



July 26, 2005

Honorable Elizabeth Dole
United States Senate
Washington, DC 20510

Dear Senator:

As you requested, CBO has reviewed section 326 of H.R. 6, the Energy Policy Act of 2005, as passed by the Senate on June 28, 2005. That provision would require the Department of the Interior (DOI) to prepare an inventory and analysis of the oil and natural gas resources beneath the waters of the Outer Continental Shelf (OCS). The provision would require DOI to complete the analysis and report to the Congress within six months of enactment of the bill and to update the report every five years thereafter.

Under current law, DOI's Minerals Management Service (MMS) prepares a resource assessment of the OCS every five years to update the agency's five-year leasing plan. The department plans to release the next assessment near the end of this year. Such assessments have relied on available geologic data, including surveys performed with 3-D seismic technology when available. Such data may be purchased by MMS from energy firms or may be provided to the agency as a condition of developing OCS leases. To prepare the assessment that is currently in process, MMS expects to spend about \$2 million over an 18-month period.

Section 326 of the Senate-passed energy legislation would not prescribe any specific level of spending nor would it establish minimum requirements for conducting the mandated inventory other than directing DOI to use available geologic data, including information that can be obtained from available technology such as the use of 3-D seismic surveys. As a result, the agency would have a great deal of discretion in deciding how to proceed. Based on information from MMS, CBO estimates that spending for resource assessment under H.R. 6 would probably not be significantly different than the spending the department currently plans current law.

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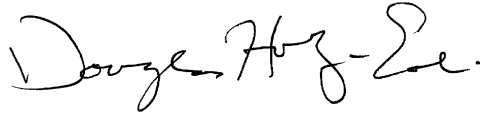
Because H.R. 6 would require that the OCS inventory and analysis be completed within six months, the agency would have to rely primarily on readily available geologic data to prepare that initial report. Consequently, it is unlikely that MMS could or would spend significantly more than currently planned on the initial analysis. Over the longer term, section 326 could be implemented in vastly different ways, however. It is certainly possible that future resource assessments could be more comprehensive and much more expensive than the agency anticipates, but any such expansion would be subject to appropriation of the necessary funds. After the initial report is completed, DOI could decide to initiate a considerably more expansive data-collection effort, assuming that sufficient funds are appropriated. Depending on the scope of such an effort, data-collection costs could total several hundred million dollars or much more over the 2006-2010 period. As you noted regarding information provided by MMS to the Congressional Research Service, a comprehensive seismic survey could cost between \$75 million and \$125 million for a single OCS planning area. While the OCS is divided into 26 such planning areas, based on our discussions with MMS, we believe it unlikely that MMS would choose to undertake and pay for 3-D seismic surveys for all planning areas.

When MMS determines that valuable new geologic data is available, it may purchase that information with appropriated funds. For example, in 2001 and in 2003, new information became available to the agency regarding oil and gas resources located off the coast of Canada's Atlantic shore, and MMS spent about \$1.5 million to purchase that information. Based on discussions with MMS staff, we expect that the agency would continue to seek and obtain such new information whenever it becomes available, but that it would probably not initiate the collection of raw data through major surveys that it pays for directly unless the Congress specifically directed it to do so and appropriated the necessary funds.

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If you have further questions on this issue, we will be pleased to provide additional information. The CBO staff contact is Lisa Cash Driskill.

Sincerely,

A handwritten signature in black ink that reads "Douglas Holtz-Eakin". The signature is written in a cursive style with a long horizontal stroke at the end.

Douglas Holtz-Eakin
Director

cc: Honorable Pete V. Domenici
Chairman
Committee on Energy
and Natural Resources

Honorable Jeff Bingaman
Ranking Member

Identical letters sent to Honorable Mel Martinez, Honorable Michael Bilirakis,
and Honorable Cliff Stearns.