

OUTER CONTINENTAL SHELF TRANSBOUNDARY  
HYDROCARBON AGREEMENTS AUTHORIZATION ACT

—————  
JUNE 6, 2013.—Committed to the Committee of the Whole House on the State of  
the Union and ordered to be printed

—————

Mr. HASTINGS of Washington, from the Committee on Natural  
Resources, submitted the following

R E P O R T

together with

DISSENTING VIEWS

[To accompany H.R. 1613]

[Including cost estimate of the Congressional Budget Office]

The Committee on Natural Resources, to whom was referred the bill (H.R. 1613) to amend the Outer Continental Shelf Lands Act to provide for the proper Federal management and oversight of transboundary hydrocarbon reservoirs, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

**SECTION 1. SHORT TITLE.**

This Act may be cited as the “Outer Continental Shelf Transboundary Hydrocarbon Agreements Authorization Act”.

**TITLE I—AMENDMENT TO THE OUTER  
CONTINENTAL SHELF LANDS ACT**

**SEC. 101. AMENDMENT TO THE OUTER CONTINENTAL SHELF LANDS ACT.**

The Outer Continental Shelf Lands Act (43 U.S.C. 1331 et seq.) is amended by adding at the end the following:

**“SEC. 32. TRANSBOUNDARY HYDROCARBON AGREEMENTS.**

“(a) AUTHORIZATION.—After the date of enactment of the Outer Continental Shelf Transboundary Hydrocarbon Agreements Authorization Act, the Secretary may im-

plement the terms of any transboundary hydrocarbon agreement for the management of transboundary hydrocarbon reservoirs entered into by the President and approved by Congress. In implementing such an agreement, the Secretary shall protect the interests of the United States to promote domestic job creation and ensure the expeditious and orderly development and conservation of domestic mineral resources in accordance with all applicable United States laws governing the exploration, development, and production of hydrocarbon resources on the outer Continental Shelf.

“(b) SUBMISSION TO CONGRESS.—

“(1) IN GENERAL.—No later than 180 days after all parties to a transboundary hydrocarbon agreement have agreed to its terms, a transboundary hydrocarbon agreement that does not constitute a treaty in the judgment of the President shall be submitted by the Secretary to—

“(A) the Speaker of the House of Representatives;

“(B) the Majority Leader of the Senate;

“(C) the Chair of the Committee on Natural Resources of the House of Representatives; and

“(D) the Chair of the Committee on Energy and Natural Resources of the Senate.

“(2) CONTENTS OF SUBMISSION.—The submission shall include—

“(A) any amendments to this Act or other Federal law necessary to implement the agreement;

“(B) an analysis of the economic impacts such an agreement and any amendments necessitated by the agreement will have on domestic exploration, development, and production of hydrocarbon resources on the outer Continental Shelf; and

“(C) a detailed description of any regulations expected to be issued by the Secretary to implement the agreement.

“(c) IMPLEMENTATION OF SPECIFIC TRANSBOUNDARY AGREEMENT WITH MEXICO.—The Secretary may take actions as necessary to implement the terms of the Agreement between the United States of America and the United Mexican States Concerning Transboundary Hydrocarbon Reservoirs in the Gulf of Mexico, signed at Los Cabos, February 20, 2012, including—

“(1) approving unitization agreements and related arrangements for the exploration, development, or production of oil and natural gas from transboundary reservoirs or geological structures;

“(2) making available, in the limited manner necessary under the agreement and subject to the protections of confidentiality provided by the agreement, information relating to the exploration, development, and production of oil and natural gas from a transboundary reservoir or geological structure that may be considered confidential, privileged, or proprietary information under law;

“(3) taking actions consistent with an expert determination under the agreement; and

“(4) ensuring only appropriate inspection staff at the Bureau of Safety and Environmental Enforcement or other Federal agency personnel designated by the Bureau, the operator, or the lessee have authority to stop work on any installation or other device or vessel permanently or temporarily attached to the seabed of the United States, which may be erected thereon for the purpose of resource exploration, development or production activities as approved by the Secretary.

“(d) EXEMPTION FROM RESOURCES EXTRACTION REPORTING REQUIREMENT.—Actions taken by a public company in accordance with any transboundary hydrocarbon agreement shall not constitute the commercial development of oil, natural gas, or minerals for purposes of section 13(q) of the Securities Exchange Act of 1934 (157 U.S.C. 78m(q)).

“(e) SAVINGS PROVISIONS.—Nothing in this section shall be construed—

“(1) to authorize the Secretary to participate in any negotiations, conferences, or consultations with Cuba regarding exploration, development, or production of hydrocarbon resources in the Gulf of Mexico along the United States maritime border with Cuba or the area known by the Department of the Interior as the ‘Eastern Gap’; or

“(2) as affecting the sovereign rights and the jurisdiction that the United States has under international law over the outer Continental Shelf which appertains to it.”.

## **TITLE II—APPROVAL OF TRANSBOUNDARY HYDROCARBON AGREEMENT**

### **SEC. 201. APPROVAL OF AGREEMENT WITH MEXICO.**

The Agreement between the United States of America and the United Mexican States Concerning Transboundary Hydrocarbon Reservoirs in the Gulf of Mexico, signed at Los Cabos, February 20, 2012, is hereby approved.

