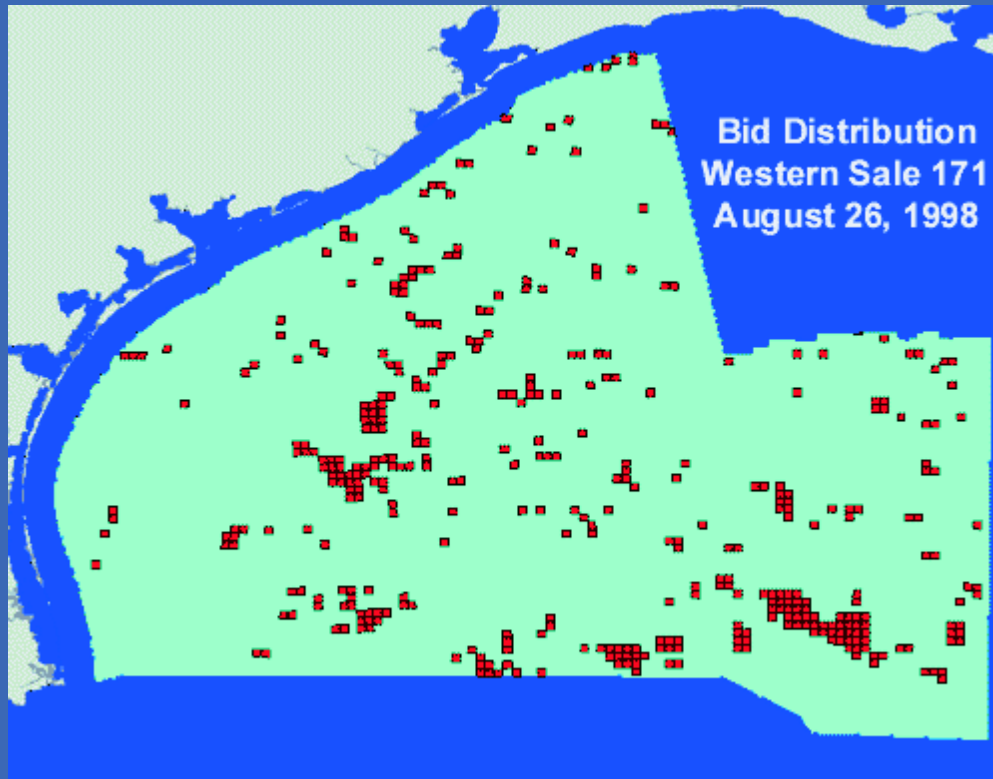


Update on Gulf Issues

To:

OCS Policy Committee

October 21, 1998



WESTERN GULF OF MEXICO SALES

COMPARISON OF BLOCKS RECEIVING BIDS BEFORE AND AFTER ROYALTY RELIEF:

Water Depth	1994	1995	1996	1997	1998
	Sale 150*	Sale 155*	Sale 161**	Sale 168**	Sale 171**
0-200m	177	129	184	130	79
200-400m	11	27	40	19	14
400-800m	13	45	72	52	31
800+m	9	74	321	603	278

* No Royalty Relief

**Royalty Relief

GOM Level of Activity Wells Spudded 1996-98 Calendar Year

	Exploratory	Total
1-1-96 to 9-30-96	322	820
1-1-97 to 9-30-97	355	942
1-1-98 to 9-30-98	335	852

