

107TH CONGRESS  
1ST SESSION

# H. R. 2756

To establish a mechanism for funding research, development, and demonstration activities relating to ultra-deepwater and unconventional natural gas and other petroleum exploration and production technologies, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

AUGUST 2, 2001

Mr. HALL of Texas (for himself, Mr. LARGENT, Mr. BARTON of Texas, Mr. BOEHLERT, Ms. JACKSON-LEE of Texas, Mr. GREEN of Texas, Mr. SANDLIN, Mr. ORTIZ, and Mr. CANNON) introduced the following bill; which was referred to the Committee on Science, and in addition to the Committee on Resources, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

---

## A BILL

To establish a mechanism for funding research, development, and demonstration activities relating to ultra-deepwater and unconventional natural gas and other petroleum exploration and production technologies, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Natural Gas and Other  
3 Petroleum Research, Development, and Demonstration  
4 Act of 2001”.

5 **SEC. 2. DEFINITIONS.**

6 For purposes of this Act—

7 (1) the term “deepwater” means water depths  
8 greater than 200 meters but less than 1,500 meters;

9 (2) the term “Fund” means the Ultra-Deep-  
10 water and Unconventional Gas Research Fund es-  
11 tablished under section 10;

12 (3) the term “institution of higher education”  
13 has the meaning given that term in section 101 of  
14 the Higher Education Act of 1965 (20 U.S.C.  
15 1001);

16 (4) the term “Research Organization” means  
17 the Research Organization created pursuant to sec-  
18 tion 6(a);

19 (5) the term “ultra-deepwater” means water  
20 depths greater than 1,500 meters; and

21 (6) the term “unconventional” means located in  
22 heretofore inaccessible or uneconomic formations on  
23 land.

24 **SEC. 3. ULTRA-DEEPWATER PROGRAM.**

25 The Secretary shall establish a program of research,  
26 development, and demonstration of ultra-deepwater nat-

1 ural gas and other petroleum exploration and production  
2 technologies, in areas currently available for Outer Conti-  
3 nental Shelf leasing. The program shall be carried out by  
4 the Research Organization as provided in this Act.

5 **SEC. 4. NATIONAL ENERGY TECHNOLOGY LABORATORY.**

6       The National Energy Technology Laboratory and the  
7 United States Geological Survey, when appropriate, shall  
8 carry out programs of long-term research into new natural  
9 gas and other petroleum exploration and production tech-  
10 nologies and environmental mitigation technologies for  
11 production from unconventional and ultra-deepwater re-  
12 sources, including methane hydrates. Such Laboratory  
13 shall also conduct a program of research, development,  
14 and demonstration of new technologies for the reduction  
15 of greenhouse gas emissions from unconventional and  
16 ultra-deepwater natural gas or other petroleum explo-  
17 ration and production activities, including sub-sea floor  
18 carbon sequestration technologies.

19 **SEC. 5. ADVISORY COMMITTEE.**

20       (a) ESTABLISHMENT.—The Secretary shall, within 3  
21 months after the date of the enactment of this Act, estab-  
22 lish an Advisory Committee consisting of 7 members, each  
23 having extensive operational knowledge of and experience  
24 in the natural gas and other petroleum exploration and  
25 production industry who are not Federal Government em-

1 ployees or contractors. A minimum of 4 members shall  
2 have extensive knowledge of ultra-deepwater natural gas  
3 or other petroleum exploration and production tech-  
4 nologies, a minimum of 2 members shall have extensive  
5 knowledge of unconventional natural gas or other petro-  
6 leum exploration and production technologies, and at least  
7 1 member shall have extensive knowledge of greenhouse  
8 gas emission reduction technologies, including carbon se-  
9 questration.

10 (b) FUNCTION.—The Advisory Committee shall ad-  
11 vise the Secretary on the selection of an organization to  
12 create the Research Organization and on the implementa-  
13 tion of this Act.

14 (c) COMPENSATION.—Members of the Advisory Com-  
15 mittee shall serve without compensation but shall receive  
16 travel expenses, including per diem in lieu of subsistence,  
17 in accordance with applicable provisions under subchapter  
18 I of chapter 57 of title 5, United States Code.

19 (d) ADMINISTRATIVE COSTS.—The costs of activities  
20 carried out by the Secretary and the Advisory Committee  
21 under this Act shall be paid or reimbursed from the Fund.

22 (e) DURATION OF ADVISORY COMMITTEE.—Section  
23 14 of the Federal Advisory Committee Act shall not apply  
24 to the Advisory Committee.

