



[4335-30]

**DEPARTMENT OF THE INTERIOR**

**Bureau of Ocean Energy Management**

**30 CFR Part 519**

**RIN 1010-AD65**

**Office of Natural Resources Revenue**

**30 CFR Part 1219**

[Docket ID: ONRR-2011-0024; DS63610000 DR2PS0000.CH7000 156D0102R2]

**RIN 1012-AA11**

**Allocation and Disbursement of Royalties, Rentals, and Bonuses—Oil and Gas, Offshore**

**AGENCY:** Bureau of Ocean Energy Management and Office of Natural Resources Revenue, Interior.

**ACTION:** Final rule.

**SUMMARY:** In this final rule, the Department of the Interior moves the Gulf of Mexico Energy Security Act of 2006's Phase I regulations from the Bureau of Ocean Energy Management's (BOEM) title 30 of the *Code of Federal Regulations* (CFR) chapter V to the Office of Natural Resources Revenue's (ONRR) title 30 CFR chapter XII and clarifies and adds minor definition changes to these current revenue-sharing regulations. Additionally, ONRR amends these regulations concerning the distribution and disbursement of qualified revenues from certain leases on the Gulf of Mexico's Outer Continental Shelf, under the provisions of the Gulf of Mexico Energy Security Act of 2006. These regulations set forth formulas and methodologies for calculating and allocating revenues to the States of Alabama, Louisiana,

Mississippi, and Texas; their eligible coastal political subdivisions; the Land and Water Conservation Fund; and the United States Treasury.

**DATES:** *Effective:* [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

**FOR FURTHER INFORMATION CONTACT:** For questions, contact Karen Osborne, Supervisory Management & Program Analyst, Office of the Deputy Director, ONRR, at *karen.osborne@onrr.gov*.

**SUPPLEMENTARY INFORMATION:**

**I. Background**

President George W. Bush signed the Gulf of Mexico Energy Security Act of 2006 (GOMESA or Act) into law on December 20, 2006 (Pub. L. No. 109-432, 120 Stat. 2922; 43 U.S.C. 1331 note), as part of H.R. 6111, The Tax Relief and Health Care Act of 2006. With regard to the Gulf of Mexico (GOM) Outer Continental Shelf (OCS) provisions (Division C, Title 1, 120 Stat. 3000), GOMESA:

- Provided for sharing of leasing revenues with Gulf producing States, coastal political subdivisions (CPSs) within those States, and the Land and Water Conservation Fund (LWCF), for coastal protection, conservation, and restoration projects.
- Lifted the congressional moratorium on oil and gas leasing and development in a portion of the Eastern and Central GOM.
- Mandated lease sales for 8.3 million acres in the Eastern and Central GOM, including 5.8 million acres in the Central GOM previously under Congressional moratoria.

- Barred, until June 30, 2022, oil and gas leasing within 125 miles of the Florida coastline in the Eastern Planning Area, and 100 miles of the Florida coastline in the Central Planning Area, as well as in all areas in the GOM east of the Military Mission Line (86°41' W. longitude).
- Established a process for lessees to exchange with the Federal Government certain existing leases in moratorium areas for bonus or royalty credits to use on other GOM leases.

This final rule sets forth the Department of the Interior’s (DOI, hereafter “We”) plan to implement the second phase of GOMESA revenue sharing in fiscal year 2017 and beyond. In addition, we add several clarifications and conforming modifications to the GOMESA Phase I revenue-sharing regulations, currently available in BOEM’s regulations at part 519, subpart D, of 30 CFR chapter V. We add these changes to differentiate between the two GOMESA revenue-sharing phases. We also move the Phase I regulations from 30 CFR chapter V, part 519, subpart D, to ONRR’s regulations at 30 CFR chapter XII.

We published a final rule (73 FR 78622, December 23, 2008) in the *Federal Register* on the allocation and disbursement of qualified revenues from two designated areas in the Gulf of Mexico, known as the 181 Area in the Eastern Planning Area and the 181 South Area. That final rule addressed such allocation and disbursement for each of fiscal years 2007 through 2016, to which we refer as “GOMESA Phase I” revenue sharing. You can find depictions of the 181 Area and the 181 South Area on the map available at [www.boem.gov/Map-Gallery](http://www.boem.gov/Map-Gallery). The majority of this new final rule covers revenue sharing from the 181 Area, the 181 South Area, and the 2002–2007 Planning Area subject to GOMESA—for fiscal year 2017 and thereafter—to which we refer as “GOMESA Phase II” revenue sharing. To avoid confusion between the two GOMESA revenue-sharing phases, we are adding a new subpart E in the regulations for GOMESA Phase II. The differences between GOMESA Phase I and Phase II include the

calculation methodology, revenue-sharing areas, and the imposition of a cap on shared revenues in Phase II. Moving the GOMESA Phase I regulations to 30 CFR chapter XII and modifying the definitions does not change the existing revenue-sharing methodology applicable to GOMESA Phase I.

We have drawn on the experience that we gained during the first few years of GOMESA Phase I revenue sharing, along with comments and questions that we received, to refine the definitions. We have worked to eliminate any uncertainty, consistent with the Secretary's authority under GOMESA.

For each of the fiscal years 2017 and thereafter, GOMESA directs the Secretary of the Interior to deposit 50 percent of qualified OCS revenues (Phase II) that we receive on or after October 1, 2016, from certain OCS oil and gas leases in the 181 Area, the 181 South Area, and the 2002–2007 Planning Area, into a special account in the U.S. Treasury. From that account, we distribute 25 percent of the qualified revenues to the LWCF and distribute the remaining 75 percent to the States of Alabama, Louisiana, Mississippi, and Texas (which we collectively identify as the “Gulf producing States”) and their eligible CPSs. Under GOMESA Phase II, we share the revenues from leases that the Department issued on or after December 20, 2006, in the 181 Area, the 181 South Area, and the 2002–2007 Planning Area. You can find the definition of these Phase II revenue-sharing areas in Section 102 of GOMESA, and you can also locate them on the map available at [www.boem.gov/Map-Gallery](http://www.boem.gov/Map-Gallery).

We allocate the GOMESA Phase II qualified OCS revenues among the Gulf producing States based upon proportional inverse distance calculations from applicable leased tracts (Phase II) in the 181 Area and the 181 South Area, as well as historical lease sites in the 2002–2007 Planning Area, in accordance with GOMESA. The result of this inverse distance calculation is that States

closest to the most applicable leased tracts (Phase II)—as well as historical lease sites—will receive the greatest share of revenues. In determining each individual Gulf producing State’s share of the GOMESA Phase II qualified OCS revenues, GOMESA provides that no State receives less than 10 percent of the revenues that we disburse to the Gulf producing States, regardless of the amount that the application of the proportional inverse distance formula establishes. Additionally, the shared revenues from certain GOMESA Phase II areas are subject to a cap of \$500 million for each of fiscal years 2016 through 2055.