1998 Drilling Rigs Working in Deepwater

January 26

February 26

March 27

April 28

May 27

June 27

July 29

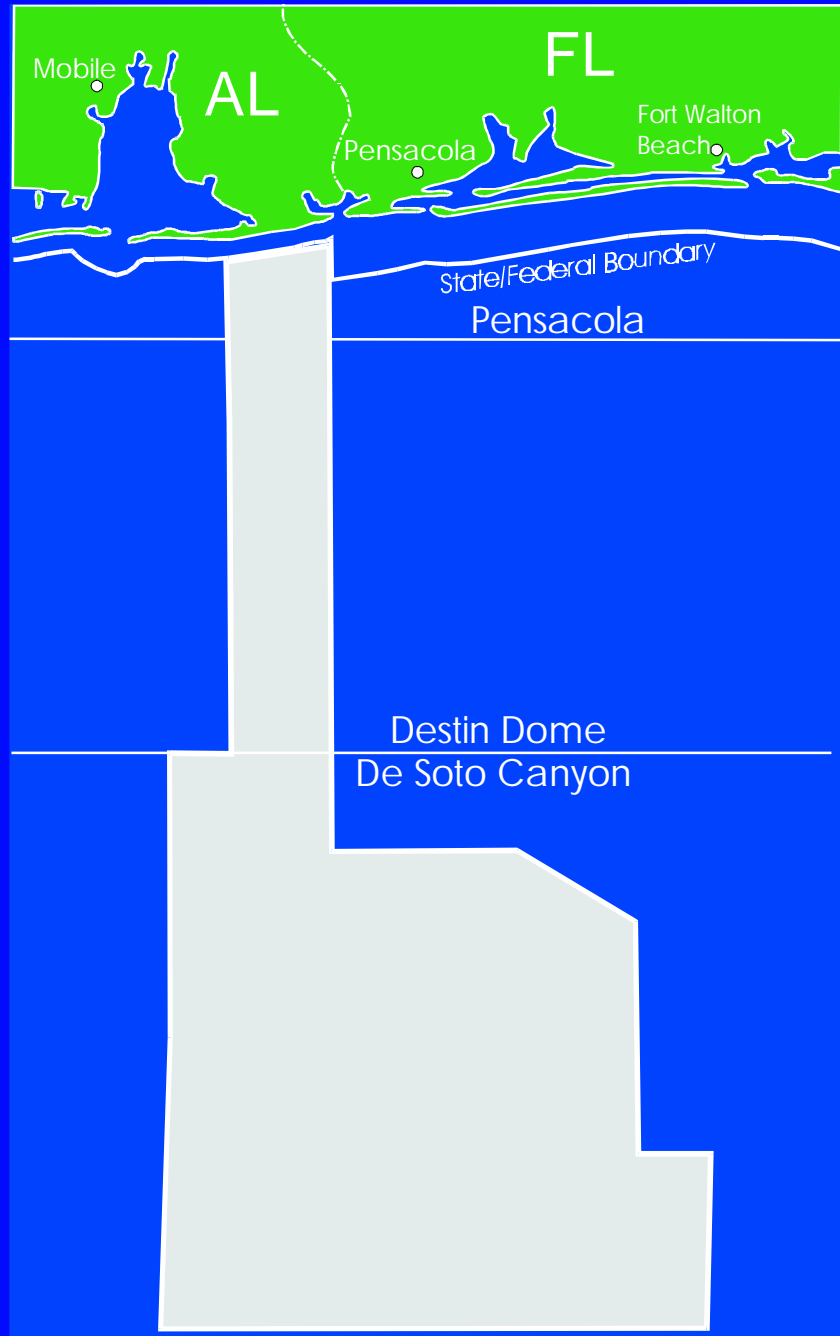
August 31

September 31

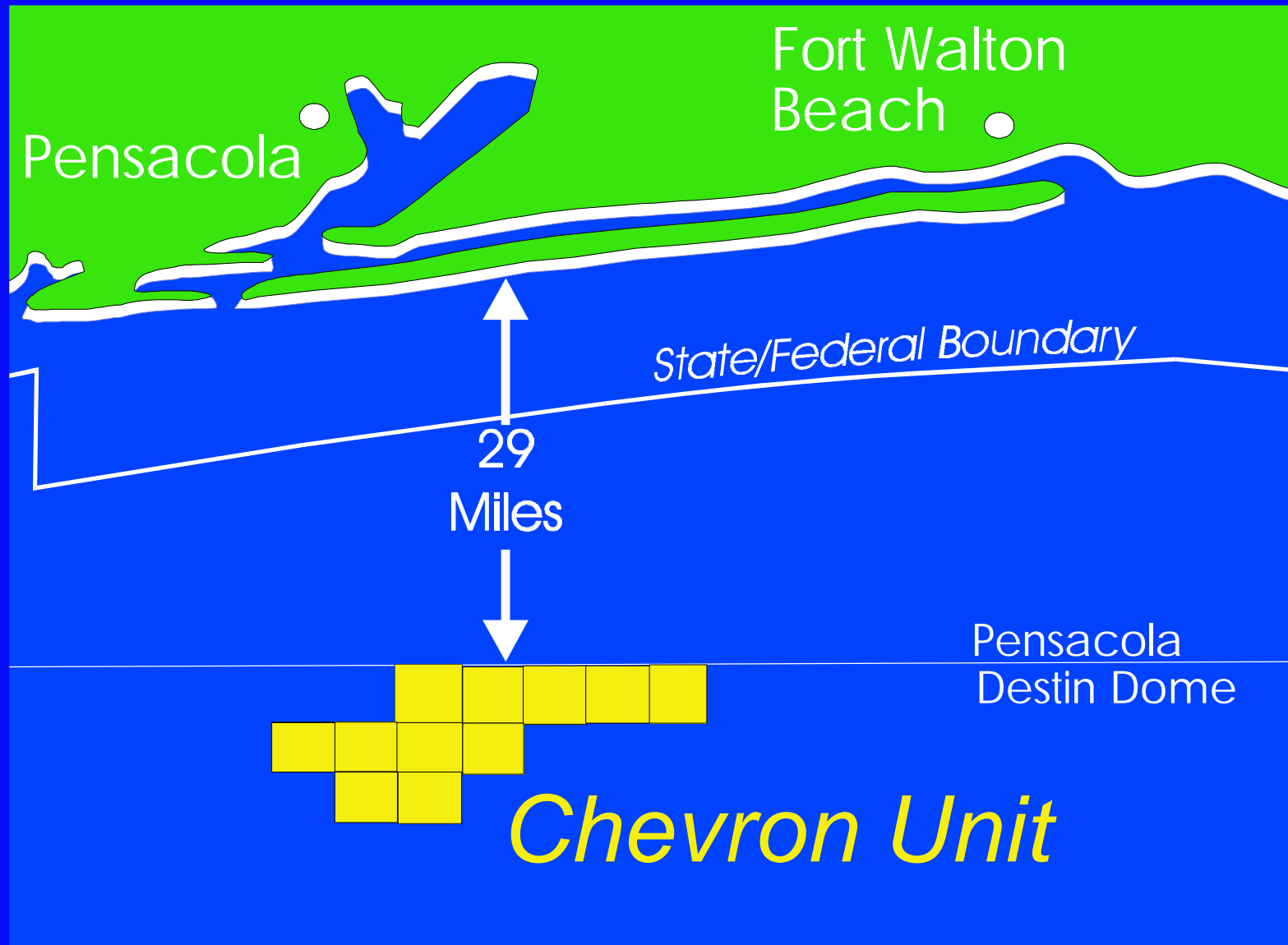


Eastern Gulf of Mexico

Proposed Eastern Gulf Lease Sale 2001



Proposed Chevron Development



Deepwater Issues

Deepwater Issues

- Environmental Studies
- Environmental Assessments
- FPSO's

Deepwater Issues