#### **PURPOSE OF THE BILL**

The purpose of H.R. 1613, as ordered reported, is to amend the Outer Continental Shelf Lands Act to provide for the proper Federal management and oversight of transboundary hydrocarbon reservoirs.

#### **BACKGROUND AND NEED FOR LEGISLATION**

The Outer Continental Shelf Transboundary Hydrocarbon Agreements Authorization Act (H.R. 1613) will provide the Secretary of the Interior the legislative authority to implement a February 2012 Agreement signed by then-U.S. Secretary of State Hillary Clinton and Mexican Foreign Secretary Patricia Espinosa on how to explore, develop and share revenue from hydrocarbon reservoirs that overlie our maritime boundary with Mexico in the Gulf of Mexico. The bill also establishes a clear and transparent process on how to implement future transboundary hydrocarbon agreements, ensures U.S. sovereignty on our Outer Continental Shelf (OCS), and includes a discreet waiver of Securities and Exchange Commission reporting requirements that may be in conflict with language in the Agreement and Mexican law to provide certainty to future exploration and development in these areas.

In 1978, the United States established maritime boundaries with Mexico extending out to the 200-nautical-mile limit of our nation's exclusive economic zone. However, this mapping left two enclosed areas, known as the Western Gap and Eastern Gap, both of which extended beyond the 200-nautical-mile jurisdiction of each country. As a result, on June 9, 2000, the United States and Mexico signed the U.S.-Mexico Maritime Boundary Treaty which established a continental shelf boundary between the U.S. and Mexico in the Western Gap area. This treaty was ratified by the Senate on October 18, 2000, and established a 1.4-nautical-mile moratorium from hydrocarbon development on each side of the boundary in the Western Gap area in recognizing the possibility of transboundary hydrocarbon oil and gas reservoirs. While the moratorium was due to expire in 2010, it has been extended, during which time the U.S. and Mexico have arrived at the aforementioned Agreement, which sets up a legal framework to guide commercial energy development in these areas.

While there has only been an official moratorium in the Western Gap areas described above, lease blocks along other areas of the U.S./Mexico maritime border in the Gulf have not been explored and developed for oil and gas resources due to uncertainty and disputes over the legal treatment of potential transboundary reservoirs. The February 2012 Agreement only covers the U.S./Mexican maritime boundary and the Western Gap.

The situation has been further complicated by the control of the Mexican oil market by Mexico's national oil company, Petroleos Mexicanos (PEMEX), and Mexico's pre-2008 prohibition on foreign oil and gas companies operating within Mexican territory. However, while investment is now permitted, there remains a possibility that Mexico will pass laws which are inconsistent with U.S. interests, and U.S. companies must be protected from this. According to Duncan Wood, Director of the Mexico Institute at the Woodrow Wilson International Center for Scholars, Mexico ratified the Agreement as a treaty in April 2012, despite some opposition, who, prior to reviewing the final details of the Agreement, portrayed it as "selling out to the U.S."

That said, the Calderon Administration largely supported the finalization of the Agreement given PEMEX's longstanding troubles in its deep water endeavors. Additionally, current Mexican President Enrique Peña Nieto, whose six-year term began in December 2012, has indicated his intention to promote legislative changes to allow private companies to partner with PEMEX. Some have viewed this push for collaboration as a clear signal that Mexico wishes to enhance its deep water production given the United States' vast success in the Gulf of Mexico OCS.

The Obama Administration has decided to enact this Agreement as a Congressional-Executive Agreement, rather than a treaty, which requires a simple majority in both houses of Congress rather than a 2/3 majority in the Senate. Despite the difference in approval methods, the Agreement has the same status under international law as Mexico's ratification.

Currently, there are 67 active lease blocks held by nine companies on the U.S. portion of the Western Gap, meaning roughly 20% of the available acreage in the Gap area is under lease and awaiting certainty to move forward with exploration and development. There are 11 active lease blocks within three miles of the U.S./Mexico maritime boundary in the Western Planning Area of the Gulf (outside of the Gap) also waiting development. While comprehensive seismic scans have not been taken, these areas in the Western Gap as well as the lease blocks along the maritime border are considered likely to contain significant hydrocarbon resources. The Bureau of Ocean Energy Management and the U.S. State Department estimate that these areas contain as much as 172 million barrels of oil and 304 billion cubic feet of natural gas.

On November 2, 2011, the Subcommittee on Energy and Mineral Resources held an oversight hearing entitled "North American Offshore Energy: Mexico and Canada Boundary Treaties and New Drilling by Cuba and Bahamas." This hearing briefly touched on the need to finalize the Transboundary Hydrocarbon Agreement with Mexico to move forward with energy development in the Gulf of Mexico along our two nation's maritime boundaries. Four months later, the Agreement was signed in February 2012. Despite indicating it was a priority of the Obama Administration, the Department of the Interior did not respond to the repeated requests by the House Natural Resource Committee Majority staff for draft enacting legislation throughout 2012. In a Full Committee oversight hearing held on May 9, 2012, regarding the President's 5-year offshore leasing plan, Chairman Doc Hastings specifically asked Director Tommy Beaudreau of the Bureau of Ocean Energy Manage-

ment when the Department of the Interior would be providing the Committee with draft legislation to implement the Agreement, to which Director Beaudreau replied “very soon.”