The CPSs located in the States’ coastal zone and within 200 nautical miles of the geographic center of any OCS leased tract receive 20 percent of the qualified OCS revenues (Phase II) that GOMESA allocates to the State. We allocate revenues to the CPSs based upon their in-State relative population, coastline length, and proportional inverse distance from applicable leased tracts (Phase II) in the 181 Area and historical lease sites in the 2002–2007 Planning Area.

There are a few substantive differences between GOMESA Phase I and Phase II revenue sharing. First, the GOM acreage and resulting qualified revenues will be greater in GOMESA Phase II because Phase II acreage consists of the entire 181 Area, the 181 South Area, and the 2002-2007 Planning Area, whereas Phase I acreage consists of only the 181 Area in the Eastern Planning Area and the 181 South Area. Second, GOMESA Phase II requires that the proportional inverse distance calculations be from both applicable leased tracts in the 181 Area and the 181 South Area and historical lease sites in the 2002–2007 Planning Area, rather than only from applicable leased tracts. Additionally, under GOMESA Phase II, we must update the group of historical lease sites in the 2002–2007 Planning Area once every five years. The result of the five-year periods between updates is that each Gulf producing State’s subset of inverse distances to historical lease sites remains static for five years following each update. Third,

GOMESA Phase I ends with the disbursement of fiscal year 2016 qualified OCS revenues.

GOMESA Phase II begins with the disbursement of fiscal year 2017 qualified OCS revenues.

Fourth, for Phase II, GOMESA directs a \$500 million annual cap on the majority of shared revenues, which equates to a \$375 million annual cap among the four Gulf producing States and their eligible CPSs, and a \$125 million annual cap to the LWCF for each of fiscal years 2016 through 2055.

### **Revenues Shared Under GOMESA Phase II**

Qualified OCS revenues under GOMESA Phase II are revenues from leases that the Department issued after the passage of GOMESA (December 20, 2006) in the 181 Area, the 181 South Area, and the 2002–2007 Planning Area, as GOMESA delineates.

### **Excluded Acreage**

Selected acreage in the De Soto Canyon Protraction Area does not fall within the 181 Area, the 181 South Area, or the 2002-2007 Planning Area, as defined by GOMESA. You can locate the 21 blocks in the De Soto Canyon Protraction area bordering the Eastern Planning Area and not covered under GOMESA on the “Call for Information and Nominations Map, Central Planning Area Lease Sale 213,” available at [www.boem.gov/Oil-and-Gas-Energy-Program/Leasing/Regional-Leasing/Gulf-of-Mexico-Region/Lease-Sales/213/index.aspx](http://www.boem.gov/Oil-and-Gas-Energy-Program/Leasing/Regional-Leasing/Gulf-of-Mexico-Region/Lease-Sales/213/index.aspx).

## **II. Comments on the Proposed Amendments**

ONRR and BOEM published the proposed rule on March 31, 2014 (79 FR 17948), with a 60-day comment period. We received two comment letters on the proposed rule: one from a Gulf producing State, and one from a coastal political subdivision. We have analyzed the comments contained in the letters and discuss them below:

*Specific Comments on 30 CFR Part 1219—Subpart E—Offshore Oil and Gas, GOMESA Phase II Revenue Sharing*

*(1) Definition of “qualified Outer Continental Shelf revenues” (Section 1219.511)*

*(a) Public Comment:* Jefferson Parish, Louisiana, commented that the exclusion in the proposed regulation of (1) user fees and (2) lease revenues explicitly excluded from GOMESA revenue sharing by statute or appropriations law is contrary to GOMESA’s requirements.

*ONRR Response:* As we discussed in the preamble of the proposed rule, the definition of “qualified Outer Continental Shelf revenues (Phase II)” is consistent with the regulations that we published for GOMESA Phase I revenue sharing (RIN 1010-AD46). In addition, this definition is consistent with other laws that appropriate OCS leasing revenues and fees by excluding any leasing revenues and fees that Congress may authorize DOI to retain in appropriations legislation or that are otherwise precluded from GOMESA revenue sharing.

Beginning in Fiscal Year 2009, the Appropriations Acts for the Department of the Interior have contained language that excludes certain rental receipts from GOMESA qualified OCS revenues, which Congress has appropriated to fund certain Departmental operations. Appropriations legislation for Fiscal Year 2012 made that exclusion permanent.

Additionally, we collect fees for cost recovery of special services, such as the transfer of a record title, based on the cost of providing those services. We collect these fees under the authority of the Independent Offices Appropriations Act (31 U.S.C. 9701) and the Office of Management and Budget’s Circular A-25. We do not derive these fees from the lease. For these reasons, Congress designates such fees as part of the Department’s appropriation, and they do not qualify as qualified OCS revenues under GOMESA. See Pub. L. 111-88, October 30, 2009.

*(b) Public Comment:* The State of Louisiana commented that we should revise the definition of qualified OCS revenues to include all funds due and payable to the United States, rather than only funds that ONRR receives. Louisiana expressed concern that including only funds received as qualified OCS revenues suggests that the United States (and therefore the Gulf-producing States and their CPSs) may not receive monies owed, and that ONRR may be perceived as having no obligation to collect monies owed.

*ONRR Response:* ONRR's mission is "to collect, disburse and verify Federal and Indian energy and other natural resource revenues on behalf of all Americans." The Secretary entrusts ONRR with a fiduciary role, and we ensure timely receipt of all revenues that payors owe. All qualified rentals, royalties, bonus bids, and other sums that ONRR receives within a fiscal year and subsequently transfers to the appropriate receipt account establish the amount of revenues due and payable for that fiscal year. We believe that this definition is consistent with the intent of the GOMESA provisions and other applicable laws.

*(2) GOMESA \$500,000,000 cap and ONRR disbursement of qualified OCS revenues (Phase II)  
(Section 1219.512)*

*Public Comments:* Jefferson Parish, Louisiana, commented that it is concerned with what it believes is an arbitrary annual cap of five hundred million dollars (\$500,000,000.00) per year.

The State of Louisiana requested that States and their CPSs be allowed to direct all or a specified portion of their payments directly to a trustee.

*ONRR Response:* GOMESA is explicit about the annual cap. GOMESA states that, for each of fiscal years 2016 through 2055, the total amount that the Department shares with the States, CPSs, and the LWCF cannot exceed \$500,000,000 annually. ONRR does not have the authority to alter the application of the cap.

GOMESA specifically enumerates the four States, CPSs, and the LWCF as the recipients of GOMESA revenue-sharing funds. ONRR's standard practice is to disburse revenue-sharing funds to the Government entity with which the Department shares the revenues. In order to maintain consistency between this standard practice and the revenue sharing under GOMESA, ONRR will disburse revenues to the States, CPSs, and the LWCF, and not directly to trustees.

*(3) ONRR allocates the qualified OCS revenues (Phase II) to coastal political subdivisions within the Gulf producing States (Section 1219.514)*

*Public Comment:* Jefferson Parish, Louisiana, commented that the portion of the allocation formula based upon proportionate coastline lengths for CPSs in Louisiana results in an inequity for Jefferson Parish, since parishes without a coastline in Louisiana receive greater allocations than Jefferson Parish, which has a coastline.

