



NEWS

U.S. DEPARTMENT OF THE INTERIOR

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Interior Reaches Agreement to Acquire Mineral Rights in Everglades, Settles Litigation on Offshore Oil and Gas Leases in Destin Dome

The Interior Department has agreed in principle to acquire the mineral rights under Big Cypress National Preserve, Florida Panther National Wildlife Refuge, and Ten Thousand Islands National Wildlife Refuge from Collier Resources Company, virtually ensuring no new oil and gas development in the three areas, Interior Secretary Gale Norton announced today.

At the same time, Norton announced the Department has agreed in principle to settle litigation with oil companies that own interests in the **Destin Dome Unit**, a large natural gas discovery in the Eastern Gulf of Mexico offshore Florida. The companies -- Chevron, Conoco and Murphy Oil -- will relinquish seven of nine leases in the unit that were the subject of the litigation in exchange for \$115 million. The remaining two leases, to be held by Murphy, will be suspended until at least 2012 under the terms of the settlement.

Under the agreement with Collier Resources, the Interior Department intends to exchange \$120 million in monetary considerations -- either cash or bidding credits that can be used for bids or royalties on future Outer Continental Shelf sales -- for the mineral rights held by Collier Resources under 765,000 acres of the Everglades. Congress must pass legislation to finalize the deal.

Collier Resources is the primary holder of the oil and gas rights that underlie the three areas and has filed plans of operation for exploration and production of these reserves, which are estimated to be equivalent to 40 million barrels of oil. Because the company is the primary holder of the mineral rights, the agreement should preclude further development of the areas.

"This agreement is a win for all sides," Norton said. "For the citizens of Florida, the deal will ensure longterm conservation of the Everglades. It promotes longterm conservation and continued recreational use of these areas. For Collier Resources, it ensures the company receives fair value for its mineral rights. For federal and state taxpayers, it safeguards the \$8 billion investment in the Comprehensive Everglades Restoration Plan (CERP)."

The State of Florida has taken the position that oil development in Big Cypress and Florida Panther is inconsistent with its coastal zone management plan. Many other stakeholders in Florida argued oil development in the protected areas could undermine CERP, a 35-year effort to restore the South Florida ecosystem while providing water for the area's fast-growing population.

"Before entering into this agreement, we consulted with the State and our many other partners in Florida," Norton said. "While Big Cypress, Florida Panther and Ten Thousand Islands are part of nationwide systems of federal lands, it is important that the solution we reached be supported by the government and people of Florida."

The 765,000 acres are adjacent to state and federally managed conservation areas, including the Fakahatchee Strand State Preserve and Everglades National Park, and are home to several endangered and threatened species, including the Florida panther, American crocodile, red-cockaded woodpecker, and manatees. Several components of CERP will be undertaken in the vicinity.

The estimated 40 million barrels of oil are equal to about two days of U.S. oil consumption, Norton said. By comparison, the 10.6 billion barrels available in Area 1002 of the Arctic National Wildlife Refuge would provide enough oil to run Florida every day for 30 years.

"When it comes to energy development on federal lands, each case must be evaluated individually in cooperation with the people who live in the area," Norton said. "In this case, the amount of oil available was relatively small compared to the nation's overall energy needs, the impact of development could be significant, and the government and people of Florida supported this action."

Under the settlement agreement related to Destin Dome, Murphy agreed not to submit a development plan for the two remaining leases before 2012, the year when current oil and gas leasing moratoria expire. However, under terms of the agreement, the leases could not be developed unless both the federal government and Florida agree.

"Resolution of this longstanding stalemate responds to the concerns expressed by the State of Florida, while respecting the rights of the lessees by compensating them for the resources they discovered," Norton said. "The money paid to the companies under the settlement can be used to make investments elsewhere to help meet the nation's energy needs."

The Destin Dome Unit is located about 30 miles south of Pensacola, Florida. The leases were issued in competitive sales held in 1984, 1985, and 1989, before the current moratoria that cover this area of the Eastern Gulf of Mexico. Though not yet fully explored, the unit is believed to contain at least 700 billion cubic feet of economically producible natural gas.

Two other leases in the unit held by Exxon Mobil and Samedan Oil Corporation were not subject to litigation. However, under the settlement agreement, Chevron, Conoco and Murphy have agreed to seek to compensate Exxon Mobil and Samedan in exchange for relinquishing these two leases.

In February 1998, Florida objected to the Development and Production Plan submitted by the lessees, saying that the plan would not be consistent with the state's Coastal Zone Management Program. The lessees appealed to the U.S. Secretary of Commerce, asking that Florida's objections be overruled. The appeal is still pending.

In July 2000, the lessees sued the United States, alleging that the federal government had materially breached the lease contracts or taken their value without just compensation through improper delays and other regulatory actions.

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