Unfortunately, this was not the case and instead, the Administration attempted to insert a single paragraph in a last-minute non-germane Senate bill in December 2012. Consent to adoption of that language would have denied Congress its important oversight function, and the language would not have sufficiently protected U.S. companies in the implementation process.

The Administration first provided the House Natural Resources Committee with proposed implementation language on March 19, 2013, over one year after the signing of the Agreement. Work began immediately, with Congressman Jeff Duncan (R-SC) drafting implementing legislation and introducing a final bill on April 18, 2013. One week later, on April 25, 2013, the Subcommittee on Energy and Mineral Resources conducted a hearing on the bill.

The extreme difficulty in obtaining specific implementation guidance and language from the Department of the Interior and the U.S. Department of State in a timely manner was a motivation to include paragraphs (a) and (b) in H.R. 1613, rather than providing a more simple approval of the Agreement. Given our nation’s vast energy resources in other areas where the United States shares a maritime border with other nations, the need for future transboundary hydrocarbons agreements will likely be necessary. The approval of this Agreement is setting a significant precedent for such future agreements. Therefore, there was a clear need for a transparent process through which the Department of the Interior and the U.S. Department of State should operate to avoid future delays.

Finally, paragraph (d) of H.R. 1613 was included to provide a discreet exemption from the reporting requirements of Section 13q-1 of the Securities Exchange Act (as implemented by Public Law 111-517, the Dodd-Frank Wall Street Reform and Consumer Protection Act). This provision is only applicable to the exploration and development of transboundary hydrocarbon reservoirs between the U.S. and Mexico, as defined in the Agreement. The Obama Administration signed the Agreement with Mexico to develop energy resources bridging our international maritime boundary and that Agreement makes provision for the sharing of royalties on transboundary reservoirs, and also has very specific requirements on maintaining data confidentiality.

Without the Dodd-Frank clarification in H.R. 1613, American workers could be blocked from producing American energy in American waters if Mexico blocks disclosure of royalty payments due to it under the terms of the Agreement signed by the Obama Administration. This potential outcome was confirmed by witnesses during the April 25, 2013, hearing on H.R. 1613. As a result of this conflict between the Agreement language and Securities and Exchange Commission (SEC) requirements, American companies could be barred from developing a discovered transboundary energy resource, thereby leaving it to foreign-controlled energy companies such as China or Russia, who fall outside the jurisdiction of these SEC reporting requirements, to develop this American resource. The Committee determined that rather than face the prospect of putting American jobs and American-made energy at risk, this leg-

islation should include a clarification that provides certainty to prevent such an outcome.

#### COMMITTEE ACTION

H.R. 1613 was introduced on April 18, 2013, by Congressman Jeff Duncan (R-SC). The bill was referred to the Committee on Natural Resources, and within the Committee to the Subcommittee on Energy and Mineral Resources. In addition, the bill was referred to the Committees on Foreign Affairs and Financial Services. On April 25, 2013, the Subcommittee on Energy and Mineral Resources held a hearing on the bill. On May 15, 2013, the Full Natural Resources Committee met to consider the bill. The Subcommittee on Energy and Mineral Resources was discharged by unanimous consent. Congressman Doug Lamborn (R-CO) offered an amendment designated #1 to the bill; the amendment was adopted by voice vote. Congressman Raúl Grijalva (D-AZ) offered an amendment designated .001 to the bill; the amendment was not adopted by a roll call vote of 18 to 23, as follows:

**Committee on Natural Resources**

U.S. House of Representatives

113th Congress

Date: May 15, 2013

Recorded Vote #: 10

Meeting on / Amendment on: **H.R. 1613 - Grijalva.001**, Not agreed to by vote of 18 yeas and 23 nays

MEMBERS	Yea	Nay	Pres	MEMBERS	Yea	Nay	Pres
<b>Mr. Hastings, WA, Chairman</b>		X		<b>Mr. Duncan, SC</b>		X	
<i>Mr. Markey, MA, Ranking</i>				<i>Ms. Hanabusa, HI</i>	X		
<b>Mr. Young, AK</b>		X		<b>Mr. Tipton, CO</b>		X	
<i>Mr. Defazio, OR</i>	X			<i>Mr. Cardenas, CA</i>	X		
<b>Mr. Gohmert, TX</b>				<b>Mr. Gosar, AZ</b>		X	
<i>Mr. Faleomavaega, AS</i>				<i>Mr. Horsford, NV</i>	X		
<b>Mr. Bishop, UT</b>		X		<b>Mr. Labrador, ID</b>		X	
<i>Mr. Pallone, NJ</i>	X			<i>Mr. Huffman, CA</i>	X		
<b>Mr. Lamborn, CO</b>		X		<b>Mr. Southerland, FL</b>		X	
<i>Mrs. Napolitano, CA</i>	X			<i>Mr. Ruiz, CA</i>	X		
<b>Mr. Wittman, VA</b>		X		<b>Mr. Flores, TX</b>		X	
<i>Mr. Holt, NJ</i>	X			<i>Ms. Shea-Porter, NH</i>	X		
<b>Mr. Broun, GA</b>				<b>Mr. Runyan, NJ</b>		X	
<i>Mr. Grijalva, AZ</i>	X			<i>Mr. Lowenthal, CA</i>	X		
<b>Mr. Fleming, LA</b>		X		<b>Mr. Amodei, NV</b>		X	
<i>Ms. Bordallo, GU</i>	X			<i>Mr. Garcia, FL</i>	X		
<b>Mr. McClintock, CA</b>		X		<b>Mr. Mullin, OK</b>		X	
<i>Mr. Costa, CA</i>				<i>Mr. Cartwright, PA</i>	X		
<b>Mr. Thompson, PA</b>		X		<b>Mr. Stewart, UT</b>		X	
<i>Mr. Sablan, CNMI</i>	X			<b>Mr. Daines, MT</b>		X	
<b>Ms. Lummis, WY</b>		X		<b>Mr. Cramer, ND</b>		X	
<i>Ms. Tsongas, MA</i>	X			<b>Mr. LaMalfa, CA</b>		X	
<b>Mr. Benishek, MI</b>		X					
<i>Mr. Pierluisi, PR</i>	X						
				<b>TOTALS</b>	18	23	