*ONRR Response:* GOMESA specifically states in Section 105(b)(3)(B) that allocations to coastal political subdivisions will be made in accordance with paragraphs (B), (C), and (E) of section 31(b)(4) of the OCSLA. Paragraph (B) specifies that 25 percent of the allocation be based on the number of miles of coastline a CPS has in proportion to the total number of miles of coastline of all CPSs within each State. For the State of Louisiana, paragraph (C) specifies a proxy coastline length for CPSs without a coastline. GOMESA does not provide an option to adjust the coastline length of any CPSs in Louisiana that have a coastline shorter than the proxy coastline length. Although Jefferson Parish does receive a smaller portion of revenues relative to CPSs without a coastline, GOMESA does not provide the Department with the authority to address this issue without a legislative change.

*(4) ONRR disbursement of funds to Gulf producing States and eligible coastal political subdivisions (Section 1219.516)*

*Public Comment:* The State of Louisiana commented that we should make the disbursement of allocated funds as quickly as practicable, but not later than March 31<sup>st</sup> of the year following the fiscal year of qualified OCS revenues.

*ONRR Response:* ONRR intends to disburse funds as quickly as practicable, but we cannot guarantee that we will do so before March 31<sup>st</sup> of the following fiscal year. GOMESA requires that ONRR disburse funds within the following fiscal year—or by September 30<sup>th</sup>. ONRR's intent is to make the disbursements as soon as possible, but the disbursements may depend on factors outside of ONRR's authority. ONRR has modified the final rule to include language that states that we will disburse as soon as authorized and practicable each year.

This final rule also makes non-substantive technical or clarifying changes to the proposed rule. In the interim, between development of the proposed rule and the final rule, we made a technical update in §1219.102 due to the United States Department of the Treasury disbursing monies only by Electronic Funds Transfer (EFT).

### **III. PROCEDURAL MATTERS**

#### *Regulatory Planning and Review (Executive Orders 12866 and 13563)*

Executive Order (E.O.) 12866 provides that the Office of Information and Regulatory Affairs (OIRA) of the Office of Management and Budget (OMB) will review all significant rulemakings. OIRA determined that this rule is not significant.

Executive Order 13563 reaffirms the principles of E.O. 12866, while calling for improvements in the Nation's regulatory system to promote predictability; to reduce uncertainty; and to use the best, most innovative, and least burdensome tools for achieving regulatory ends. E.O. 13563 directs agencies to consider regulatory approaches that reduce burdens and maintain flexibility and freedom of choice for the public where these approaches are

relevant, feasible, and consistent with regulatory objectives. E.O. 13563 emphasizes further that regulations must be based on the best available science and that the rulemaking process must allow for public participation and an open exchange of ideas. We have developed this rule in a manner consistent with these requirements.

#### *Regulatory Flexibility Act*

DOI certifies that this rule will not have a significant economic effect on a substantial number of small entities under the Regulatory Flexibility Act (5 U.S.C. 601 *et seq.*). This rule specifies the formulas and methodologies for distributing DOI-collected shared revenues to the qualified Gulf producing States, their CPSs, and the LWCF. This rule has no effect on the amount of royalties, rents, or bonuses that lessees, operators, or payors owe, regardless of size and, consequently, does not have a significant economic effect on offshore lessees or operators, including those classified as small businesses. Small entities may be the beneficiaries of contracts that GOMESA revenues fund and that Gulf producing States or CPSs manage for coastal protection, conservation, or restoration services, but that is solely at the local government entity's discretion rather than the Federal Government's discretion. It is not possible to estimate GOMESA's ultimate effect on small entities since, under the statute, States and CPSs will be the entities disbursing the shared revenues for one or more of the five GOMESA-authorized uses.

#### *Small Business Regulatory Enforcement Fairness Act*

This rulemaking is not a major rule under 5 U.S.C. 801 *et seq.* of the Small Business Regulatory Enforcement Fairness Act. This rule:

(a) Does not have an annual effect on the economy of \$100 million or more. This rule's provisions specify how we will allocate qualified OCS revenues to States and CPSs during the second phase of GOMESA revenue sharing. This rule has no effect on the amount of royalties,

rents, or bonuses that lessees, operators, or payors owe, regardless of size and, consequently, does not have a significant adverse economic effect on offshore lessees or operators, including those classified as small businesses. The Gulf producing States and CPS recipients of the revenues will likely fund contracts that will benefit the local economies, small entities, and the environment. We believe that these annual effects will be less than \$100 million.

(b) Does not cause a major increase in costs or prices for consumers, individual industries, Federal, State, local government agencies, or geographic regions.

(c) Does not have significant adverse effects on competition, employment, investment, productivity, innovation, or the ability of United States-based enterprises to compete with foreign-based enterprises. We project that the effects, if any, of distributing revenues to the States and CPSs, will be beneficial.

#### *Unfunded Mandates Reform Act*

This rule does not impose an unfunded mandate on State, local, or Tribal governments or the private sector of more than \$100 million per year. This rule does not have a significant or unique effect on State, local, or Tribal governments or the private sector. We are not required to provide a statement containing the information that the Unfunded Mandates Reform Act (2 U.S.C. 1501 *et seq.*) requires because this rule is not a mandate. This rule merely provides the formulas and methods to implement an allocation of revenue to certain States and eligible CPSs, as Congress directed.

#### *Takings (E.O. 12630)*

Under the criteria in section 2 of E.O. 12630, this rule does not have significant takings implications. This rule will not be a governmental action capable of interference with

constitutionally protected property rights. This rule does not require a Takings Implication Assessment.

*Federalism (E.O. 13132)*

Under the criteria in section 1 of E.O. 13132, this rule does not have sufficient federalism implications to warrant the preparation of a Federalism summary impact statement. This rule does not substantially and directly affect the relationship between the Federal and State governments. To the extent that State and local governments have a role in OCS activities, this rule does not affect that role.

*Civil Justice Reform (E.O. 12988)*

This rule complies with the requirements of E.O. 12988. Specifically, this rule:

- a. Meets the criteria of section 3(a), which requires that all regulations undergo review to eliminate errors and ambiguity and are written to minimize litigation.
- b. Meets the criteria of section 3(b)(2), which requires that we write regulations in clear language using clear legal standards.

*Consultation with Indian Tribes (E.O. 13175)*

The Department of the Interior strives to strengthen its government-to-government relationship with Indian Tribes through a commitment to consultation with Indian Tribes and recognition of their right to self-governance and Tribal sovereignty. Under the Department's consultation policy and the criteria in E.O. 13175, we have evaluated this rule and determined that it has no substantial direct effects on Federally recognized Indian Tribes.

*Paperwork Reduction Act*

This rule:

- (1) Does not contain any information collection requirements.

(2) Does not require a submission under the Paperwork Reduction Act of 1995 (44 U.S.C. 3501 et seq.).