Environmental Studies

Deepwater Environmental Studies Awarded in FY 1998

Deepwater Physical Oceanography Reanalysis and Synthesis of Historical Data	\$673,000	9/00
Labor Migration and the Deepwater Oil Industry	\$298,000	9/00
Literature Review of Environmental Risks of Chemical Products Used in Deepwater Oil and Gas Operations	\$291,000	9/99

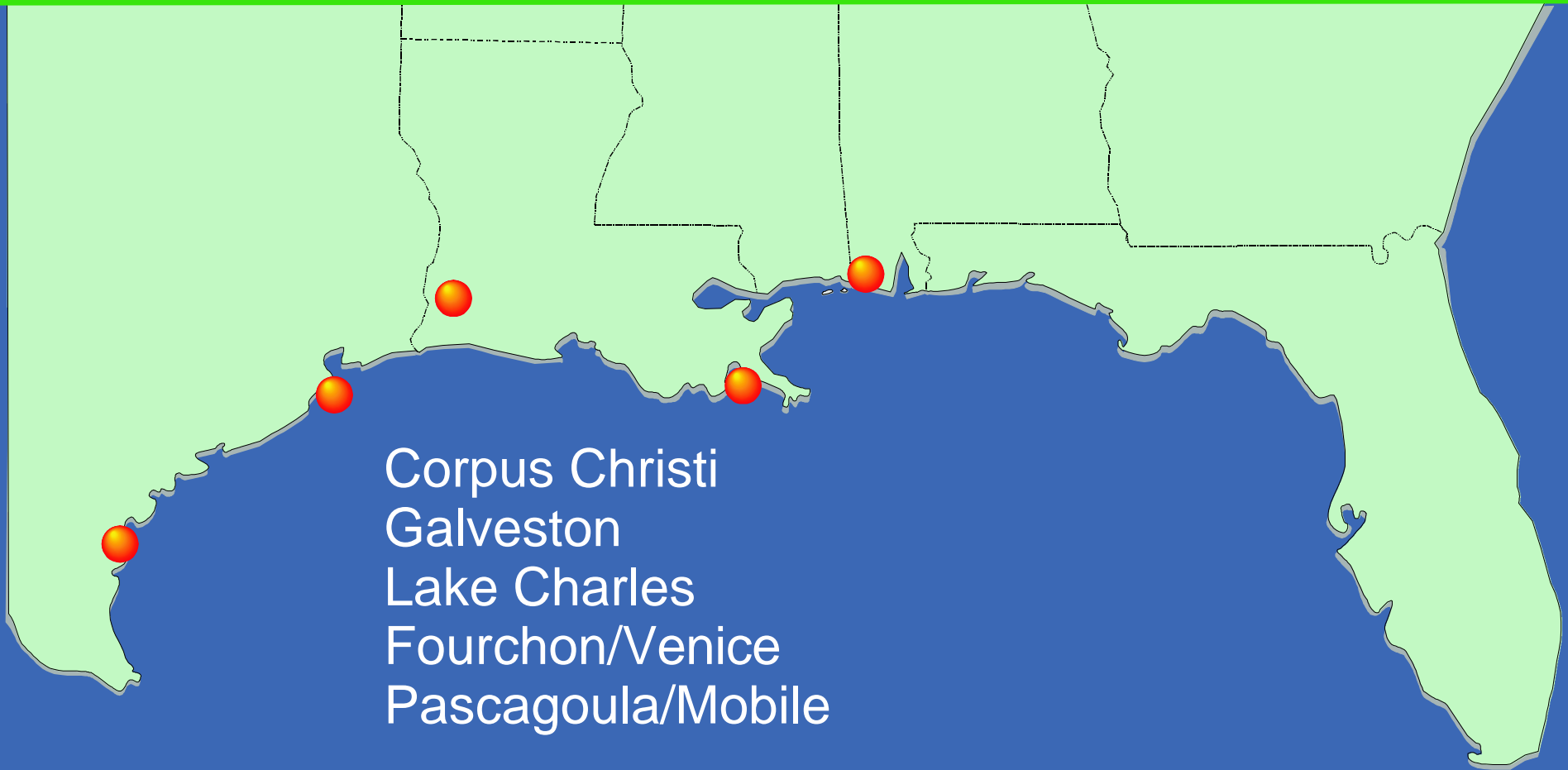
Deepwater Environmental Studies Awarded in FY 1998 (cont')

