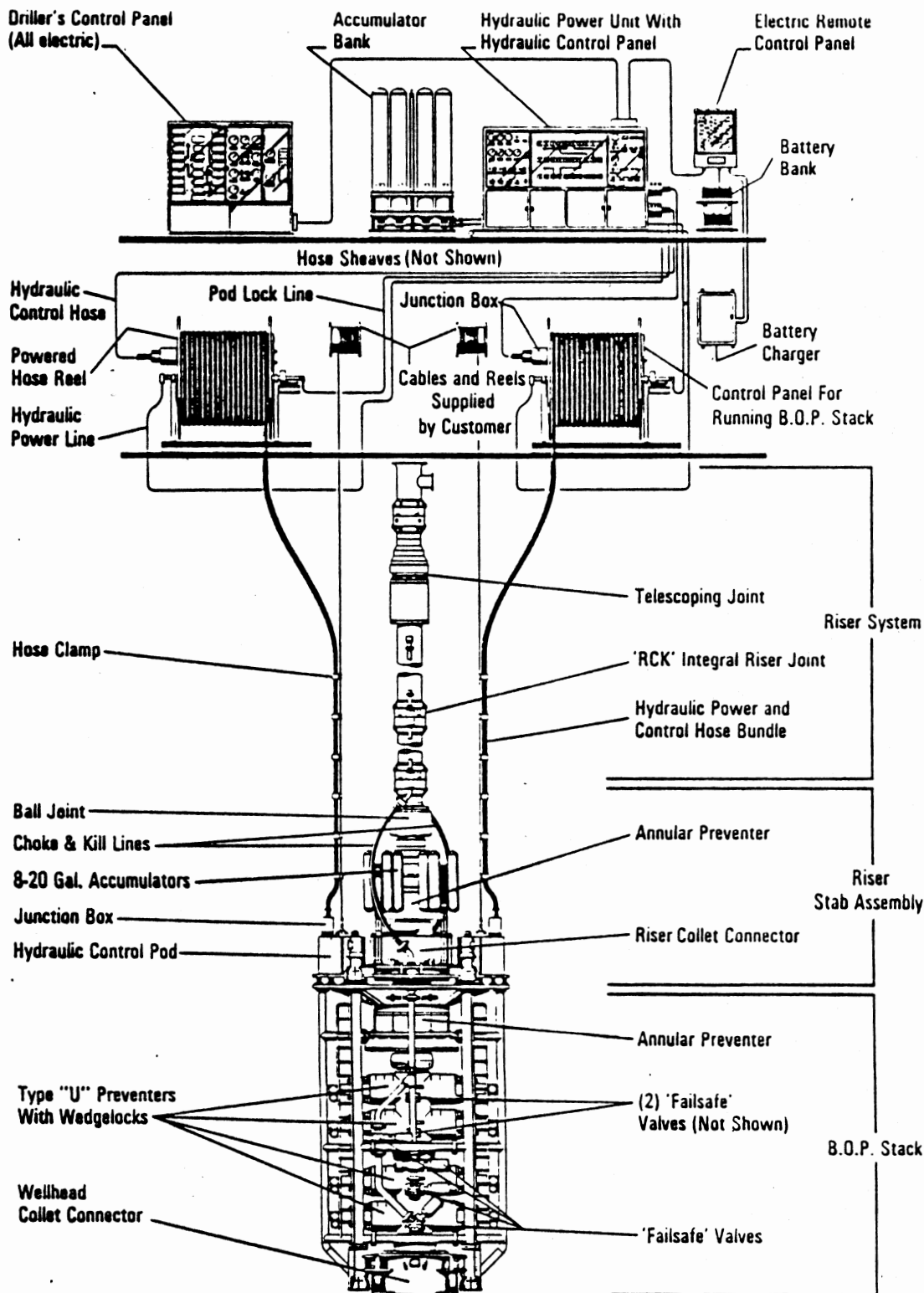
Watco Flo Sho

Martin Decker pit volume totalizer with pump stroke counters

Honeywell RS-5 acoustic position indicator

Weather instruments, SSB & FM radio

Cameron Total System



Marine Systems Drilling Hookup
With
Hydraulic Controls



Petroleum Helicopters

GENERAL SPECIFICATIONS PUMA SA-330J TWIN-TURBINE HELICOPTER

DIMENSIONS

Length	59' 8"
Width	9' 10"
Height	16' 10"
Main Rotor Dia.	49' 3"

POWER PLANT

Two (2) Turbomeca Turmo
IV C engines developing
1550 SHP each engine

LANDING GEAR

Tricycle Retractable Type
Landing Gear with Pilot
Activated Emergency Pop-out
Float System

HELIPORT SIZE

50' x 50' Landing deck
(Normal operations)

STANDARD EQUIPMENT

VHF Radio
VLF Global Navigation System
IFR Equipped
Radar
Fully Equipped for Night Flights
Life Vests
Life Rafts with Survival Gear
Sound Suppressors

CARGO/BAGGAGE

20 Cubic Feet Baggage Space
(360 lbs. capacity in tail boom
compartment)
Internal Cargo Space—417 Cubic Feet

SPECIFICATIONS

Maximum gross weight	16,300 lbs.
Average basic weight	9,800 lbs.
External sling	5,500 lbs.
Fuel capacity	596 gals. (With auxiliary tanks)
Fuel consumption	180 gph/1200 pph
Average cruise speed	140 mph
Maximum range	400 miles 30 min. fuel reserve
Passenger seats	18 passengers plus 2 pilots