*National Environmental Policy Act*

This rule does not constitute a major Federal action significantly affecting the quality of the human environment. We are not required to provide a detailed statement under the National Environmental Policy Act of 1969 (NEPA) because this rule qualifies for categorical exclusion under 43 CFR 46.210(c) and (i) and the DOI Departmental Manual, part 516, section 15.4.D: “(c) Routine financial transactions including such things as...audits, fees, bonds, and royalties...(i) Policies, directives, regulations, and guidelines: that are of an administrative, financial, legal, technical, or procedural nature.” We have also determined that this rule is not involved in any of the extraordinary circumstances listed in 43 CFR 46.215 that require further analysis under NEPA. This rule does not alter, in any material way, natural resources exploration, production, or transportation.

*Effects on the Energy Supply (E.O. 13211)*

This rule is not a significant energy action under the definition in E.O. 13211. A Statement of Energy Effects is not required.

**List of Subjects**

**30 CFR Part 519**

Government contracts, Mineral royalties, Oil and gas exploration, Public lands—mineral resources.

**30 CFR Part 1219**

Government contracts, Mineral royalties, Oil and gas exploration, Public lands—mineral resources.

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Janice M. Schneider  
Assistant Secretary—Land and Minerals Management

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Kristen J. Sarri  
Principal Deputy Assistant Secretary—Policy, Management and Budget

### **Authority and Issuance**

For the reasons stated in the preamble, under the authority provided by the Reorganization Plan No. 3 of 1950 (64 Stat. 1262) and Secretarial Order Nos. 3299, 3302, and 3306, the Department of the Interior amends part 519 of title 30 CFR chapter V and part 1219 of 30 CFR chapter XII as follows:

#### **Chapter V—BUREAU of OCEAN ENERGY MANAGEMENT, DEPARTMENT of the INTERIOR**

##### **Subchapter A—Minerals Revenue Management**

##### **PART 519 [REMOVED AND RESERVED]**

1. Remove and reserve part 519.

#### **Chapter XII—OFFICE of NATURAL RESOURCES REVENUE, DEPARTMENT of the INTERIOR**

##### **Subchapter A—Natural Resources Revenue**

2. Revise part 1219 to read as follows:

**PART 1219—DISTRIBUTION AND DISBURSEMENT OF ROYALTIES, RENTALS,  
AND BONUSES**

**Subpart A— [Reserved]**

**Subpart B— [Reserved]**

**Subpart C—Oil and Gas, Onshore**

**Sec.**

1219.100 What is ONRR’s timing of payment to the States?

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**Subpart D—Oil and Gas, Offshore, GOMESA Phase I Revenue Sharing**

1219.410 What does this subpart contain?

1219.411 What definitions apply to this subpart?

1219.412 How will ONRR divide the qualified OCS revenues (Phase I)?

1219.413 How will ONRR determine each Gulf producing State’s share of the qualified OCS revenues (Phase I) from leases in the 181 Area in the Eastern Planning Area and the 181 South Area?

1219.414 How will ONRR allocate the qualified OCS revenues (Phase I) to coastal political subdivisions within the Gulf producing States?

1219.415 How will ONRR allocate qualified OCS revenues (Phase I) to the coastal political subdivisions if, during any fiscal year, there are no applicable leased tracts in the 181 Area in the Eastern Gulf of Mexico Planning Area?

1219.416 When will ONRR disburse funds to Gulf producing States and eligible coastal political subdivisions?

**Subpart E—Oil and Gas, Offshore, GOMESA Phase II Revenue Sharing**

1219.510 What does this subpart contain?

1219.511 What definitions apply to this subpart?

1219.512 How will ONRR divide the qualified OCS revenues (Phase II)?

1219.513 How will ONRR determine each Gulf producing State’s share of the qualified OCS revenues (Phase II) from leases in the 181 Area, the 181 South Area, and the 2002-2007 Planning Area?

1219.514 How will ONRR allocate the qualified OCS revenues (Phase II) to coastal political subdivisions within the Gulf producing States?

1219.515 How will ONRR update the group of “historical lease sites” and “applicable leased tracts (Phase II)” used for determining the allocation of shared revenues?

1219.516 When will ONRR disburse funds to Gulf producing States and eligible coastal political subdivisions?

AUTHORITY: Section 104, Pub. L. 97-451, 96 Stat. 2451 (30 U.S.C. 1714), Pub. L. 109-432, Div C, Title I, 120 Stat. 3000.

**Subpart A— [Reserved]**

**Subpart B— [Reserved]**

**Subpart C—Oil and Gas, Onshore**

**§1219.100 What is ONRR’s timing of payment to the States?**

ONRR will pay a State’s share of mineral leasing revenues to the State not later than the last business day of the month in which the U.S. Treasury issues a warrant authorizing the disbursement, except for any portion of such revenues which is under challenge and placed in a suspense account pending resolution of a dispute.

**§1219.101 What receipts are subject to an interest charge?**

(a) Subject to the availability of appropriations, the Office of Natural Resources Revenue (ONRR) will pay the State its proportionate share of any interest charge for royalty and related monies that are placed in a suspense account pending resolution of any matters that may disallow distribution and disbursement. Such monies not disbursed by the last business day of the month following receipt by ONRR will accrue interest until paid.

(b) Upon resolution of any matters that may disallow distribution and disbursement, ONRR will disburse the suspended monies found due in paragraph (a) of this section, plus interest, to the State, under the provisions of §1219.100.

(c) ONRR will apply paragraph (a) of this section to revenues that ONRR cannot disburse to the State because the payor/lessee provided to ONRR incorrect, inadequate, or incomplete information, which prevented ONRR from identifying the proper recipient of the payment.

**§1219.102 What is ONRR’s method of payment to the States?**

ONRR will disburse monies to a State by Electronic Funds Transfer (EFT).

**§1219.103 How will ONRR manage payments to Indian accounts?**

ONRR will transfer mineral revenues received from Indian leases to the appropriate Indian accounts that the Bureau of Indian Affairs (BIA) manages for allotted and Tribal revenues. These accounts are specifically designated Treasury accounts. ONRR will transfer these revenues to the Indian accounts at the earliest practicable date after such funds are received, but in no case later than the last business day of the month in which ONRR receives these revenues.

**§1219.104 What are Explanation of Payments to the States and Indian Tribes?**

(a) ONRR will describe the payments to States and BIA, on behalf of Indian Tribes or Indian allottees, discussed in this part, in ONRR-prepared Explanation of Payment reports. ONRR will prepare these reports at the lease level and will include a description of the type of payment made, the period covered by the payment, the source of the payment, sales amounts upon which the payment is based, the royalty rate, and the unit value. If any State or Indian Tribe needs additional information pertaining to mineral revenue payments, the State or Tribe may request this information from ONRR.

(b) ONRR will provide these reports to:

(1) States, not later than the 10th day of the month following the month in which ONRR disburses the State's share of royalties and related monies.

(2) BIA, on behalf of Tribes and Indian allottees, not later than the 10th day of the month following the month in which ONRR disburses the funds.