1 **SEC. 6. RESEARCH ORGANIZATION.**

2 (a) SELECTION OF RESEARCH ORGANIZATION.—The  
3 Secretary, within 6 months after the date of the enactment  
4 of this Act, shall solicit proposals from eligible entities for  
5 the creation of the Research Organization, and within 3  
6 months after such solicitation, shall select an entity to cre-  
7 ate the Research Organization.

8 (b) ELIGIBLE ENTITIES.—Entities eligible to create  
9 the Research Organization shall—

10 (1) have been in existence as of the date of the  
11 enactment of this Act;

12 (2) be entities exempt from tax under section  
13 501(c)(3) of the Internal Revenue Code of 1986;  
14 and

15 (3) be experienced in planning and managing  
16 programs in natural gas or other petroleum explo-  
17 ration and production research, development, and  
18 demonstration.

19 (c) PROPOSALS.—A proposal from an entity seeking  
20 to create the Research Organization shall include a de-  
21 tailed description of the proposed membership and struc-  
22 ture of the Research Organization.

23 (d) FUNCTIONS.—The Research Organization shall—

24 (1) award grants on a competitive basis to  
25 qualified—

26 (A) research institutions;

1 (B) institutions of higher education;

2 (C) companies; and

3 (D) consortia formed among institutions  
4 and companies described in subparagraphs (A)  
5 through (C) for the purpose of conducting re-  
6 search, development, and demonstration of un-  
7 conventional and ultra-deepwater natural gas or  
8 other petroleum exploration and production  
9 technologies; and

10 (2) review activities under those grants to en-  
11 sure that they comply with the requirements of this  
12 Act and serve the purposes for which the grant was  
13 made.

14 **SEC. 7. GRANTS.**

15 (a) TYPES OF GRANTS.—

16 (1) UNCONVENTIONAL.—The Research Organi-  
17 zation shall award grants for research, development,  
18 and demonstration of technologies to maximize the  
19 value of the Government's natural gas and other pe-  
20 troleum resources in unconventional reservoirs, and  
21 to develop technologies to increase the supply of nat-  
22 ural gas and other petroleum resources by lowering  
23 the cost and improving the efficiency of exploration  
24 and production of unconventional reservoirs, while

1 improving safety and minimizing environmental im-  
2 pacts.

3 (2) ULTRA-DEEPWATER.—The Research Orga-  
4 nization shall award grants for research, develop-  
5 ment, and demonstration of natural gas or other pe-  
6 troleum exploration and production technologies  
7 to—

8 (A) maximize the value of the Federal  
9 Government’s natural gas and other petroleum  
10 resources in the ultra-deepwater areas;

11 (B) increase the supply of natural gas and  
12 other petroleum resources by lowering the cost  
13 and improving the efficiency of exploration and  
14 production of ultra-deepwater reservoirs; and

15 (C) improve safety and minimize the envi-  
16 ronmental impacts of ultra-deepwater develop-  
17 ments.

18 (3) ULTRA-DEEPWATER ARCHITECTURE.—The  
19 Research Organization shall award a grant to one or  
20 more consortia described in section 6(d)(1)(D) for  
21 the purpose of developing and demonstrating the  
22 next generation architecture for ultra-deepwater pro-  
23 duction of natural gas and other petroleum in fur-  
24 therance of the purposes stated in paragraph (2)(A)  
25 through (C).

1 (b) CONDITIONS FOR GRANTS.—Grants provided  
2 under this section shall contain the following conditions:

3 (1) If the grant recipient consists of more than  
4 one entity, the recipient shall provide a signed con-  
5 tract agreed to by all participating members clearly  
6 defining all rights to intellectual property for exist-  
7 ing technology and for future inventions conceived  
8 and developed using funds provided under the grant,  
9 in a manner that is consistent with applicable laws.

10 (2) There shall be a repayment schedule for  
11 Federal dollars provided for demonstration projects  
12 under the grant in the event of a successful commer-  
13 cialization of the demonstrated technology. Such re-  
14 payment schedule shall provide that the payments  
15 are made to the Secretary with the express intent  
16 that these payments not impede the adoption of the  
17 demonstrated technology in the marketplace. In the  
18 event that such impedance occurs due to market  
19 forces or other factors, the Research Organization  
20 shall renegotiate the grant agreement so that the ac-  
21 ceptance of the technology in the marketplace is en-  
22 abled.

23 (3) Applications for grants for demonstration  
24 projects shall clearly state the intended commercial  
25 applications of the technology demonstrated.