LOADING INFORMATION

Basic weight	9,800 lbs.
Full fuel (2 aux. tanks)	3,930 lbs.
Pilot & Co-pilot	350 lbs.
Operating weight	14,080 lbs.
Max. gross weight	16,300 lbs.
Minus operating weight	14,080 lbs.
Total payload	2,220 (Full fuel)

PAYLOAD

Distance vs. Fuel Requirement = Payload & Flight Time

DISTANCE (round trip)	FUEL REQUIRED*	PAYLOAD OUTBOUND	FLIGHT TIME
400 miles	3930 lbs.	2220 lbs.	2:50
350 miles	3600 lbs.	2550 lbs.	2:30
300 miles	3168 lbs.	2982 lbs.	2:08
250 miles	2748 lbs.	3402 lbs.	1:47
200 miles	2316 lbs.	3834 lbs.	1:26
150 miles	1884 lbs.	4266 lbs.	1:04

*Includes 30 minute reserve.

Petroleum Helicopters, Inc., New Orleans and Lafayette, Louisiana

P. O. Box 23502
5728 Jefferson Highway
New Orleans, Louisiana 70183

P. O. Box T
Municipal Airport
Lafayette, Louisiana 70502

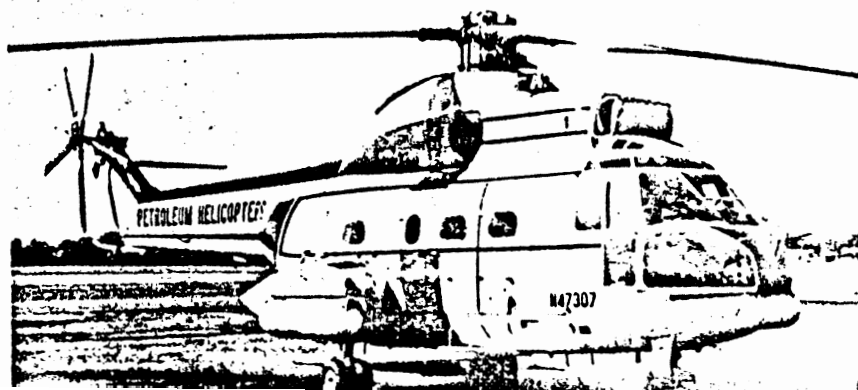
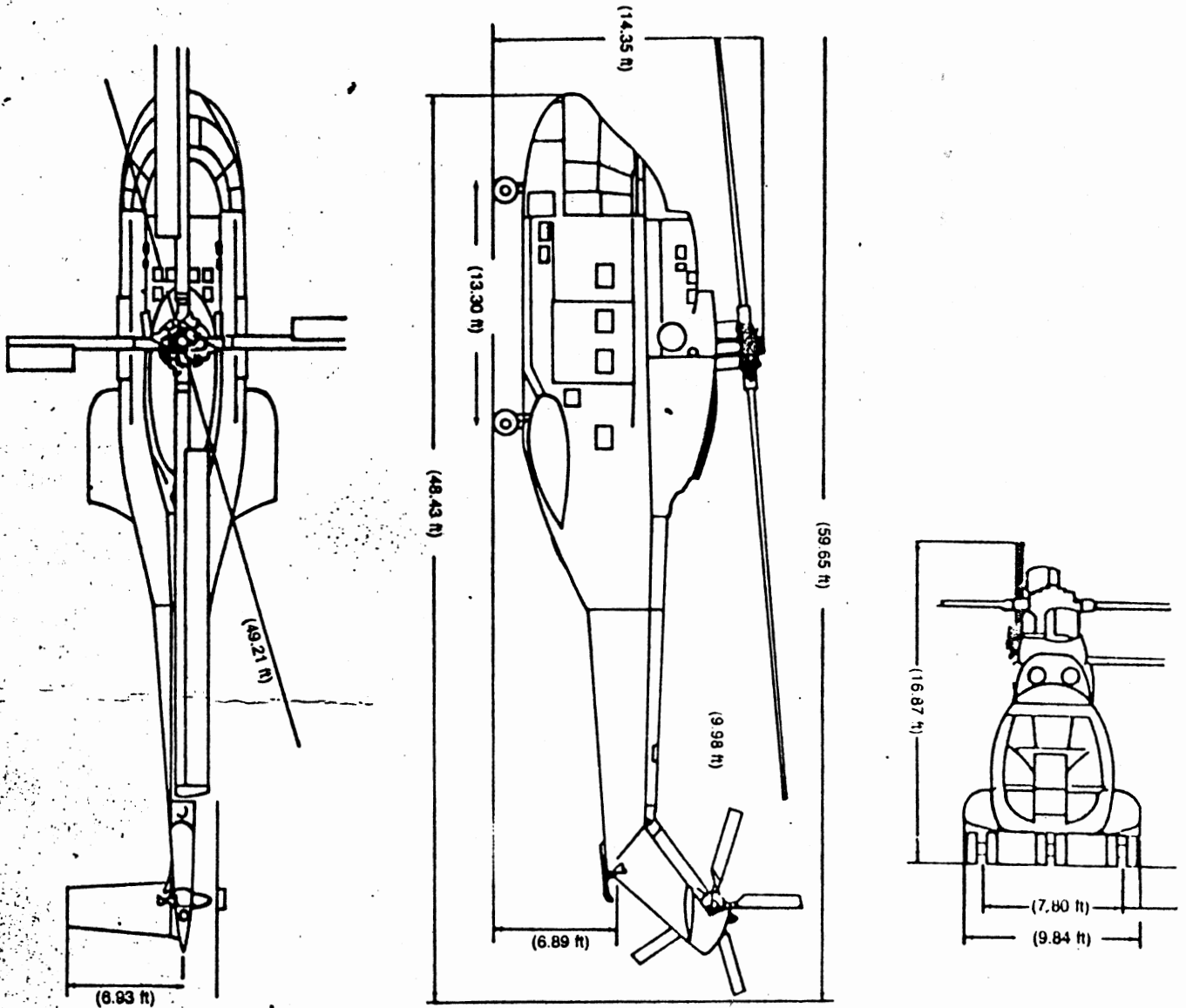
Phone: New Orleans (504) 733-6790
Lafayette (318) 235-2452