(c) ONRR will not include in these reports revenues that we cannot distribute to States, Tribes, or Indian allottees because the payor/lessee provided incorrect, inadequate, or incomplete

information about the proper recipient of the payment, until the payor/lessee has submitted to ONRR the missing information.

**§1219.105 What definitions apply to this subpart?**

Terms that ONRR uses in this subpart will have the same meaning as in 30 U.S.C. 1702.

**Subpart D—Oil and Gas, Offshore, GOMESA Phase I Revenue Sharing**

**§1219.410 What does this subpart contain?**

(a) The Gulf of Mexico Energy Security Act of 2006 (GOMESA) directs the Secretary of the Interior to disburse a portion of the rentals, royalties, bonus bids, and other sums derived from certain Outer Continental Shelf (OCS) leases in the Gulf of Mexico (GOM) to the States of Alabama, Louisiana, Mississippi, and Texas (collectively identified as the Gulf producing States); to eligible coastal political subdivisions (CPSs) within those States; and to the Land and Water Conservation Fund (LWCF). Shared GOMESA revenues are reserved for the following purposes:

(1) Projects and activities for the purpose of coastal protection, including conservation, coastal restoration, hurricane protection, and infrastructure directly affected by coastal wetland losses;

(2) Mitigation of damage to fish, wildlife, or natural resources;

(3) Implementation of a federally-approved marine, coastal, or comprehensive conservation management plan;

(4) Mitigation of the impact of OCS activities through the funding of onshore infrastructure projects; and

(5) Planning assistance and administrative costs not-to-exceed 3 percent of the amounts received.

(b) This subpart sets forth the formula and methodology ONRR uses to determine the amount of revenues allocated and disbursed to each Gulf producing State and each eligible CPS for each of fiscal years 2007 through 2016. Leasing revenues disbursed under this subpart originate from leases issued on or after December 20, 2006, in the 181 Area in the Eastern Planning Area and the 181 South Area, subject to restrictions identified in GOMESA. We collectively refer to the revenue sharing from these areas for these fiscal years as GOMESA Phase I revenue sharing. For questions related to the revenue-sharing provisions in this subpart, please contact: Program Manager, Financial Management, Office of Natural Resources Revenue, P.O. Box 25165, Denver Federal Center, Building 85, Denver, CO 80225-0165.

**§1219.411 What definitions apply to this subpart?**

For purposes of this subpart:

*181 Area* means the area identified in map 15, page 58, of the “Proposed Final Outer Continental Shelf Oil and Gas Leasing Program for 1997-2002,” dated August 1996, excluding the area offered in OCS Lease Sale 181, held on December 5, 2001.

*181 Area in the Eastern Planning Area* is comprised of the area of overlap of the two geographic areas defined as the “181 Area” and the “Eastern Planning Area.”

*181 South Area* means any area—

(1) Located:

(i) South of the 181 Area;

(ii) West of the Military Mission Line; and

(iii) In the Central Planning Area;

(2) Excluded from the “Proposed Final Outer Continental Shelf Oil and Gas Leasing Program for 1997-2002,” dated August 1996, of the Bureau of Ocean Energy Management; and

(3) Included in the areas considered for oil and gas leasing, as identified in map 8, page 84, of the document entitled, “Revised Outer Continental Shelf Oil and Gas Leasing Program 2007-2012,” approved December 2010.

*Applicable leased tract (Phase I)* means a tract that is subject to a lease under section 8 of the Outer Continental Shelf Lands Act (OCSLA), 43 U.S.C. 1337, for the purpose of drilling for, developing, and producing oil or natural gas resources, issued on or after December 20, 2006, and located fully or partially in either the 181 Area in the Eastern Planning Area or in the 181 South Area.

*Central Planning Area* means the Central Gulf of Mexico Planning Area of the Outer Continental Shelf, as designated in the document entitled, “Revised Outer Continental Shelf Oil and Gas Leasing Program 2007-2012,” approved December 2010.

*Coastal political subdivision* means a political subdivision of a Gulf producing State, any part of which is:

(1) Within the coastal zone (as defined in section 304 of the Coastal Zone Management Act of 1972 (16 U.S.C. 1453)) of the Gulf producing State as of December 20, 2006; and

(2) Not more than 200 nautical miles from the geographic center of any leased tract.

*Coastline* means the line of ordinary low water along that portion of the coast which is in direct contact with the open sea and the line marking the seaward limit of inland waters. This is the same definition used in section 2 of the Submerged Lands Act (43 U.S.C. 1301).

*Distance* means the minimum great circle distance.

*Eastern Planning Area* means the Eastern Gulf of Mexico Planning Area of the Outer Continental Shelf, as designated in the document entitled, “Revised Outer Continental Shelf Oil and Gas Leasing Program 2007-2012,” approved December 2010.

*Gulf producing State* means each of the States of Alabama, Louisiana, Mississippi, and Texas.

*Leased tract* means any tract that is subject to a lease under section 6 or 8 of the Outer Continental Shelf Lands Act for the purpose of drilling for, developing, and producing oil or natural gas resources.

*Military Mission Line* means the north-south line at 86°41' W. longitude.

*Qualified OCS revenues (Phase I)* means—

(1) In the case of each of the fiscal years 2007 through 2016, all rentals, royalties, bonus bids, and other sums received by the United States from leases issued on or after December 20, 2006, located:

(i) In the 181 Area in the Eastern Planning Area.

(ii) In the 181 South Area.

(2) For applicable leased tracts intersected by the planning area administrative boundary line (e.g., separating the GOM Central Planning Area from the Eastern Planning Area), only the percent of revenues equivalent to the percent of surface acreage in the 181 Area in the Eastern Planning Area will be considered qualified OCS revenues (*Phase I*).

(3) Exclusions from the term qualified OCS revenues (*Phase I*) are:

(i) Revenues from the forfeiture of a bond or other surety securing obligations other than royalties;

(ii) Civil penalties;

(iii) Royalties “taken by the Secretary in-kind and not sold.” (Pub. L. 109-432, Dec 20, 2006);

(iv) Revenues generated from leases subject to section 8(g) of the Outer Continental Shelf Lands Act (43 U.S.C. 1337 (g));

(v) User fees; and

(vi) Lease revenues explicitly excluded from GOMESA revenue sharing by statute or appropriations law.

**§1219.412 How will ONRR divide the qualified OCS revenues (Phase I)?**

For each of the fiscal years 2007 through 2016, the Secretary of the Treasury will deposit 50 percent of the qualified OCS revenues (Phase I) into a special U.S. Treasury account, from which ONRR will disburse 75 percent to the Gulf producing States and 25 percent to the Land and Water Conservation Fund (LWCF). Of the revenues disbursed to a Gulf producing State, we will disburse 20 percent directly to the CPSs within that State. Each Gulf producing State will receive at least 10 percent of the qualified OCS revenues (Phase I) available for allocation to the Gulf producing States each fiscal year. The following table summarizes the resulting revenue shares (adding to 100 percent):

**REVENUE DISTRIBUTION OF QUALIFIED OCS REVENUES UNDER GOMESA PHASE I**

| <b>Recipient of qualified OCS revenues</b>          | <b>Percentage of qualified OCS revenues</b> |
|---|---|
| U.S. Treasury (General Fund)                        | 50  |
| Land and Water Conservation Fund                    | 12.5  |
| Gulf Producing States                               | 30  |
| Gulf Producing State Coastal Political Subdivisions | 7.5   |

**§1219.413 How will ONRR determine each Gulf producing State’s share of the qualified OCS revenues (Phase I) from leases in the 181 Area in the Eastern Planning Area and the 181 South Area?**

(a) ONRR will determine the great circle distance between:

(1) The geographic center of each applicable leased tract (Phase I); and

(2) The point on the coastline of each Gulf producing State that is closest to the geographic center of each applicable leased tract (Phase I).

