

March 30, 2015

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*Submitted via regulations.gov*

Subject: Request for Comments on the Draft Proposed Outer Continental Shelf Oil and Gas Leasing Program for 2017–2022

The American Petroleum Institute (“API”), National Ocean Industries Association (“NOIA”), Independent Petroleum Association of America (“IPAA”), U.S. Oil and Gas Association (“USOGA”), American Exploration & Production Council (“AXPC”), International Association of Geophysical Contractors (“IAGC”), Petroleum Equipment and Services Association (“PESA”) and the Alaska Oil and Gas Association (“AOGA”) (“the Associations”) offer the following comments on the Bureau of Ocean Energy Management’s (“BOEM”) request for comments on the Draft Proposed Outer Continental Shelf (“OCS”) Oil and Gas Leasing Program 2017-2022 (“DPP”) published in the Federal Register on January 29, 2015. The Associations’ members have significant interest in ensuring that there are future opportunities for offshore oil and natural gas exploration and development in the United States (“U.S.”) so that the nation can capitalize on industry expertise that has been garnered through years of successful and beneficial exploration, development and production of domestic OCS oil and natural gas resources. We fully support keeping the DPP as is with no additional areas being removed from future leasing consideration. Considerable acreage has already been excluded at this early stage of the planning process, especially in the Atlantic, eastern Gulf of Mexico, and Alaska OCS. The decisions made regarding what areas are available for leasing will have long-term implications for our nation’s energy security, prospects for job creation, and government revenue generation.

The U.S. has undergone an energy renaissance in recent years that has put millions of Americans to work, generated billions of dollars in revenue for Federal and State governments, and put downward pressure on prices for consumers. Growing U.S. production has dramatically increased our resistance to energy shocks, but our long-term energy security can only be ensured with a lasting commitment to expanding offshore oil and natural gas development to new areas as the DPP has done. However, to continue this resurgence, the associations believe that OCS areas should not be prematurely removed from leasing consideration as the administration has done in the Atlantic or permanently removed from future consideration as happened in Alaska. These areas have not been adequately explored and, in the case of the Atlantic, the decision to include a 50-mile buffer zone was made without the benefit of a full environmental analysis and could remove substantial resources from future production.

The U.S. Energy Information Administration forecasts that by 2040 U.S. energy demand will grow by 12 percent and worldwide energy needs will increase by 56 percent, with more than half of that demand expected to be met by oil and natural gas. Realizing this, a true all-of-the-above U.S. energy policy that includes a robust offshore oil and natural gas leasing component will be needed to offset the inevitable declines associated with existing U.S. oil production and to meet future U.S. and global energy demand.

## **I. The Associations**

API is a national trade association representing over 640 member companies involved in all aspects of the oil and natural gas industry. API's members include producers, refiners, suppliers, pipeline operators, marine transporters, and service and supply companies that support all segments of the industry. API and its members are dedicated to meeting environmental requirements, while economically and safely developing and supplying energy resources for consumers. API is a longstanding supporter of offshore exploration and development and the process laid out in the Outer Continental Shelf Lands Act as a means of balancing and rationalizing responsible oil and gas activities and the associated energy security and economic benefits with the protection of the environment.

NOIA is the only national trade association representing all segments of the offshore industry with an interest in the exploration and production of both traditional and renewable energy resources on the U.S. OCS. The NOIA membership comprises more than 325 companies engaged in a variety of business activities, including production, drilling, engineering, marine and air transport, offshore construction, equipment manufacture and supply, telecommunications, finance and insurance, and renewable energy.

IPAA is a national trade association representing the thousands of independent oil and natural gas explorers and producers, as well as the service and supply industries that support their efforts. Independent producers drill about 95 percent of American oil and natural gas wells, produce more than 50 percent of American oil, and more than 85 percent of American natural gas. IPAA is dedicated to ensuring a strong, viable domestic oil and natural gas industry, recognizing that an adequate and secure supply of energy developed in an environmentally responsible manner is essential to the national economy.

USOGA is a strong advocate for the petroleum industry and its contribution to our country's economic and strategic stability.

AXPC is a national trade association representing 34 of America's largest and most active independent oil and natural gas exploration and production companies. AXPC members are "independent" in that their operations are limited to exploration for and production of oil and natural gas. Moreover, our members operate autonomously, unlike their fully integrated counterparts, which operate in additional segments of the energy business, such as downstream refining and marketing. AXPC members are leaders in developing and applying innovative and advanced technologies necessary to explore for and produce oil and natural gas, both offshore and onshore, from unconventional sources.

IAGC is the international trade association representing the industry that provides geophysical services (geophysical data acquisition, processing and interpretation, geophysical information ownership and licensing, associated services and product providers) to the oil and natural gas industry. IAGC member companies play an integral role in the successful exploration and development of offshore hydrocarbon resources through the acquisition and processing of geophysical data.