Telax: 886070
Cable: PETHELICO

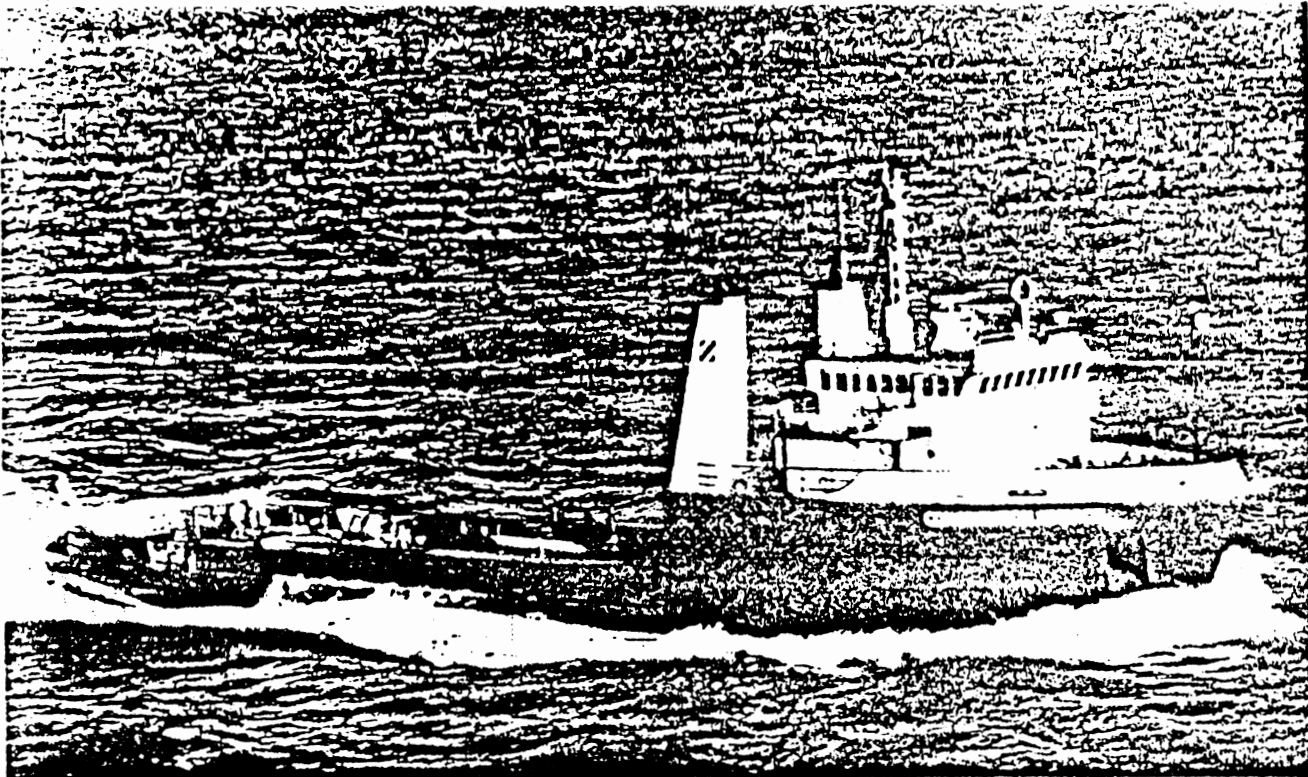
GENERAL CONFIGURATION

PUMA SA-330J

TWIN-TURBINE HELICOPTER



ZAPATA MARINE SERVICE



CONSTITUTION SERVICE

DIMENSIONS

Length: 206 ft (62.8 m)

Beam: 40 ft (12.2 m)

Depth: 16.5 ft (5.0 m)

CAPABILITIES

Speed: 15 knots maximum
13 knots cruising

Bollard pull: 80 tons continuous
100 tons intermittent

MACHINERY

Main engines: Two EMD 16-645-E5 developing a total of:
5,750 BHP 6,000 IHP with fixed wheels in Kort nozzles