(b) Based on these distances, we will calculate the qualified OCS revenues (Phase I) to disburse to each Gulf producing State as follows:

(1) For each Gulf producing State, we will calculate and total, over all applicable leased tracts (Phase I), the mathematical inverses of the distances between the points on the State's coastline that are closest to the geographic centers of the applicable leased tracts (Phase I), and the geographic centers of the applicable leased tracts (Phase I). For applicable leased tracts intersected by the planning area administrative boundary line, we will use the geographic center of the entire lease for the inverse distance determination.

(2) For each Gulf producing State, we will divide the sum of each State's inverse distances from all applicable leased tracts (Phase I) calculated under paragraph (1), by the sum of the inverse distances from all applicable leased tracts (Phase I) across all four Gulf producing States. In the formulas below,  $I_{AL}$ ,  $I_{LA}$ ,  $I_{MS}$ , and  $I_{TX}$  represent the sum of the inverses of the shortest distances between Alabama, Louisiana, Mississippi, and Texas and all applicable leased tracts (Phase I), respectively. We will multiply the result by the amount of shareable, qualified OCS revenues (Phase I).

**Alabama Share =  $(I_{AL} \div (I_{AL} + I_{LA} + I_{MS} + I_{TX})) \times$  qualified OCS revenues (Phase I)**

**Louisiana Share =  $(I_{LA} \div (I_{AL} + I_{LA} + I_{MS} + I_{TX})) \times$  qualified OCS revenues (Phase I)**

**Mississippi Share =  $(I_{MS} \div (I_{AL} + I_{LA} + I_{MS} + I_{TX})) \times$  qualified OCS revenues (Phase I)**

**Texas Share =  $(I_{TX} \div (I_{AL} + I_{LA} + I_{MS} + I_{TX})) \times$  qualified OCS revenues (Phase I)**

(3) If, in any fiscal year, this calculation results in less than a 10-percent allocation of the qualified OCS revenues (Phase I) to any Gulf producing State, we will recalculate the distribution. We will allocate 10 percent of the qualified OCS revenues (Phase I) to the affected State and recalculate the other States' shares of the remaining qualified OCS revenues (Phase I), omitting from the calculation the State receiving the 10-percent minimum share.

**§1219.414 How will ONRR allocate the qualified OCS revenues (Phase I) to coastal political subdivisions within the Gulf producing States?**

(a) Of the qualified OCS revenues (Phase I) allocated to a Gulf producing State's CPSs, ONRR will allocate 25 percent based on the proportion that each CPS's population bears to the population of all CPSs in the State.

(b) Of the qualified OCS revenues (Phase I) allocated to a Gulf producing State's CPSs, we will allocate 25 percent based on the proportion that each CPS's miles of coastline bears to the total miles of coastline across all CPSs in the State. However, for the State of Louisiana, we will deem CPSs without a coastline to each have a coastline one-third the average length of the coastline of all CPSs within Louisiana that have a coastline.

(c)(1) Of the qualified OCS revenues (Phase I) allocated to a Gulf producing State's CPSs, we will allocate 50 percent in amounts that are inversely proportional to the respective distances between:

(i) The point in each CPS that is closest to the geographic center of each applicable leased tract (Phase I); and

(ii) The geographic center of each applicable leased tract (Phase I).

(2) However, we will exclude distances to an applicable leased tract (Phase I) from this calculation if any portion of the tract is located in a geographic area that was subject to a leasing moratorium on January 1, 2005, unless the leased tract was in production on that date.

**§1219.415 How will ONRR allocate qualified OCS revenues (Phase I) to the coastal political subdivisions if, during any fiscal year, there are no applicable leased tracts in the 181 Area in the Eastern Gulf of Mexico Planning Area?**

If, during any fiscal year, there are no applicable leased tracts in the 181 Area in the Eastern Gulf of Mexico Planning Area, ONRR will allocate revenues to the CPSs in accordance with the following criteria:

(a) Of the qualified OCS revenues (Phase I) allocated to a Gulf producing State's CPSs, we will allocate 50 percent based on the proportion that each CPS's population bears to the population of all CPSs in the State.

(b) Of the qualified OCS revenues (Phase I) allocated to a Gulf producing State's CPSs, we will allocate 50 percent based on the proportion that each CPS's miles of coastline bears to the total miles of coastline across all CPSs within the State. However, for the State of Louisiana, we will deem CPSs without a coastline to each have a coastline one-third the average length of the coastline of all CPSs within Louisiana that have a coastline.

**§1219.416 When will ONRR disburse funds to Gulf producing States and coastal political subdivisions?**

ONRR will disburse GOMESA revenues as soon as authorized and practicable within the fiscal year following the year that we collect qualified OCS revenues (Phase I).

**Subpart E—Oil and Gas, Offshore, GOMESA Phase II Revenue Sharing**

**§1219.510 What does this subpart contain?**

(a) GOMESA directs the Secretary of the Interior to disburse a portion of the rentals, royalties, bonus bids, and other sums derived from certain OCS leases in the GOM to the States of Alabama, Louisiana, Mississippi, and Texas (collectively identified as the Gulf producing States); to eligible CPSs within those States; and to the LWCF. GOMESA directs the Gulf producing States and CPSs to use the shared revenues for the following purposes:

(1) Projects and activities for the purpose of coastal protection, including conservation, coastal restoration, hurricane protection, and infrastructure directly affected by coastal wetland losses;

(2) Mitigation of damage to fish, wildlife, or natural resources;

(3) Implementation of a federally-approved marine, coastal, or comprehensive conservation management plan;

(4) Mitigation of the impact of OCS activities through the funding of onshore infrastructure projects; and

(5) Planning assistance and administrative costs not-to-exceed 3 percent of the amounts received.

(b) This subpart sets forth the formula and methodology ONRR will use to determine the amount of revenues allocated and disbursed to each Gulf producing State and each eligible CPS for fiscal year 2017 and each fiscal year thereafter. Leasing revenues disbursed under this subpart (also referred to as GOMESA Phase II) originate from leases issued on or after December 20, 2006, in the 181 Area, the 181 South Area, and the GOM 2002-2007 Planning Area, subject to restrictions and caps identified in GOMESA. For questions related to the revenue-sharing provisions in this subpart, please contact: Program Manager, Financial

Management, Office of Natural Resources Revenue, P.O. Box 25165, Denver Federal Center, Building 85, Denver, CO 80225-0165, or at (303) 231-3217.