Congressman Raúl Grijalva (D-AZ) offered an amendment designated Holt.003 to the bill; the amendment was not adopted by a roll call vote of 18 to 23, as follows:



**Committee on Natural Resources**

U.S. House of Representatives

113th Congress

Date: May 15, 2013

Recorded Vote #: 11

Meeting on / Amendment on: **H.R. 1613 - Holt.003**, offered by Mr. Grijalva, Not agreed to by vote of 18 yeas and 23 nays

MEMBERS	Yea	Nay	Pres	MEMBERS	Yea	Nay	Pres
<b>Mr. Hastings, WA, Chairman</b>		X		<b>Mr. Duncan, SC</b>		X	
<i>Mr. Markey, MA, Ranking</i>				<i>Ms. Hanabusa, HI</i>	X		
<b>Mr. Young, AK</b>		X		<b>Mr. Tipton, CO</b>		X	
<i>Mr. Defazio, OR</i>	X			<i>Mr. Cardenas, CA</i>	X		
<b>Mr. Gohmert, TX</b>				<b>Mr. Gosar, AZ</b>		X	
<i>Mr. Faleomavaega, AS</i>				<i>Mr. Horsford, NV</i>	X		
<b>Mr. Bishop, UT</b>		X		<b>Mr. Labrador, ID</b>		X	
<i>Mr. Pallone, NJ</i>	X			<i>Mr. Huffman, CA</i>	X		
<b>Mr. Lamborn, CO</b>		X		<b>Mr. Southerland, FL</b>		X	
<i>Mrs. Napolitano, CA</i>	X			<i>Mr. Ruiz, CA</i>	X		
<b>Mr. Wittman, VA</b>		X		<b>Mr. Flores, TX</b>		X	
<i>Mr. Holt, NJ</i>	X			<i>Ms. Shea-Porter, NH</i>	X		
<b>Mr. Broun, GA</b>				<b>Mr. Runyan, NJ</b>		X	
<i>Mr. Grijalva, AZ</i>	X			<i>Mr. Lowenthal, CA</i>	X		
<b>Mr. Fleming, LA</b>		X		<b>Mr. Amodei, NV</b>		X	
<i>Ms. Bordallo, GU</i>	X			<i>Mr. Garcia, FL</i>	X		
<b>Mr. McClintock, CA</b>		X		<b>Mr. Mullin, OK</b>		X	
<i>Mr. Costa, CA</i>				<i>Mr. Cartwright, PA</i>	X		
<b>Mr. Thompson, PA</b>		X		<b>Mr. Stewart, UT</b>		X	
<i>Mr. Sablan, CNMI</i>	X			<b>Mr. Daines, MT</b>		X	
<b>Ms. Lummis, WY</b>		X		<b>Mr. Cramer, ND</b>		X	
<i>Ms. Tsongas, MA</i>	X			<b>Mr. LaMalfa, CA</b>		X	
<b>Mr. Benishek, MI</b>		X					
<i>Mr. Pierluisi, PR</i>	X						
				<b>TOTALS</b>	18	23	

No further amendments were offered and the bill, as amended, was then adopted and ordered favorably reported to the House of Representatives by a bipartisan roll call vote of 25 to 16, as follows:

## Committee on Natural Resources

U.S. House of Representatives

113th Congress

Date: May 15, 2013

Recorded Vote #: 12

Meeting on / Amendment on: **H.R. 1613** - To adopt and favorably report the bill to the House, as amended, agreed to by a vote of 25 yeas to 16 nays