PESA is the unified voice for the energy industry's oilfield service, supply and manufacturing companies. PESA members support over 500,000 jobs in this sector, and are global leaders in the advanced technologies that allow for safer and more abundant energy production.

AOGA is a non-profit trade association located in Anchorage, Alaska. AOGA's 15 member companies account for the majority of oil and gas exploration, development, production, transportation, refining, and marketing activities in Alaska. AOGA's members are the principal oil and gas industry stakeholders that operate within the range of marine mammals in Alaskan waters and in the adjacent waters of the OCS. AOGA and its members are longstanding supporters of wildlife conservation, management, and research in the Arctic, and also support the continued issuance of incidental take authorizations in the Arctic. AOGA has for many years successfully petitioned for, and defended in court, incidental take regulations applicable to offshore oil and gas activities.

## **II. General Comments**

### **A. Offshore Development is an Integral Part of U.S. Energy Policy**

The DPP takes steps toward recognizing the importance of maintaining a robust U.S. oil and natural gas industry and the increased energy security that comes with it. Increased domestic production in recent years has served as a buffer to cushion the U.S. from the shocks to our economy from higher oil prices caused by rising world demand for oil and tensions in the Middle East and other regions. With the time needed to develop offshore oil and gas stretching 10 to 15 years from the time of a lease sale, especially in frontier areas, we need to maintain our activity

in existing areas of operation and consider expanding access to unexplored and undeveloped OCS areas that have been off limits for decades. Resources from these areas will be needed to replace the onshore and offshore oil and natural gas reserves that we currently produce. The DPP recognizes this by proposing to make some areas available for future leasing in the Atlantic, but does not fully capitalize on the opportunities available in other OCS areas, particularly the eastern Gulf of Mexico (“EGOM”) where extensive seismic surveys have already been performed and infrastructure is readily available.

Offshore oil and natural gas production currently accounts for approximately 20% of U.S. energy production and is a crucial component of an all-of-the-above energy policy. However, recent studies have shown that the U.S. OCS could play an even greater role in increasing domestic production, creating jobs and driving other economic benefits. In recent studies Quest Offshore Resources<sup>1</sup> concluded that:

- Development in the Atlantic could create nearly 280,000 new jobs along the East Coast and across the country, grow our economy by up to \$23.5 billion per year and add 1.3 million barrels of oil equivalent per day to U.S. production.
- Development in the EGOM could create nearly 230,000 new jobs along the Gulf Coast and across the country, grow our economy by up to \$18 billion per year and add 1 million barrels of oil equivalent per day to U.S. production.
- Development in the Pacific could create nearly 330,000 new jobs along the Pacific Coast and across the country, grow our economy by up to \$28.6 billion per year and add 1.2 million barrels of oil equivalent per day to U.S. production.

In total, it is estimated that by 2035, increased opportunities to lease and develop these OCS areas could:

- Create nearly 840,000 new jobs along coasts and across the country.
- Add about 3.5 million barrels of oil equivalent per day to domestic energy production.
- Generate more than \$200 billion in cumulative revenue for the government.
- Lead to nearly \$450 billion in new private sector spending.
- Contribute more than \$70 billion per year to the U.S. economy.

The Associations support expanding OCS revenue sharing to states outside the Gulf of Mexico. It is only fair that all states that support offshore development off their coasts be allowed to benefit from offshore leasing, development and production as is the case onshore. The Associations, like state and U.S. senators and representatives, governors, and many other elected officials from coastal states, fully support measures aimed at preserving the revenue sharing framework set forth in the Gulf of Mexico Energy Security Act and extending that framework to other coastal states that support OCS exploration and development.

## **B. Major Technological, Safety, and Environmental Performance Changes have Occurred**

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<sup>1</sup> <http://www.api.org/oil-and-natural-gas-overview/exploration-and-production/offshore/benefits-of-us-offshore-oil-and-natural-gas-development>

The Associations support the DPP analysis of the technical and environmental consideration used to reach its decisions. BOEM notes the great strides in technological innovation and environmental protection that industry and government have made over decades of worldwide offshore oil and natural gas development:

"Offshore, technological advancements in the oil and natural gas industry over the past several decades have greatly expanded the resources available for production and, along with regulatory changes, improvements in industry practices, and enhanced BSEE inspection capabilities have made OCS exploration and development safer and more environmentally sound. Companies can explore for and develop previously inaccessible resources. In addition, higher quality G&G data, achieved through state-of-the-art technology, acquisition methods, and processing, aid in identification of prospects and effective well placement, improving the probability of success of drilling operations. Advanced composite materials and materials engineering have improved offshore structures and mooring to better withstand the offshore operating environment. These and other technologies developed for oil and gas operations have contributed to the U.S. leadership in the worldwide energy industry. The importance of the United States as an offshore oil and gas technology leader was recognized in comments received in the RFI. These technological advances support the country's economic growth and help meet global energy needs. "(DPP 4-5, 6)