1           (4) The total amount of funds made available  
2           under a grant provided under subsection (a)(3) shall  
3           not exceed 50 percent of the total cost of the activi-  
4           ties for which the grant is provided.

5           (5) The total amount of funds made available  
6           under a grant provided under subsection (a)(1) or  
7           (2) shall not exceed 50 percent of the total cost of  
8           the activities covered by the grant, except that the  
9           Research Organization may elect to provide grants  
10          covering a higher percentage, not to exceed 90 per-  
11          cent, of total project costs in the case of grants  
12          made solely to independent producers.

13          (6) An appropriate amount of funds provided  
14          under a grant shall be used for the broad dissemina-  
15          tion of technologies developed under the grant to in-  
16          terested institutions of higher education, industry,  
17          and appropriate Federal and State technology enti-  
18          ties to ensure the greatest possible benefits for the  
19          public and use of government resources.

20          (7) Demonstrations of ultra-deepwater tech-  
21          nologies for which funds are provided under a grant  
22          may be conducted in ultra-deepwater or deepwater  
23          locations.

24          (c) ALLOCATION OF FUNDS.—Funds available for  
25          grants under this Act shall be allocated as follows:

1           (1) 15 percent shall be for grants under sub-  
2           section (a)(1).

3           (2) 15 percent shall be for grants under sub-  
4           section (a)(2).

5           (3) 60 percent shall be for grants under sub-  
6           section (a)(3).

7           (4) 10 percent shall be for carrying out section  
8           4.

9   **SEC. 8. PLAN AND FUNDING.**

10          (a) TRANSMITTAL TO SECRETARY.—The Research  
11          Organization shall transmit to the Secretary an annual  
12          plan proposing projects and funding of activities under  
13          each paragraph of section 7(a).

14          (b) REVIEW.—The Secretary shall have 1 month to  
15          review the annual plan, and shall approve the plan, if it  
16          is consistent with this Act. If the Secretary approves the  
17          plan, the Secretary shall provide funding as proposed in  
18          the plan.

19          (c) DISAPPROVAL.—If the Secretary does not approve  
20          the plan, the Secretary shall notify the Research Organiza-  
21          tion of the reasons for disapproval and shall withhold  
22          funding until a new plan is submitted which the Secretary  
23          approves. Within 1 month after notifying the Research Or-  
24          ganization of a disapproval, the Secretary shall notify the  
25          appropriate congressional committees of the disapproval.

1 **SEC. 9. AUDIT.**

2       The Secretary shall retain an independent, commer-  
3 cial auditor to determine the extent to which the funds  
4 authorized by this Act have been expended in a manner  
5 consistent with the purposes of this Act. The auditor shall  
6 transmit a report annually to the Secretary, who shall  
7 transmit the report to the appropriate congressional com-  
8 mittees, along with a plan to remedy any deficiencies cited  
9 in the report.

10 **SEC. 10. FUND.**

11       (a) **ESTABLISHMENT.**—There is established in the  
12 Treasury of the United States a fund to be known as the  
13 “Ultra-Deepwater and Unconventional Gas Research  
14 Fund” which shall be available for obligation to the extent  
15 provided in advance in appropriations Acts for allocation  
16 under section 7(c).

17       (b) **FUNDING SOURCES.**—

18           (1) **LOANS FROM TREASURY.**—There are au-  
19 thorized to be appropriated to the Secretary  
20 \$900,000,000 for the period encompassing fiscal  
21 years 2002 through 2009. Such amounts shall be  
22 deposited by the Secretary in the Fund, and shall be  
23 considered loans from the Treasury. Income received  
24 by the United States in connection with any ultra-  
25 deepwater oil and gas leases shall be deposited in

1 the Treasury and considered as repayment for the  
2 loans under this paragraph.

3 (2) **ADDITIONAL APPROPRIATIONS.**—There are  
4 authorized to be appropriated to the Secretary such  
5 sums as may be necessary for the fiscal years 2002  
6 through 2009, to be deposited in the Fund.

7 (3) **OIL AND GAS LEASE INCOME.**—To the ex-  
8 tent provided in advance in appropriations Acts, not  
9 more than 7.5 percent of the income of the United  
10 States from Federal oil and gas leases may be de-  
11 posited in the Fund for fiscal years 2002 through  
12 2009.

13 **SEC. 11. SUNSET.**

14 No funds are authorized to be appropriated for car-  
15 rying out this Act after fiscal year 2009. The Research  
16 Organization shall be terminated when it has expended all  
17 funds made available pursuant to this Act.

○