MEMBERS	Yea	Nay	Pres	MEMBERS	Yea	Nay	Pres
<b>Mr. Hastings, WA, Chairman</b>	X			<b>Mr. Duncan, SC</b>	X		
<i>Mr. Markey, MA, Ranking</i>				<i>Ms. Hanabusa, HI</i>		X	
<b>Mr. Young, AK</b>	X			<b>Mr. Tipton, CO</b>	X		
<i>Mr. Defazio, OR</i>		X		<i>Mr. Cardenas, CA</i>		X	
<b>Mr. Gohmert, TX</b>				<b>Mr. Gosar, AZ</b>	X		
<i>Mr. Faleomavaega, AS</i>				<i>Mr. Horsford, NV</i>		X	
<b>Mr. Bishop, UT</b>	X			<b>Mr. Labrador, ID</b>	X		
<i>Mr. Pallone, NJ</i>		X		<i>Mr. Huffman, CA</i>		X	
<b>Mr. Lamborn, CO</b>	X			<b>Mr. Southerland, FL</b>	X		
<i>Mr. Napolitano, CA</i>		X		<i>Mr. Ruiz, CA</i>		X	
<b>Mr. Wittman, VA</b>	X			<b>Mr. Flores, TX</b>	X		
<i>Mr. Holt, NJ</i>		X		<i>Ms. Shea-Porter, NH</i>		X	
<b>Mr. Broun, GA</b>				<b>Mr. Runyan, NJ</b>	X		
<i>Mr. Grijalva, AZ</i>		X		<i>Mr. Lowenthal, CA</i>		X	
<b>Mr. Fleming, LA</b>	X			<b>Mr. Amodei, NV</b>	X		
<i>Ms. Bordallo, GU</i>		X		<i>Mr. Garcia, FL</i>	X		
<b>Mr. McClintock, CA</b>	X			<b>Mr. Mullin, OK</b>	X		
<i>Mr. Costa, CA</i>				<i>Mr. Cartwright, PA</i>		X	
<b>Mr. Thompson, PA</b>	X			<b>Mr. Stewart, UT</b>	X		
<i>Mr. Sablan, CNMI</i>	X			<b>Mr. Daines, MT</b>	X		
<b>Ms. Lummis, WY</b>	X			<b>Mr. Cramer, ND</b>	X		
<i>Ms. Tsongas, MA</i>		X		<b>Mr. LaMalfa, CA</b>	X		
<b>Mr. Benishek, MI</b>	X						
<i>Mr. Pierluisi, PR</i>		X					
				<b>TOTALS</b>	25	16	

COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

Regarding clause 2(b)(1) of rule X and clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee on Natural Resources’ oversight findings and recommendations are reflected in the body of this report.

COMPLIANCE WITH HOUSE RULE XIII

1. Cost of Legislation. Clause 3(d)(1) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison by the Committee of the costs which would be incurred in carrying out this bill. However, clause 3(d)(2)(B) of that rule provides that this requirement does not apply when the Committee has included in its report a timely submitted cost estimate of the bill prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974. Under clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 403 of the Congressional Budget Act of 1974, the Committee has received the following cost estimate for this bill from the Director of the Congressional Budget Office:

*H.R. 1613—Outer Continental Shelf Transboundary Hydrocarbon Agreements Authorization Act*

Summary: H.R. 1613 would approve a February 20, 2012, agreement between the United States and Mexico regarding the development of oil and gas resources in what is known as the “transboundary” area in the Gulf of Mexico. It would establish guidelines and procedures for implementing that agreement and for Congressional review of any future agreements governing that area.

Pay-as-you-go procedures apply to this bill because enacting the legislation would affect offsetting receipts, which are recorded as a credit against direct spending. CBO estimates that enacting H.R. 1613 would increase offsetting receipts from lease sales in the Outer Continental Shelf (OCS) by \$25 million over the 2014–2023 period, thus reducing direct spending by a corresponding amount. Enacting H.R. 1613 would not affect revenues.

H.R. 1613 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 1613 is shown in the following table. The costs of this legislation fall within budget function 950 (undistributed offsetting receipts).

	By fiscal year, in millions of dollars—												
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014–2018	2014–2023	
	CHANGES IN DIRECT SPENDING												
Estimated Budget Authority ..	-7	-2	-2	-2	-2	-2	-2	-2	-2	-2	-15	-25	
Estimated Outlays .....	-7	-2	-2	-2	-2	-2	-2	-2	-2	-2	-15	-25	

Basis of estimate: H.R. 1613 would affect the development of any jointly owned oil and gas resources along the border between the territorial waters of the United States and Mexico in the Gulf of Mexico. That area is known as the “transboundary area” and extends 1.4 miles on either side of that border. Most of the area on

the United States side is far from the coast and has resources located in very deep water. Although the Department of the Interior (DOI) routinely offers leases for most of that acreage, little has been leased for development. Neither country currently allows firms to develop resources in one portion of the transboundary area (known as the Western Gap).

CBO expects that enacting H.R. 1613 would affect OCS leasing activity in two ways. First, approving the 2012 agreement would allow DOI to offer leases for the 158,584 acres in the Western Gap that currently are unavailable for development. Second, it may increase the value of other leases by clarifying procedures for developing oil and gas fields that straddle the boundary of the two nations.

CBO estimates that implementing this bill would increase offsetting receipts by about \$25 million over the 2014–2023 period, primarily from bonus and rental payments from new leasing activity. That estimated change in offsetting receipts is roughly proportionate to the increase in the amount of acreage made available for leasing relative to current law.<sup>1</sup> For this estimate, CBO expects that firms would acquire additional leases in the affected area beginning in fiscal year 2014. Receipts also are projected to rise in subsequent years as a result of higher prices for new leases as well as rental and royalty payments.