In the last five years, the oil and natural gas industry has worked both independently and with the regulators to enhance the safety of offshore operations. Immediately after the Macondo incident, the U.S. oil and natural gas industry launched a comprehensive review of offshore safety measures and operations to identify potential improvements in spill prevention, intervention, and response capabilities. Four industry panels were assembled to focus on the critical areas of equipment, operating practices, subsea well control, and spill response. The panels also worked with the U.S. Department of the Interior and the Presidential Oil Spill Commission to help form their recommendations to improve offshore safety and the regulatory framework.

Many industry standards were revised or newly created to cover areas that include well design, cementing, and operator/contractor interaction; blowout prevention equipment design, operation, repair and maintenance, and associated control systems; and subsea equipment interfaces with remotely-operated vehicles and well capping equipment. The industry also formed the Center for Offshore Safety to help improve the safety performance of America's offshore oil and natural gas industry and it continues to work with companies and the regulators to engrain safety culture into day-to-day operations.

The Marine Well Containment Company and the Helix Well Containment Group were founded to provide containment technology and response capabilities for the unique challenges of stopping the flow of oil thousands of feet below the water's surface. In the unlikely event that these services will be needed, these companies maintain quickly deployable systems that are designed to stem any uncontrolled flow of hydrocarbons from wellbores located on the seafloor either by sealing the well or directing the fluids into storage vessels located on the surface of the water.

The oil and natural gas industry has also established a robust oil spill response research and development program that oversees more than 25 projects in eight areas: planning, mechanical recovery, dispersants, in-situ burning, remote sensing, shoreline protection, alternative technologies, and inland spill response. Oil spill response organizations have increased their capabilities by increasing training and keeping in inventory more equipment that is fit for specific purposes such as in-situ burning, and the industry has invested in international oil spill preparedness and response programs focused on improving industry operational capabilities in all parts of the world, including the Arctic.

The federal government responded to the Macondo incident by reorganizing its operations and focusing on four areas of regulatory policy: 1) blowout prevention, 2) drilling safety, 3) spill response and 4) well containment. The government has revised its regulations in these areas and in the process has incorporated a number of industry standards and guidelines into the regulations. As BOEM states in the DPP:

"While there is always the risk of accidents, BSEE and BOEM require numerous safeguards for OCS drilling and production operations, and these have been increased over the last few years. Requirements include additional subsea blow-out preventer testing, additional downhole mechanical barriers, well containment/capture systems, and greater emphasis on operational training and preparation.

Risk management is the foundation upon which BOEM and BSEE regulate and enforce standards. The risk management strategies employed by BOEM, BSEE, and industry serve as an integral component of a safety culture designed to integrate technological and human elements. This integration is required to ensure safe and environmentally sound OCS operations. Both risk management and BOEM and BSEE regulatory oversight greatly reduce the risk of a catastrophic discharge event." (DPP 6-37, 38).

In addition, the OCS Lands Act (Section 18(a)(2)(G)) requires that relative environmental sensitivity and marine productivity be assessed as part of the decision making process. BOEM has introduced a new methodology for these assessments in this DPP. The Associations believe that this new approach is an improvement over previous 5-year Program analyses and will only be bolstered by the subsequent Programmatic Environmental Impact Statement required by the National Environmental Policy Act. The DPP provides a suitable characterization of the risks inherent in offshore development and on page 6-37 BOEM cites recent studies that calculate the recurrence interval for a one million barrel catastrophic discharge event to be once every 165 years. It should be noted that nearly all data available for this study came from industry experiences in the Gulf of Mexico. Its unique geological setting and the technologically complex wells required to access much of the resources needs to be considered when making comparisons to other OCS areas. The geologies of the other OCS areas considered in the DPP are much different than those found in the Gulf and we would expect the probability of a discharge event to be lower, making the occurrence interval in these areas to be even greater than was predicted.

As a result of the regulatory and industry operational improvements since the Macondo incident, the DPP cites studies that now indicate the risk of a major catastrophic discharge is

0.006% (DPP 6-37). Taking into account all the estimated environmental costs, the DPP conclusion is that such costs are only about 2% of the estimated energy, economic, and environmental benefits of OCS production (DPP 5-20). As the co-chairs of the National Oil Spill Commission formed after the Macondo incident have said:

“Federal regulatory agencies are implementing new rules regarding oversight of the industry and bolstering their enforcement activities. Government and industry are working together to create a safety-conscious culture in the offshore drilling industry. And the industry has substantially improved its capacity to respond to rupturing wells by pre-positioning caps for ready deployment should trouble occur. Thus, offshore drilling is safer than it was four years ago.”<sup>2</sup>

The Associations support the conclusion of the DPP analysis that risks can be mitigated based on decades of experience. The Associations also believe that these changes have made offshore oil and gas exploration and development safer and that industry has the ability to operate in a manner that is more protective of people and the environment than ever before.