Bow thruster: 400 HP, 10,000 pounds thrust

Generators: Two generators, each developing 200 KW at 60 cycles

Towing winch: SMATCO Waterfall type, each drum capable of carrying
3,500 ft (1066.8 m) of 2 in. (5.1 cm) wire
Single line pull at stall: 350,000 pounds

CONSTITUTION SERVICE

CAPACITIES AND TRANSFER RATES

Fuel:	125,000 U.S. gal (423 m tons)	24,000 gal/hr @ 200 ft head (80 m tons/hr @ 61 m head)
Drill water:	200,000 U.S. gal (757 m tons)	24,000 gal/hr @ 200 ft head (90 m tons/hr @ 61 m head)
Potable water:	45,000 U.S. gal (170 m tons)	24,000 gal/hr @ 200 ft head (90 m tons/hr @ 61 m head)
Bulk:	6,000 cu ft (169.9 cu m) in 4 below-deck vertical tanks	40 psi compressor, delivering 24,000 cu ft/hr (680 cu m/hr)
Deck:	400 tons on 118 ft x 32 ft (36.0 m x 9.8 m) deck	
Cooler:	350 cu ft (9.9 cu m) walk-in refrigerator	
Freezer:	350 cu ft (9.9 cu m) walk-in freezer	
Ship's anchors and chain:	Two Danforth 2,640-pound anchors, each with 1,800 ft (329.4 m) of 1.5 in (3.0 cm) chain	

NAVIGATION EQUIPMENT

Gyro compass	Magnetic compass
Automatic pilot	Fathometer
Radar (2 units)	VHF-FM radio
Single sideband radio	Automatic direction finder

ACCOMMODATIONS

Berths for 27 persons, including crew complement of 12. Safety and survival equipment meets requirements of International Convention for Safety of Life at Sea.

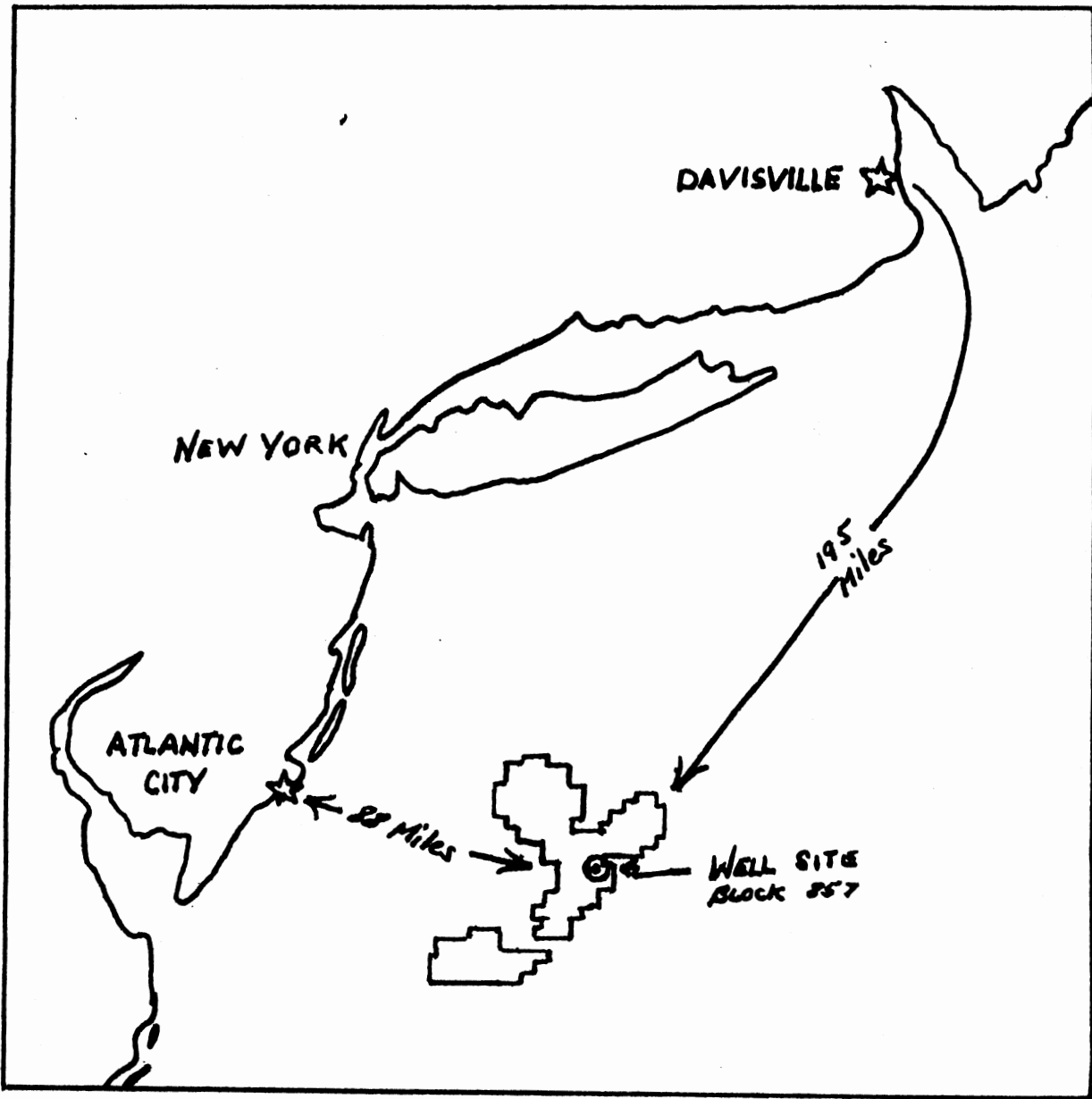
FLAG CLASSIFICATION CERTIFICATES

U.S.-flag with standard certificates for ocean service, including ABS classified—Maltese Cross A-1 E and I-C Ice Class. ABS International Load Line Certificate. U.S. Coast Guard Certificated.