**Pay-As-You-Go Considerations:** The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO ESTIMATE OF PAY-AS-YOU-GO EFFECTS FOR H.R. 1613 AS ORDERED REPORTED BY THE HOUSE COMMITTEE ON NATURAL RESOURCES ON MAY 15, 2013

	By fiscal year, in millions of dollars—													2013–2018	2013–2023
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023				
	NET INCREASE OR DECREASE (–) IN THE DEFICIT														
Statutory Pay-As-You-Go Impact .....	0	–7	–2	–2	–2	–2	–2	–2	–2	–2	–2	–2	–15	–25	

**Intergovernmental and private-sector impact:** H.R. 1613 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

Estimate prepared by: Federal Costs: Kathleen Gramp; Impact on State, Local, and Tribal governments: Melissa Merrill; Impact on the Private Sector: Amy Petz.

Estimate approved by: Theresa Gullo, Deputy Assistant Director for Budget Analysis.

2. Section 308(a) of Congressional Budget Act. As required by clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974,

<sup>1</sup>Based on recent trends, CBO estimates in its May 2013 baseline that DOI will offer leases for about 60 million acres in the Gulf of Mexico under current law and that bonus and rental payments for new leases will total about \$20 billion over the 2014–2023 period. Allowing additional leasing in the transboundary portion of the Western Gap would increase the acreage available for leasing by less than one-half of one percent.

this bill does not contain any new budget authority, credit authority, or an increase or decrease in revenues or tax expenditures. CBO estimates that enacting H.R. 1613 would increase offsetting receipts from lease sales in the Outer Continental Shelf (OCS) by \$25 million over the 2014–2023 period, thus reducing direct spending by a corresponding amount.

3. General Performance Goals and Objectives. As required by clause 3(c)(4) of rule XIII, the general performance goal or objective of this bill, as ordered reported, is to amend the Outer Continental Shelf Lands Act to provide for the proper Federal management and oversight of transboundary hydrocarbon reservoirs.

#### EARMARK STATEMENT

This bill does not contain any Congressional earmarks, limited tax benefits, or limited tariff benefits as defined under clause 9(e), 9(f), and 9(g) of rule XXI of the Rules of the House of Representatives.

#### COMPLIANCE WITH PUBLIC LAW 104–4

This bill contains no unfunded mandates.

#### COMPLIANCE WITH H. RES. 5

Directed Rule Making. The Chairman does not believe that this bill directs any executive branch official to conduct any specific rule-making proceedings.

Duplication of Existing Programs. This bill does not establish or reauthorize a program of the federal government known to be duplicative of another program. Such program was not included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139 or identified in the most recent Catalog of Federal Domestic Assistance published pursuant to the Federal Program Information Act (Public Law 95–220, as amended by Public Law 98–169) as relating to other programs.

#### PREEMPTION OF STATE, LOCAL OR TRIBAL LAW

This bill is not intended to preempt any State, local or tribal law.

#### CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italic and existing law in which no change is proposed is shown in roman):

#### OUTER CONTINENTAL SHELF LANDS ACT

\* \* \* \* \*

#### **SEC. 32. TRANSBOUNDARY HYDROCARBON AGREEMENTS.**

(a) *AUTHORIZATION.*—After the date of enactment of the Outer Continental Shelf Transboundary Hydrocarbon Agreements Authorization Act, the Secretary may implement the terms of any transboundary hydrocarbon agreement for the management of transboundary hydrocarbon reservoirs entered into by the President and

approved by Congress. In implementing such an agreement, the Secretary shall protect the interests of the United States to promote domestic job creation and ensure the expeditious and orderly development and conservation of domestic mineral resources in accordance with all applicable United States laws governing the exploration, development, and production of hydrocarbon resources on the outer Continental Shelf.

(b) *SUBMISSION TO CONGRESS.*—

(1) *IN GENERAL.*—No later than 180 days after all parties to a transboundary hydrocarbon agreement have agreed to its terms, a transboundary hydrocarbon agreement that does not constitute a treaty in the judgment of the President shall be submitted by the Secretary to—

(A) the Speaker of the House of Representatives;

(B) the Majority Leader of the Senate;

(C) the Chair of the Committee on Natural Resources of the House of Representatives; and

(D) the Chair of the Committee on Energy and Natural Resources of the Senate.

(2) *CONTENTS OF SUBMISSION.*—The submission shall include—

(A) any amendments to this Act or other Federal law necessary to implement the agreement;

(B) an analysis of the economic impacts such an agreement and any amendments necessitated by the agreement will have on domestic exploration, development, and production of hydrocarbon resources on the outer Continental Shelf; and

(C) a detailed description of any regulations expected to be issued by the Secretary to implement the agreement.

(c) *IMPLEMENTATION OF SPECIFIC TRANSBOUNDARY AGREEMENT WITH MEXICO.*—The Secretary may take actions as necessary to implement the terms of the Agreement between the United States of America and the United Mexican States Concerning Transboundary Hydrocarbon Reservoirs in the Gulf of Mexico, signed at Los Cabos, February 20, 2012, including—

(1) approving unitization agreements and related arrangements for the exploration, development, or production of oil and natural gas from transboundary reservoirs or geological structures;

(2) making available, in the limited manner necessary under the agreement and subject to the protections of confidentiality provided by the agreement, information relating to the exploration, development, and production of oil and natural gas from a transboundary reservoir or geological structure that may be considered confidential, privileged, or proprietary information under law;

(3) taking actions consistent with an expert determination under the agreement; and