**§1219.511 What definitions apply to this subpart?**

For purposes of this subpart:

*181 Area* is defined at §1219.411.

*181 South Area* is defined at §1219.411.

*“181 Area in the Central Planning Area”* is comprised of the area of overlap of the two geographic areas defined at §1219.411 as the “181 Area” and the “Central Planning Area.”

*2002-2007 Planning Area* means any area—

(1) Located in—

(i) The Eastern Planning Area, as designated in the “Proposed Final Outer Continental Shelf Leasing Program 2002-2007,” dated April 2002;

(ii) The Central Planning Area, as designated in the “Proposed Final Outer Continental Shelf Leasing Program 2002-2007,” dated April 2002; or

(iii) The Western Planning Area, as designated in the “Proposed Final Outer Continental Shelf Leasing Program 2002-2007,” dated April 2002; and

(2) Not located in—

(i) An area in which no funds may be expended to conduct offshore preleasing, leasing, and related activities under sections 104 through 106 of the Department of the Interior, Environment, and Related Agencies Appropriations Act, 2006 (Pub. L. 109–54; 119 Stat. 521) (as in effect on August 2, 2005);

(ii) An area withdrawn from leasing under the “Memorandum on Withdrawal of Certain Areas of the United States Outer Continental Shelf from Leasing Disposition,” from 34 Weekly Comp. Pres. Doc. 1111, dated June 12, 1998; or

(iii) The 181 Area or 181 South Area.

*Applicable leased tract (Phase II)* means a tract that is subject to a lease under section 8 of the OCSLA, for the purpose of drilling for, developing, and producing oil or natural gas resources, issued on or after December 20, 2006, and located fully or partially in either the 181 Area or the 181 South Area.

*Central Planning Area* is defined at §1219.411.

*Coastal political subdivision* is defined at §1219.411.

*Coastline* is defined at §1219.411.

*Distance* is defined at §1219.411.

*Eastern Planning Area* is defined at §1219.411.

*Gulf producing State* is defined at §1219.411.

*Historical lease site* means any tract in the 2002–2007 Planning Area leased on or after October 1, 1982, under section 8 of the OCSLA, for the purpose of drilling for, developing, and producing oil or natural gas resources.

*Leased tract* is defined at §1219.411.

*Military Mission Line* is defined at §1219.411.

*Qualified OCS revenues (Phase II)* means—

(1) In the case of fiscal year 2017 and each fiscal year thereafter, all rentals, royalties, bonus bids, and other sums received by the United States from leases that lessees enter(ed) into on or after December 20, 2006, located:

(i) In the 181 Area;

(ii) In the 181 South Area;

(iii) In the 2002–2007 Planning Area.

(2) Exclusions from the term “*Qualified OCS revenues (Phase II)*” are:

(i) Revenues from the forfeiture of a bond or other surety instrument securing obligations other than royalties;

(ii) Civil penalties;

(iii) Royalties “taken by the Secretary in-kind and not sold” (Pub. L. 109-432, Dec 20, 2006);

(iv) Revenues generated from leases subject to section 8(g) of the Outer Continental Shelf Lands Act (43 U.S.C. 1337(g));

(v) User fees; and

(vi) Lease revenues explicitly excluded from GOMESA revenue sharing by statute or appropriations law.

(3) The term “*Qualified OCS revenues (Phase II)*” consists wholly of the two subsets defined as “*Qualified OCS revenues (Phase II–capped)*” and “*Qualified OCS revenues (Phase II–uncapped)*.”

(i) *Qualified OCS revenues (Phase II–capped)* means, in the case of fiscal year 2017 and each fiscal year thereafter, the subset of qualified OCS revenues (Phase II) received by the United States from leases that lessees enter(ed) into on or after December 20, 2006, located:

(A) In the 181 Area in the Central Planning Area; or

(B) In the 2002–2007 Planning Area.

(ii) *Qualified OCS revenues (Phase II–uncapped)* means, in the case of fiscal year 2017 and each fiscal year thereafter, the subset of qualified OCS revenues (Phase II) received by the United States from leases that lessees enter(ed) into on or after December 20, 2006, located:

(A) In the 181 Area in the Eastern Planning Area, or

(B) In the 181 South Area.

**§1219.512 How will ONRR divide the qualified OCS revenues (Phase II)?**

(a) For fiscal year 2017 and each fiscal year thereafter, the Secretary of the Treasury will deposit 50 percent of the qualified OCS revenues (Phase II–uncapped) into a special U.S. Treasury account, from which ONRR will disburse 75 percent to the Gulf producing States and 25 percent to the LWCF. Of the revenues disbursed to a Gulf producing State, we will disburse 20 percent directly to the CPSs within that State. Each Gulf producing State will receive at least 10 percent of the qualified OCS revenues (Phase II–uncapped) available for allocation to the Gulf producing States each fiscal year. The following table summarizes the resulting revenue shares (adding to 100 percent):

**REVENUE DISTRIBUTION OF QUALIFIED OCS REVENUES (PHASE II–UNCAPPED) UNDER GOMESA PHASE II**

| <b>Recipient of qualified OCS revenues</b>          | <b>Percentage of qualified OCS revenues</b> |
|---|---|
| U.S. Treasury (General Fund)                        | 50  |
| Land and Water Conservation Fund                    | 12.5  |
| Gulf Producing States                               | 30  |
| Gulf Producing State Coastal Political Subdivisions | 7.5   |

(b) For fiscal year 2017 and each fiscal year thereafter, the Secretary of the Treasury will deposit 50 percent of the qualified OCS revenues (Phase II–capped) into a special U.S. Treasury account. The total amount of qualified OCS revenues (Phase II–capped) deposited in the special U.S. Treasury account and available for allocation to the Gulf producing States, the CPSs and the

LWCF, under this subpart, cannot exceed \$500,000,000 for each of the fiscal years 2017 through 2055. After applying the cap, if applicable, ONRR will disburse 75 percent to the Gulf producing States and 25 percent to the LWCF. Of the revenues disbursed to a Gulf producing State, we will disburse 20 percent directly to the CPSs within that State. Each Gulf producing State will receive at least 10 percent of the qualified OCS revenues (Phase II–capped) available for allocation to the Gulf producing States each fiscal year.

**§1219.513 How will ONRR determine each Gulf producing State’s share of the qualified OCS revenues (Phase II) from leases in the 181 Area, the 181 South Area and the 2002–2007 Planning Area?**

(a) ONRR will determine the great circle distance between:

(1) The geographic center of each applicable leased tract (Phase II) or historical lease site;  
and

(2) The point on the coastline of each Gulf producing State that is closest to the geographic center of each applicable leased tract (Phase II) or historical lease site.