Zapata Marine Service, Inc.

Zapata Tower • P.O. Box 4240 • Houston, Texas 77001
713/226-6000 • Telex 76-2595 • TWX 910-881-1796



BALTIMORE CANYON

APPENDIX M

Newark Star Ledger

Sunday, February 19, 1978

Gas find could spark new energy industry

By GORDON BISHOP

A new energy industry — the processing of natural gas — is in New Jersey's future if fossil fuels are discovered beneath the Atlantic Ocean.

Depending on the amount of natural gas found off the New Jersey coast, the new processing industry could bring in tax ratables in excess of \$150 million, based on projections by the petroleum companies.

Several hundred jobs also would be created.

From three to eight natural gas processing plants valued at around \$20 million each will be needed to process the flow of raw gas from the Baltimore Canyon, a geological formation suspect-

ed of containing from 2.6 trillion to 9.4 trillion cubic feet of natural gas, and from 400 million to 1.4 billion barrels of crude oil. (There are 42 gallons to the barrel.)

The potentially fuel-rich canyon lies from 45 to 150 miles off the Jersey coast, and is the site of the first drilling operations in the Atlantic Ocean.

There are no natural gas processing plants in New Jersey, although there are four major oil refineries operating in the state, two in Gloucester County along the Delaware River and two in Union and Middlesex counties.

* * *

A typical natural gas plant processes from 300 million to 500 million cubic feet of gas per day, industry figures show. A \$20 million plant takes up to 10 acres of land.

The petroleum industry is seeking "inland sites" for the processing plants, far away from the coastal recreation and tourist attractions.

The plants would be anywhere from 10 to 20 miles inland.

Several hundred tradesmen — pipefitters, electricians, mechanics, operating engineers — would be needed to build a plant.

Once in service, a fully automated plant requires about 30 specialized workers.

After preliminary testing of the Outer Continental Shelf last year, the petroleum industry indicated there may be more natural gas than crude oil buried in the Baltimore Canyon.

The gas would be piped to the mainland and processed at the proposed plants.

If enormous quantities of gas are found, larger "common carrier" plants

(Please turn to Page 35)

Offshore gas could spark new industry

(Continued from Page One)

would be built. These are plants in which a major pipeline transports the gas to a facility shared by the oil companies. That would reduce the number of pipeline corridors coming to shore.

Common carrier plants are capable of processing over a billion cubic feet of gas a day.

A facility of that magnitude would cost up to \$50 million to build, require some 50 workers and use about 25 acres of land.

Natural gas, in its raw form, is semi-liquid, usually found in conjunction with crude oil. A processing plant converts the moist fossil fuel into a dry gas.

The gas, when it comes out of the ground, is odorless. A chemical is added to the gas to give it a pungent odor to warn of its lethal presence.

The processing plant strips the gas of methane, ethane, propane, butane, carbon monoxide and sulfur. What's left is natural gas distributed to businesses, homes and industry for heating and many manufacturing uses.

The petroleum industry prefers to site the processing plants as close to the offshore drilling operations as possible.

A mile of undersea pipeline costs \$1.75 million. It is estimated that between 100 and 570 miles of pipeline will be needed to carry the oil and natural gas to the existing refineries and new processing plants.

The biggest pipeline corridor being studied by the State Department of Environmental Protection is along the Atlantic City Expressway, leading to refineries on the Delaware River in South Jersey, Philadelphia and Delaware.

Another pipeline corridor under consideration by the petroleum industry — should large commercial quantities be discovered — would go directly to the Union-Middlesex refineries via the Raritan Bay and Arthur Kill.

The first shipments of "Jersey crude" and gas, however, are expected to go to the South Jersey-Philadelphia-Delaware petrochemical complex — the largest on the East Coast.

Texaco and Mobil operate refineries in South Jersey, and Exxon and Chevron run refineries on the Arthur Kill and near Newark Bay.

The pipeline corridors and processing plants needed to accommodate the offshore activities are discussed in an analysis of "Energy Facility Siting Issues in New Jersey's Coastal Zone," prepared by Miss Helga Buseman of the state's coastal zone office in the environmental department.

In that report, released in December, Buseman, using industry and government data, projects from three to eight new processing plants and up to 570 miles of pipelines.

The state analysis acknowledges that a new energy industry would be established in New Jersey once offshore production of fossil fuels gets underway in three years.

The construction of new processing plants, however, would have to begin before that, or the new energy resources would not be able to be delivered to consumers by 1981-82.

Until the fossil fuel reserves are pinpointed during the exploratory phase of offshore drilling, the petroleum industry and state energy planners cannot know where to site the new facilities.