(4) ensuring only appropriate inspection staff at the Bureau of Safety and Environmental Enforcement or other Federal agency personnel designated by the Bureau, the operator, or the lessee have authority to stop work on any installation or other device or vessel permanently or temporarily attached to the seabed of the United States, which may be erected thereon for the

*purpose of resource exploration, development or production activities as approved by the Secretary.*

(d) *EXEMPTION FROM RESOURCES EXTRACTION REPORTING REQUIREMENT.—Actions taken by a public company in accordance with any transboundary hydrocarbon agreement shall not constitute the commercial development of oil, natural gas, or minerals for purposes of section 13(q) of the Securities Exchange Act of 1934 (157 U.S.C. 78m(q)).*

(e) *SAVINGS PROVISIONS.—Nothing in this section shall be construed—*

*(1) to authorize the Secretary to participate in any negotiations, conferences, or consultations with Cuba regarding exploration, development, or production of hydrocarbon resources in the Gulf of Mexico along the United States maritime border with Cuba or the area known by the Department of the Interior as the “Eastern Gap”; or*

*(2) as affecting the sovereign rights and the jurisdiction that the United States has under international law over the outer Continental Shelf which appertains to it.*



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CHIEF OF STAFF STAFF DIRECTOR



One Hundred Thirteenth Congress  
U.S. House of Representatives  
Committee on Foreign Affairs  
2170 Rayburn House Office Building  
Washington, DC 20515

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JASON STENBAUM  
DEMOCRATIC STAFF DIRECTOR

June 4, 2013

The Honorable Doc Hastings  
Chairman  
House Committee on Natural Resources  
1324 Longworth House Office Building  
Washington, DC 20515

Dear Chairman Hastings:

Thank you for sharing the amended text of H.R. 1613, the Outer Continental Shelf Transboundary Hydrocarbon Agreements Authorization Act, as marked up by your Committee.

Based on the portions of that text within Foreign Affairs jurisdiction, I am writing to confirm the agreement of the Foreign Affairs Committee to be discharged from consideration of H.R. 1613 in order to expedite its consideration on the House floor. In agreeing to waive consideration of that bill, this Committee does not waive any jurisdiction that it has over provisions in that bill or any other matter. This also does not constitute a waiver of the participation of the Committee of Foreign Affairs in any conference on this bill. I ask that you include a copy of this letter and your response in any Committee report on H.R. 1613, and in the Congressional Record during floor consideration of the bill.

Thank you again for your consideration and collegiality in this matter.

Sincerely,

  
EDWARD R. ROYCE

Chairman

The Honorable Doc Hastings

June 4, 2013

Page 2

cc: The Honorable John A. Boehner, Speaker  
The Honorable Eliot L. Engel  
Mr. Thomas J. Wickham, Jr., Parliamentarian

DOC HASTINGS, WA  
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TODD YOUNG  
 CHIEF OF STAFF

**U.S. House of Representatives**  
**Committee on Natural Resources**  
 Washington, DC 20515

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 DEMOCRATIC STAFF DIRECTOR

June 4, 2013

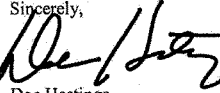
The Honorable Edward R. Royce  
 Chairman  
 Committee on Foreign Affairs  
 2170 Rayburn HOB  
 Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for your letter regarding H.R. 1613, the Outer Continental Shelf Transboundary Hydrocarbon Agreements Authorization Act. As you know, the Committee on Natural Resources ordered reported the bill, as amended, on May 15, 2013. I appreciate your support in bringing this legislation before the House of Representatives, and accordingly, understand that the Committee on Foreign Affairs will forego action on the bill.

The Committee on Natural Resources concurs with the mutual understanding that by foregoing consideration of H.R. 1613 at this time, the Committee on Foreign Affairs does not waive any jurisdiction over the subject matter contained in this or similar legislation. In addition, should a conference on the bill be necessary, I would support your request to have the Committee on Foreign Affairs represented on the conference committee. Finally, I would be pleased to include your letter and this response in the bill report filed by the Committee on Natural Resources, as well as in the *Congressional Record* during floor consideration, to memorialize our understanding.

Thank you for your cooperation.

Sincerely,  
  
 Doc Hastings  
 Chairman

JEB HENSARLING, TX, CHAIRMAN

United States House of Representatives  
Committee on Financial Services  
2124 Rayburn House Office Building  
Washington, D.C. 20515

MAXINE WATERS, CA, RANKING MEMBER

June 5, 2013

**HAND-DELIVERED**

The Honorable Doc Hastings  
Chairman  
Committee on Natural Resources  
1324 Longworth House Office Building  
Washington, DC 20515


Dear Chairman Hastings:

On May 15, 2013, the Committee on Natural Resources ordered H.R. 1613, the Outer Continental Shelf Transboundary Hydrocarbon Agreements Authorization Act, as amended, to be reported favorably to the House. As a result of your having consulted with the Committee on Financial Services concerning provisions of the bill that fall within our Rule X jurisdiction, I agree to discharge our committee from further consideration of the bill so that it may proceed expeditiously to the House Floor.

The Committee on Financial Services takes this action with our mutual understanding that, by foregoing consideration of H.R. 1613, as amended, at this time, we do not waive any jurisdiction over the subject matter contained in this or similar legislation, and that our committee will be appropriately consulted and involved as the bill or similar legislation moves forward so that we may address any remaining issues that fall within our Rule X jurisdiction. Our committee also reserves the right to seek appointment of an appropriate number of conferees to any House-Senate conference involving this or similar legislation, and requests your support for any such request.