An Analysis of the Socioeconomic Effects of OCS-Activities on Ports and Surrounding Areas	\$475,000	9/99
Assessing and Monitoring Industry Labor	\$448,000	9/99
Development of a Deepwater Environmental Data Model	\$425,000	9/99

Deepwater Environmental Studies Awarded in FY 1998 (cont')

Gulf of Mexico Deepwater Information Resources-Data Search and Literature Synthesis	\$375,000	9/99
Benefits and Burdens of OCS Deepwater Activities on Selected Communities and Local Public Institutions	\$325,000	9/00
The Fate and Effects of Synthetic-based Drilling Fluids and Associated Cuttings Discharged into the Marine Environment	\$ 99,000	9/99

Major Ports in the Study



Deepwater Issues

Environmental Assessments

Deepwater Environmental Assessment

Objectives:

- To identify and evaluate the impacts from OCS deepwater activities
- To identify deepwater activities/impacts that are different from those on the shelf
- To identify deepwater activities/impacts that are same as those on the shelf, and have already been adequately addressed in other NEPA documents

Deepwater Environmental Assessment

Objectives (cont'):

- To identify measures to mitigate impacts from deepwater activities
- To focus subsequent deepwater NEPA documents by “scoping out” deepwater activities that do not have significant impacts
- To identify deepwater information needs

Deepwater Environmental Assessment

Scope:

- Greater than 1,000 feet water depth
- Entire Gulf of Mexico OCS area
- 10 year scenario for facilities projections
- Component based descriptions of activities

Deepwater Environmental Assessment

Major Issues:

- Fate and effects of deepwater oil spills, both surface and seafloor
- Chemical products usage and discharges
- Deepwater pipeline technology and alternative transportation
- Impacts on biological communities (chemosynthetic communities, marine mammals, sea turtles, fish resources)
- Impacts to coastal habitat and socioeconomic infrastructure

Deepwater Environmental Assessment

Findings:

- Preliminary findings under review
- Findings are focused on the original objectives
 - Component based
 - Impact conclusions
 - Mitigation measures
 - Information needs
- Findings to be presented at MMS ITM in December 1999

Deepwater Environmental Assessment

- Moving forward from the EA
 - Impact conclusions will be considered in planning scope of future NEPA documents
 - Mitigation measures will be reviewed for effectiveness, appropriateness, and potential implementation
 - Information needs will be incorporated into MMS Strategic Studies Plan and Technical Research Program

Deepwater Issues

FPSO's

FPSO EIS GENERAL SCHEDULE

(Subject to change)

Publish CBD ad	October 7, 1998
----------------	-----------------

Award contract	March 1999
----------------	------------

Publish Notice of Intent	March 1999
--------------------------	------------

Public scoping meetings	April 1999
-------------------------	------------

Draft EIS available	December 1999
---------------------	---------------

Public hearings	February 2000
-----------------	---------------

Final EIS	August 2000
-----------	-------------