

Appendix C

The Hedberg Proposal

Another approach to combining science and oil and gas exploration on the continental margins has been proposed by Dr. Hollis Hedberg of Princeton University in numerous journal and newspaper articles. The following is excerpted from an article in AAPG Explorer of November 1979. Several scientists that OTA has contacted believe this would be a viable approach.

"The program should be a cooperative effort among petroleum companies, with government, and with whoever else can contribute to successful exploration and development in the oceans. What I would recommend, as a supplement to our present system, would be the selection by government (with industry advice) of a number of large regional blocks of relatively promising offshore acreage, going far out into deep water to the base of the continental slope. The size of the blocks would be not the present 5,760 acres, but on the order of millions of acres - still only a small fraction of the nearly one thousand million acres of total U.S. offshore.

"These blocks would be offered to industry Consortiums, without bonus payments, with rights of both exploration and exploitation, with suitable government royalties, and with such exploration commitments for each block as would seem necessary to assure conclusive results. Provisions for tax benefits to offset unsuccessful ventures plus limitations to prevent excessive returns from successful ones would be in order. The operational management would be by the Consortium, working under much the same sort of an arrangement as was used quite successfully by the consortium of companies

in Iran to meet the emergency of the 1950's. There would be a strong central operating unit, made up of selected personnel contributed by the constituent entities and with advisory groups of the Members both for exploration and production.

"The members of the Consortium would each have equal shares and would be entities with requisite **experience in** offshore Petroleum operations and willing and able to commit to the Consortium as openers X million dollars for exploration over a specified period. These would normally be major oil companies or associations of smaller oil companies. (However, an exception might be made to allow the Federal government (or an appropriately situated state government) to also hold a single equal share under the same terms and commitments as other entities.)

"Finally, a possible further provision might be made to bring into the Consortium a unit composed of the major oceanographic research institutions. The so-called Stever report of the National Science Foundation (1979) calls for a 10-year 600-million-dollar program of drilling for science on the ocean margins with the Glomar Explorer, and proposes that the U.S. petroleum industry should help to foot the bill. (A contribution of about 50 percent has been suggested.) Such a proposal, although indeed able to contribute geological background useful in subsequent petroleum exploration, falls far short of direct on-structure petroleum exploration drilling on already granted lease acreage which, if successful, could be followed promptly by production development. Much more pertinent to solving the country's petroleum problem, while at the same time highly effective in advancing the scientific knowledge of its offshore margins, would be the idea of bringing the combined major oceanographic institutions (JOIDES) into the proposed

Consortium programs as a participating Member at no monetary cost to them and still under conditions where their research and its publication could be strongly encouraged and supported."