Finally, I would appreciate your response to this letter confirming this understanding with respect to H.R. 1613, as amended, and would ask that a copy of our exchange of letters on this matter be included in your committee's report to accompany the legislation and/or in the *Congressional Record* during floor consideration thereof.

Sincerely,



JEB HENSARLING  
Chairman

cc: The Honorable John A. Boehner (via e-mail)  
The Honorable Maxine Waters (via e-mail)  
The Honorable Edward J. Markey (via e-mail)  
Mr. Thomas J. Wickham, Jr. (via e-mail)

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**U.S. House of Representatives**  
**Committee on Natural Resources**  
 Washington, DC 20515

June 5, 2013

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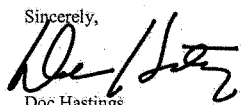
The Honorable Jeb Hensarling  
 Chairman  
 Committee on Financial Services  
 2129 Rayburn HOB  
 Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for your letter regarding H.R. 1613, the Outer Continental Shelf Transboundary Hydrocarbon Agreements Authorization Act. As you know, the Committee on Natural Resources ordered reported the bill, as amended, on May 15, 2013. I appreciate your support in bringing this legislation before the House of Representatives, and accordingly, understand that the Committee on Financial Services will forego action on the bill.

The Committee on Natural Resources concurs with the mutual understanding that by foregoing consideration of H.R. 1613 at this time, the Committee on Financial Services does not waive any jurisdiction over the subject matter contained in this or similar legislation. In addition, should a conference on the bill be necessary, I would support your request to have the Committee on Financial Services represented on the conference committee. Finally, I would be pleased to include your letter and this response in the bill report filed by the Committee on Natural Resources, as well as in the *Congressional Record* during floor consideration, to memorialize our understanding.

Thank you for your cooperation.

Sincerely,  
  
 Doc Hastings  
 Chairman

## DISSENTING VIEWS

We oppose H.R. 1613 because the Majority wrote this legislation without the input of the minority and included in it a poison pill provision that will ensure it will never become law in its current form. Legislation could have been drafted on a bipartisan basis and swiftly passed to allow the Administration to implement an agreement between the United States and Mexico to allow for the safe development of resources in the Gulf of Mexico along the maritime border between the two countries. Instead, the Majority tacked a provision into H.R. 1613 that would waive a section of the Dodd-Frank financial reform bill that requires disclosure of company payments to foreign nations and apply that waiver to any other country that shares a border with America, including nations that have questionable ethical practices. The legislation passed by Republicans on the House Natural Resources Committee would leave the door open for secret payments by oil companies to foreign nations or officials, which could include unethical actions by a company to gain an advantage or even bribes.

The Dodd-Frank requirement, otherwise known as the SEC Natural Resource Extraction disclosure rule, is intended to protect investors by allowing them to know if a company is making questionable payments to a government that could expose the company to civil liability or even criminal sanctions. It also aims to increase transparency regarding resource extraction projects in the developing world, thereby eliminating the so-called “resource curse” that has plagued many developing countries for decades by creating a cycle of corruption in their governments.

Allowing such secret payments is not only unwise, it is also unwarranted. The SEC already has the authority to provide waivers from the Dodd-Frank disclosure requirement should it be warranted. The SEC has general exemption authority under Sections 12(h) and 36 of the Securities Exchange Act of 1934. The SEC can “exempt any person, security, or transaction, or any class or classes of persons, securities, or transactions” using this authority “to the extent that such exemption is necessary or appropriate in the public interest, and is consistent with the protection of investors.” If a situation arises where such a waiver is needed, the SEC already has the authority it needs to exempt companies from the disclosure requirement. We should not provide a blanket exemption as is included in the underlying bill.

This legislation is intended to expand and facilitate offshore drilling but the Majority continues to do nothing to implement the recommended safety reforms following the BP spill. The entity formed out of the BP Spill Commission recently released another report card to assess the response to the spill. It gave Congress a “D+”. That is something we should be ashamed of.

A recent report from the Democratic staff of the Committee underscores the continued need for Congress to act. The report found that oil companies that were engaged in risky drilling practices before the BP spill continue to do so. In part, that is because Congress has not taken action to enact reforms that cannot be accomplished without an act of Congress to ensure there is a sufficient financial deterrent for these companies engaged in risky drilling behaviors.

Representative Raúl Grijalva (D-AZ), offered an amendment to the bill to strike the Republican disclosure waiver, which was rejected by the Majority. The Majority also voted down an amendment offered on behalf of Energy and Mineral Resources Subcommittee Ranking Member Rush Holt (D-NJ) that would have implemented key oil drilling safety reforms recommended following the BP spill, such as raising the liability cap for offshore oil spills and increasing the fines that the Interior Department can levy against oil companies who violate the law.

We should be working together to address these issues. Yet the Majority continues to pass partisan legislation that benefits the oil industry and does nothing to ensure that we protect our environment, economy and workers from another disaster like the BP Deepwater Horizon.

EDWARD J. MARKEY.  
RAÚL M. GRIJALVA.  
RUSH HOLT.

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