Five major oil companies — Exxon, Shell, Mobil, Gulf and Continental Oil — are planning to move in exploratory drilling rigs in early March to start the search for fossil fuel deposits.

Actual production of oil and gas would begin around 1981. Gulf Oil Co. geologists figure there are approximately 3,000 days of production from the wells working the first Baltimore Canyon tract. That comes to just over eight years of around-the-clock productivity for the present tract, which covers 897,922 acres of the 12,000 miles of canyon stretching from one end of New Jersey to the other.

The federal government is scheduling another lease sale to the oil companies next year to accelerate development of offshore resources.

First Drilling Ship Due Off Atlantic City

By DONALD JANSON

ATLANTIC CITY YEAR or so from now, Exxon, Gulf and the other oil giants will be making a decision of major significance for New Jersey: Whether to install one or more onshore supply bases in the state to support offshore drilling for oil and natural gas.

Exxon's Glomar Pacific drilling ship is due to arrive from Galveston, Tex., late this week and begin drilling 95 miles due east of here. This will be a historical occasion, for it will mark the first time that exploratory drilling for gas and oil has been conducted off the East Coast. Other companies that have leased tracts in the Baltimore Canyon area of the Outer Continental Shelf plan to follow soon.

Exxon may know in three months whether there is oil or gas in its first well, but will continue to test its tracts to learn more. If the companies find commercially exploitable quantities of oil and gas after a year or so of probing, according to Dr. Leslie E. Mack of the American Petroleum Institute, they will decide where to establish the big base or bases for the boats that will be used to shuttle a steady stream of supplies to the drilling rigs throughout the years of developing the offshore sites.

"A staging facility would mean 1,000 new local jobs immediately," Louis J. Dalberth, executive director of the Southern New Jersey Development Council, said in an interview. "If oil and gas are found, we could expect 25,000 to 35,000 new jobs in New Jersey over a period of 25 years."

During the exploration phase, the companies are using a former Naval marshalling yard in Davisville, R.I., as a supply base for the tons of food and drilling pipe and tools and the millions of gallons of water, fuel oil and drilling lubricants needed at the rigs.

But if the companies strike oil, several years of development of the field would begin, calling for even more intensive use of supply bases. The companies would have to decide, Mr. Mack said, whether they want to save considerable time and money by moving closer to the scene of drilling.

Atlantic City is 70 miles from the center of the 529,466-acre leased area, and Mr. Dalberth said that this meant "there is an excellent chance of New Jersey getting the permanent bases."

Dr. Mack, however, was noncommittal. As he put it:

"The industry will not make any further plans on supply bases unless we strike oil. After that, nobody knows how whether Davisville would be retained as a permanent rather than a temporary base."

Besides a protected harbor and excellent facilities, he added, the Rhode Island Port Authority had offered leases on the 100 acres there at attractive rates.

But Dr. Mack also stressed that Rhode Island had made the oil industry feel "welcome," in contrast to coolness exhibited by New Jersey at the time of the Federal Government's lease sales in 1976.

"New Jersey's attitude is changing," Mr. Mack said, "but the state's environmental requirements may be difficult to live with. We would go a few extra miles if the laws were better elsewhere."

New Jersey has strict regulations governing the use of its coastal wetlands. The Office of Coastal Zone Management of the state's Department of Environmental Protection turned down a bid by the Gates Construction Company of Little Ferry to establish a supply base on wetlands in Brigantine, across Absecon Inlet from Atlantic City.

In addition, the four oceanfront counties joined in legal and publicized opposition to drilling and any related onshore construction that might hinder their multimillion-dollar resort industries.

However, the view that the oil and re-

Exxon may know in 3 months if there is oil or gas in its well in Baltimore Canyon

sort industries are not compatible is not unanimous.

"If they say that, they don't know what they're talking about," Mr. Dalberth said. "The industries can work well together."

Atlantic City is already assured of some small but clean aspects of onshore oil business, including a helicopter shuttle service to take workers to and from the rigs. In addition, oil companies and enterprises to serve them are establishing offices here, and the United States Geological Survey has opened an office

and will be expanding it if and when drilling increases.

Because of its closeness, Atlantic City is also a likely site for bringing pipelines ashore to carry oil to refineries closer to Philadelphia and New York. That would mean construction jobs.

But Atlantic City must compete with Perth Amboy, New York City, Lewes, Del., and other cities in the mid-Atlantic states as a staging base. Perth Amboy, 135 miles from the center of the drilling area, has much better space and facilities to offer than Atlantic City, and the adjacent Arthur Kill is not considered to be as ecologically sensitive as the Atlantic coast.

"Another big factor," Mayor George J. Otlowksi of Perth Amboy, said, "is that they will get a very, very friendly reception from us."

Perth Amboy twice has sent delegations to Texas and Louisiana to woo the oil companies. Mayor Otlowksi, who is also a State Assemblyman, said that the results were encouraging, noting that the companies liked the available space (500 acres), the deep channel, the wide turnaround area for ships, the rail and highway connections, the tax incentives and the labor supply.

Attracting the staging base and the ancillary businesses that would follow, the Mayor said, not only would put a dent in the city's 9.5 percent unemployment rate, but also would help the rest of Middlesex County.