(b) Based on a specific subset of these distances, we will calculate the qualified OCS revenues (Phase II-uncapped) to disburse to each Gulf producing State as follows:

(1) For each Gulf producing State, we will calculate and total, over all applicable leased tracts (Phase II) located in the 181 Area in the Eastern Planning Area or the 181 South Area, the mathematical inverses of the distances between the points on the State’s coastline that are closest to the geographic centers of the applicable leased tracts (Phase II) located in the 181 Area in the Eastern Planning Area or the 181 South Area, and the geographic centers of the applicable leased tracts (Phase II) located in the 181 Area in the Eastern Planning Area or the 181 South Area.

(2) For each Gulf producing State, we will divide the sum of each State's inverse distances from all applicable leased tracts (Phase II) located in the 181 Area in the Eastern Planning Area or the 181 South Area calculated under paragraph (1), by the sum of the inverse distances from all applicable leased tracts (Phase II) located in the 181 Area in the Eastern Planning Area or the 181 South Area across all four Gulf producing States. In the formulas below,  $I_{AL}$ ,  $I_{LA}$ ,  $I_{MS}$ , and  $I_{TX}$  represent the sum of the inverses of the shortest distances between Alabama, Louisiana, Mississippi, and Texas and all applicable leased tracts (Phase II), respectively. We will multiply the result by the amount of shareable, qualified OCS revenues (Phase II-uncapped).

**Alabama Share =  $(I_{AL} \div (I_{AL} + I_{LA} + I_{MS} + I_{TX})) \times$  qualified OCS revenues (Phase II-uncapped)**

**Louisiana Share =  $(I_{LA} \div (I_{AL} + I_{LA} + I_{MS} + I_{TX})) \times$  qualified OCS revenues (Phase II-uncapped)**

**Mississippi Share =  $(I_{MS} \div (I_{AL} + I_{LA} + I_{MS} + I_{TX})) \times$  qualified OCS revenues (Phase II-uncapped)**

**Texas Share =  $(I_{TX} \div (I_{AL} + I_{LA} + I_{MS} + I_{TX})) \times$  qualified OCS revenues (Phase II-uncapped)**

(3) If, in any fiscal year, this calculation results in less than a 10-percent allocation of the qualified OCS revenues (Phase II-uncapped) to any Gulf producing State, we will recalculate the distribution. We will allocate 10 percent of the qualified OCS revenues (Phase II-uncapped) to the affected State and recalculate the other States' shares of the remaining qualified OCS revenues (Phase II-uncapped), omitting from the calculation the State receiving the 10-percent minimum share.

(c) Based on a specific subset of these distances, we will calculate the qualified OCS revenues (Phase II-capped) to disburse to each Gulf producing State as follows:

(1) For each Gulf producing State, we will calculate and total, over all applicable leased tracts (Phase II) located in the 181 Area in the Central Planning Area and historical lease sites, the mathematical inverses of the distances between the points on the State's coastline that are closest to the geographic centers of the applicable leased tracts (Phase II) located in the 181 Area in the Central Planning Area and historical lease sites, and the geographic centers of the applicable leased tracts (Phase II) located in the 181 Area in the Central Planning Area and historical lease sites.

(2) For each Gulf producing State, we will divide the sum of each State's inverse distances from all applicable leased tracts (Phase II) located in the 181 Area in the Central Planning Area and historical lease sites calculated under paragraph (1), by the sum of the inverse distances from all applicable leased tracts (Phase II) located in the 181 Area in the Central Planning Area and historical lease sites across all four Gulf producing States. In the formulas below,  $I_{AL}$ ,  $I_{LA}$ ,  $I_{MS}$ , and  $I_{TX}$  represent the sum of the inverses of the shortest distances between Alabama, Louisiana, Mississippi, and Texas and all applicable leased tracts (Phase II) and historical lease sites, respectively. We will multiply the result by the amount of shareable, qualified OCS revenues (Phase II-capped).

**Alabama Share =  $(I_{AL} \div (I_{AL} + I_{LA} + I_{MS} + I_{TX})) \times$  qualified OCS revenues (Phase II-capped)**

**Louisiana Share =  $(I_{LA} \div (I_{AL} + I_{LA} + I_{MS} + I_{TX})) \times$  qualified OCS revenues (Phase II-capped)**

**Mississippi Share =  $(I_{MS} \div (I_{AL} + I_{LA} + I_{MS} + I_{TX})) \times$  qualified OCS revenues (Phase II-capped)**

**Texas Share =  $(I_{TX} \div (I_{AL} + I_{LA} + I_{MS} + I_{TX})) \times$  qualified OCS revenues (Phase II-capped)**

(3) If, in any fiscal year, this calculation results in less than a 10-percent allocation of the qualified OCS revenues (Phase II-capped) to any Gulf producing State, we will recalculate the

distribution. We will allocate 10 percent of the qualified OCS revenues (Phase II-capped) to the affected State and recalculate the other States' shares of the remaining qualified OCS revenues (Phase II-capped), omitting from the calculation the State receiving the 10-percent minimum share.

**§1219.514 How will ONRR allocate the qualified OCS revenues (Phase II) to coastal political subdivisions within the Gulf producing States?**

(a) Of the qualified OCS revenues (Phase II) allocated to a Gulf producing State's CPSs, ONRR will allocate 25 percent based on the proportion that each CPS's population bears to the population of all CPSs in the State.

(b) Of the qualified OCS revenues (Phase II) allocated to a Gulf producing State's CPSs, we will allocate 25 percent based on the proportion that each CPS's miles of coastline bears to the total miles of coastline across all CPSs in the State. However, for the State of Louisiana, we will deem CPSs without a coastline to each have a coastline one-third the average length of the coastline of all CPSs within Louisiana that have a coastline.

(c)(1) Of the qualified OCS revenues (Phase II) allocated to a Gulf producing State's CPSs, we will allocate 50 percent in amounts that are inversely proportional to the respective distances between:

(i) The point in each CPS that is closest to the geographic center of the applicable leased tract (Phase II) or historical lease site; and

(ii) The geographic center of each applicable leased tract (Phase II) or historical lease site.

(2) However, we will exclude distances to an applicable leased tract (Phase II) from this calculation if any portion of the tract is located in a geographic area that was subject to a leasing moratorium on January 1, 2005, unless the leased tract was in production on that date.

**§1219.515 How will ONRR update the group of “historical lease sites” and “applicable leased tracts (Phase II)” used for determining the allocation of shared revenues?**

(a) As GOMESA directs, ONRR will update the group of historical lease sites in the 2002–2007 Planning Area as follows:

(1) On December 31, 2015, we will freeze the group of historical lease sites, subject to the adjustment under paragraph (a)(2) of this section.

(2) Beginning January 1, 2022, and every fifth year thereafter, we will extend the ending date for determining the group of historical lease sites for an additional five calendar years by adding any new historical lease sites to the existing group.

(b) Each year we will update the group of applicable leased tracts (Phase II) to include only leases that were in effect at any time during the previous fiscal year.

**§1219.516 When will ONRR disburse funds to Gulf producing States and coastal political subdivisions?**

ONRR will disburse GOMESA revenues as soon as authorized and practicable within the fiscal year following the year that we collect qualified OCS revenues (Phase II).

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