



FOR RELEASE:

November 24, 1999

### **MMS Releases Two Reports on the OCS-Related Oil and Gas Activities in Coastal Alabama**

The Gulf of Mexico Region of Minerals Management Service (MMS) has released two major scientific studies on the history and socioeconomic effects of the Outer Continental Shelf-related Oil and Gas industry in Coastal Alabama. These in-depth studies were done to provide a better understanding of how activities on the outer continental shelf affect the surrounding communities.

The economic evidence shown in the study(s) explain that natural gas industries as well as tourism have been extremely beneficial to the local coastal region and the State of Alabama. For example, in 1996, coastal counties collected \$8.2 million in offshore gas revenues and \$6.7 million from lodging taxes. For the entire State, lodging tax revenue was about \$23 million. However, the most significant effect of the offshore natural gas industry on Alabama has been the spending of the interest from two trust funds that hold funds collected from bonus payments from offshore leases, State royalty payments, and 8(g) revenues. This interest was over \$102 million in 1996, approximately 12% of the State General Fund, and these trust funds will grow as Alabama receives more OCS royalties. The report's author writes that "earnings on the gas funds have changed the face of Alabama." Earnings on the gas revenues are changing the quality of education and health care in Alabama.

Taken together, these two studies may serve as a predictive model for forecasting the results of natural gas development off the Florida panhandle since the two areas share not only a similar geology but also similar economic conditions based on tourism, marine recreation, and commercial fishing. These studies document the co-existence and conflicts of the various natural resource-based interests that have thrived given the existence of other, competing industries.

*[Social and Economic Consequences of Onshore OCS-Related Activities in Coastal Alabama: Final Baseline Report \(OCS Study MMS 98-0046\)](#)* documents the existing economic conditions in coastal Alabama and highlights industries that interact through their use of the region's natural resources. The industries include tourism, marine recreation, commercial fishing, and the oil and natural gas support industry. The report discusses how tourism and natural gas industries contribute to the economic growth of coastal Alabama and the State of Alabama, recent conflicts between the offshore gas and tourism industries over the use of coastal Alabama resources, and coexistence and conflict issues between the offshore gas industry and recreational and commercial fishing industries. The report presents five case studies to highlight the importance to the local and state economies of industry coexistence with natural gas development. These case studies analyze the effects of the natural gas industry on tourism, recreational anglers, and commercial fishing. They also study the effects of the natural gas industry on the town of Dauphin Island and compare tourism and natural gas revenues to other local governments and the State of Alabama.

*[History of Coastal Alabama Natural Gas Exploration and Development: Final Report \(OCS Study MMS 99-0031\)](#)* provides a detailed account of the exploration and development of gas prospects found at great depths in the Upper Jurassic Norphlet Formation. In state and Federal waters off coastal Alabama the Norphlet Formation is found at depths of 20,000 feet to greater than 24,000 feet. The exploration process began with the 1969 leasing by Mobil Oil Company of four tracts in lower Mobil Bay. Following a nine-year regulatory delay, Mobil spudded a well on November 17, 1978, and encountered natural gas on November 28, 1979. This began an era of Norphlet development that has lasted into the 1990s that has involved Mobil, Exxon, Union, Chevron, and Shell. Through 1997, 75 Norphlet wells were drilled in state and Federal waters off coastal Alabama with a 71% success ratio. Production rates are high, averaging 1.09 BCFD for 1997, up from previous years and still climbing. Norphlet gas is a hot, sour, high pressure, corrosive mixture of methane, hydrogen sulfide, carbon dioxide, and free water. Dealing with it is difficult, and expensive and requires specialized technologies for production, dehydration, pipelines and processing.

MMS is the Federal Agency that manages the Nation's oil and gas and other mineral resources on the OCS and collects, accounts for, and last year disbursed about \$6 billion in revenues from Federal offshore mineral leases and from onshore mineral leases on Federal and Indian lands.