If an oil discovery is big, Mr. Dalberth said, there may be a need for more than one supply base, as in the Gulf Coast states. He would like to see Atlantic City get one, despite the limited space available and the inflated price of real-estate caused by plans for casino gambling. ■

✓ Panels to study, visit offshore oil drill sites

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Members of two Assembly committees will hold two days of seminars starting tomorrow dealing with offshore drilling, and are planning to conduct a three-day trip to inspect rigs operating in the Gulf of Mexico.

Assembly Speaker Christopher Jackman yesterday announced plans for the seminars and the inspection trip, which will also include meetings with Louisiana legislative officials.

"The commencement of drilling in the Baltimore Canyon off the New Jersey coast this past week signals the need for the Legislature to familiarize itself with all aspects of this critical issue," Jackman said.

"In years to come, the Legislature will be called upon to make important decisions about offshore drilling and energy development which will have a major and long-term impact on the state's economy and environment," he said.

Representatives from Exxon Corp., the New Jersey Petroleum Council, Texaco and Gulf will address the lower house's Agriculture and Environment Committee and the Energy and Natural

Resources Committee at the first seminar 10 a.m. tomorrow at the State House in Trenton.

The second seminar will be held Monday, with Energy Commissioner Joel Jacobson and Assistant Environmental Commissioner Glenn Paulson scheduled to address the committees.

Among subjects scheduled to be discussed are: The legal history of the offshore leasing program; land use and pollution controls, energy facility siting strategies and pending amendments to the federal offshore leasing act.

The inspection visit of the rigs in the Gulf of Mexico will be taken by only five members of the committees, which have 14 members, according to Jackman.

The legislators will arrive in New Orleans Tuesday and will spend two more days visiting onshore and offshore drilling facilities, as well as meeting with state legislators and their staff and other state government officials.

Jackman said the seminars and the trip would allow legislators to get "first hand information about the potentials and perils of offshore drilling."

The News-Tribune, Woodbridge, N.J. — Friday, April 7, 1978

Oil firms ask for tax breaks

TRENTON (AP) — Oil industry executives say they need tax breaks and a guaranteed access route for pipelines across New Jersey waters from Atlantic Ocean drilling sites.

Members of the Assembly Energy Committee and the Assembly Environment Committee heard requests yesterday from the oil company officials who said help was needed to assure New Jersey of economic benefits from offshore explorations for gas and oil.

John R. Galloway, a regional public affairs director for the Gulf Oil Corp., said that New Jersey should grant an exemption from the state sales tax for equipment purchased for use offshore.

Galloway also said the state should pass legislation to specifically authorize oil companies to bring pipelines across the state's waters, which extend three miles offshore.

"Louisiana, Mississippi, Texas and California and other states have laws allowing pipelines and New Jersey should too," Galloway said.

Five legislators and two committee aides are scheduled to get a close view of oil development processes next week during a three-day trip to Louisiana at public expense.

Assembly Speaker Christopher Jackman, D-Hudson, approved the trip and said its timing "could not be more appropriate."

Less Oil, Gas Regulation

The State Times (Baton Rouge, LA.)
FRIDAY, APRIL 17, 1978

Energy States May Find East Coast Allies

By United Press International

Longtime energy producing states including Louisiana, Texas, and Oklahoma may find eastern seaboard states new political allies in their fight for less government regulation of the oil and gas industry.

Seven New Jersey assemblymen met with Louisiana legislators Thursday to learn how newcomers to

the oil and gas business can reap the most benefits from Atlantic Ocean energy production.

The northerners suggested congressmen from the traditional oil and gas producing states form an energy alliance with the East Coast states, where gas and oil drilling is just beginning.

"We have been all alone. We have

always been outvoted," said Rep. W.J. Tauzin, D-Thibodaux, in endorsing the idea. "Up there they have the votes to help us put together a winning combination."

Tauzin, chairman of the House Natural Resources Committee, said such an alliance could produce a common drive for fair treatment from the federal government.

John Froude, chairman of the New Jersey House Energy and Natural Resources Committee, said the group was "extremely interested in learning how to receive a fair allocation of the natural gas and oil produced off our shores."

Sen. Claude Duval, D-Houma and chairman of the Senate Natural Resources Committee, said Louisiana has been trying for 30 years to get a fair allocation of offshore production.

Severance taxes cannot be assessed by states on oil and gas produced outside the three-mile limit off their shorelines.

But Duval told the visitors they should consider granting only fixed-term pipeline leases which would have to be renegotiated periodically. The terms of such leases also should fix payment based on the volume of oil or gas carried by the pipeline.

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Energy

(Continued From Page One)

Tauzin said he thought producer states can charge a first-use tax for offshore oil and gas that reaches shore through their coastlines. He said the pipelines that bring the oil and gas ashore must be inspected by state authorities for the public well-being.

Onshore support services also are costly to the state taxpayers, he said.

The Louisiana Legislature will consider such a tax in the session that begins Monday. Connecticut is considering similar legislation, Tauzin said.

Our County

Stewart sees offshore drilling as local boon

By AMY COLLINGS
Of The Times Staff

PENNSVILLE— Assemblyman H. Donald Stewart (D-3) will meet with state labor officials, local educators, and representatives of the gas industry and port authority this week to help develop offshore drilling support facilities in South Jersey.

Stewart recently returned from a three-day tour of oil drilling operations in Louisiana with five other members of the Assembly Environment and Energy Committee.

"We uncovered more things we want to get into," said Stewart. "And we (in South Jersey) want to get a jump on the rest of the state."

Stewart will talk with heads of Gloucester and Salem County technical schools to discuss the possibility of offering specialized courses in pipefitting and welding techniques as they relate to offshore drilling.

To help locate onshore support facilities in the area, the committee will meet with State Labor and In-

dustry Commission John J. Horn and will seek suggestions from members of the port authority.

dustry Commission John J. Horn and will seek suggestions from members of the port authority.

The committee will also investigate ways to streamline the permitting procedure for the siting of onshore support facilities. In some cases, up to 35 permits would presently be required.

Stewart believes there are many sites along the Delaware River and Bay that could serve the oil and gas explorers more economically than those areas being considered in Rhode Island.

The tour group was supposed to visit offshore facilities in the Gulf of Mexico, but because of inclement weather, spent two and a half days checking out the onshore support facilities instead.

"It was probably more important than what we would have seen offshore," said Stewart. People in Morgan City, La. pipe building, barge shipping areas, food industry and other supporting services told the New Jerseyans the oil business is a "big

boon" to the area.

the oil companies run numerous pipelines across the state. A map of Louisiana pipelines resembled a plate of spaghetti, said Stewart.

Only two or three routes should be used, they said. Stewart favors a pipeline running up the Atlantic City Expressway and into Gloucester County refineries.

A dinner meeting in New Orleans with the American Petroleum Council centered around New Jersey's attitude toward the industry.

"People think the state doesn't want any part of offshore drilling," Stewart said. "I think we helped dispell that."

The committee will schedule a meeting with the New Jersey Natural Gas Industry, as it is predicted that more gas than oil may be found.

"We want to make it known that we're interested," he said, in support facilities for both the oil and gas exploration and development efforts.



People think the state doesn't want any part of offshore drilling. I think we helped dispell that.

—Assemblyman
H. Donald Stewart

Before leaving for Louisiana, the legislators met with officials from the New Jersey Petroleum Council in Trenton and representatives from oil companies with interests in the Gulf coast, Atlantic Ocean and North Sea.

"They gave us the warm-up pitch," said Stewart. The following day, representatives from the state Department of Energy and state Department of Environmental Protection briefed the six assemblymen and told them what to look for while on tour.

A meeting in Baton Rouge with the Louisiana Senate and Assembly committees on natural resources proved to be "very informative," said Stewart, as the southern legislators gave the group the benefit of their 40 years of experience in offshore oil drilling.

Using their hindsight, they advised the northern contingency not to let

City as oil support base rated high by Port Authority

5-05-78
TNT

By DAVID THOMPSON
News Tribune staff writer

PERTH AMBOY — The prospect of Perth Amboy being a support base for offshore oil and gas exploration was improved yesterday when the city received a highly favorable appraisal from officials of the Port Authority of New York and New Jersey.

City officials were told of the assessment when officials of the Port Authority's Regional Development Division came here yesterday to discuss Perth Amboy's strategy for attracting the petroleum industry.

In the past several months, Mayor George J. Otowski's administration has sought to interest oil companies in the city because of the investment capital and jobs that would be generated if significant quantities of oil and or natural gas are discovered in the Baltimore Canyon off the New Jersey Coast.

The support bases during the exploratory phase of the drilling would, for the most part, be ports and supply yards to service the rigs operating offshore.

City officials have been attempting, through meetings with oil industry executives, to "get in on the ground floor" in the exploratory stage and maneuver the city into a position where it would be the logical choice for permanent facilities, including office buildings, if oil or gas is found.

Although the Port Authority had compiled a preliminary report in which Perth Amboy was one of a dozen locations in the New York Metropolitan area which could be sites for support facilities, the city did not rank near the top in priority listing in the document.

In yesterday's appraisal from the Port Authority planners, however, the city was reportedly described as the "frontrunner in the entire New York area" in considera-

tion by the oil industry as a site for support bases.

In its preliminary report issued last year, the Port Authority concentrated on New York City as the probable primary location for support bases, and placed little emphasis on Perth Amboy and other possible sites in New Jersey.

City Business Administrator Richard Pucci said that he and other city officials were told yesterday by Port Authority Regional Development Warren Lovejoy that the major reason that sites in the Garden State were not given as much attention was a perception by the authority that they were not wanted here.

"We were told by Lovejoy that they had originally thought that New York City was the most likely location for these bases," said Pucci. "And he said that the Port Authority thought that New Jersey was making no effort to attract the bases at all."

Pucci added that city officials had realized in the middle of last year that state officials were "not making enough effort" to attract the bases. "It was at that time that we decided to step up our own efforts to attract the oil and natural gas industries to Perth Amboy," said the business administrator.

According to Pucci, the Port Authority was impressed with the effort that the city has made in recent months to sell itself to the oil industry. "We were told by the Port Authority people that we are very attractive to the oil industry and that we have moved to the forefront of consideration in the entire New York area," Pucci said.

One problem, however, is that two other locations, Davisville, Rhode Island and Lewes, Delaware are also actively seeking support bases and other facilities that would accompany a large discovery of oil or natural gas in the Baltimore Canyon.