### **C. Leasing Considerations**

Predictability and certainty in the leasing program helps companies make the long-term decisions required for offshore development, particularly considering the magnitude of the investment in human and financial resources required for frontier areas like the Arctic. As technology improves and economic conditions change, leases once deemed noncommercial evolve into viable drilling candidates with commercial potential. Because of this evolution, it is important to allow innovative companies the opportunity to pursue new leases in an effort to test innovative geologic ideas and to employ advancements in technology for drilling and production. The Associations maintain our support for continued use of the current area-wide leasing program in all OCS areas. There are a number of important advantages to the area-wide leasing approach and as noted in the DPP on page 8-15, “[A]rea wide leasing also encourages innovative exploration strategies and is consistent with maintaining financially sound geophysical contracting and processing industries.”

In the DPP, BOEM has introduced the concept of region-wide lease sales in the Gulf of Mexico and the Atlantic rather than separate planning area sales. The rationale given is to balance agency workload and provide greater flexibility to industry. At first glance this system may seem to offer some benefits, but those benefits may take up to 10 years to be fully realized in the Gulf of Mexico given the 10-year lease terms on many leases. Industry needs time to fully evaluate how this would impact its workload and business practices. Therefore, the Associations do not support or reject the proposal at this time, but look forward to continued dialogue with BOEM on this concept.

The Associations would also like BOEM to recognize that there is potential to impact the current Beaufort Sea lease sale scheduled for 2017 (as part of the 2012-2017 Five-year Program)

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<sup>2</sup> <http://oscaction.org/wp-content/uploads/Graham-Reilly-Statement-April-2012.pdf>

depending on when the final 2017-2022 OCS Leasing Program is issued. If BOEM adheres to the historical schedule of having a new 5-year Program begin on July 1, 2017, there would be sufficient time to hold a Beaufort Sea lease sale in the first half of 2017 under the current 5-year Program. However, if BOEM chooses to accelerate this schedule and issue a final program that would become effective earlier than July 1, 2017 – the current 2012-2017 program would be superseded and any opportunity for Beaufort Sea leasing would be lost until 2020 (per the DPP lease sale schedule). The Associations urge BOEM to retain the currently scheduled Beaufort Sea lease sale in 2017.

### **III. Industry Positions on the DPP**

#### **A. General**

The Associations appreciate that BOEM has chosen to propose new Atlantic OCS areas for leasing and to continue leasing in OCS areas where industry has traditionally operated. However, because the Five-Year Program development process allows only for the removal of additional areas from consideration at subsequent planning stages, the fact that significant areas in the Atlantic and Alaska have been excluded from leasing consideration in the DPP is alarming. We view the DPP and the associated Section 12a Presidential withdrawals as the bare minimum that could have been offered at this first stage of the Five-year Leasing Program development.

The Associations request that the program areas shown in the DPP be maintained in their entirety and with no further restriction placed on them during the development of the Five-year plan. Any fine-tuning of the program areas offered for leasing needed as a result of subsequent analyses by BOEM and other agencies can be done as part of the lease sale planning process. As stated on page 8-2 of the DPP:

“The DPP represents the first in a series of winnowing decisions regarding which areas could ultimately be included in the 2017–2022 Program; therefore, the analysis at this stage is conservative, erring on the side of inclusion, because areas could be excluded in later stages of the lease sale planning and preparation process, but an area not included in any Program development phase cannot be added later without going back to the stage of its removal.”

Removing additional areas as the process moves forward will compromise our nation’s ability to remain the world leader in energy development, putting at risk the potential to create hundreds of thousands of jobs and millions of barrels of new domestic production.

#### **B. Atlantic**

While seeing a lease sale proposed in the Atlantic is a welcomed sight, the Associations are concerned with the parameters set around the Atlantic lease sale and their potential impacts moving forward. Other Atlantic coastal nations’ are aggressively pursuing programs to license, explore and produce their Atlantic offshore areas; including the neighboring countries of Canada,

Cuba and the Bahamas. The Associations feel that BOEM should reconsider its overly-conservative decisions regarding potential Atlantic leasing.

Scheduling only one lease sale in the Atlantic OCS and having the sale near the end of the program (2021) does not provide BOEM the flexibility required should the need arise to postpone the sale. Scheduling the sale in 2019 would provide ample time to collect and analyze the needed geophysical data, set the appropriate sale area, and hold the lease sale, it and would provide extra time that would allow BOEM to postpone the sale should there be any administrative delays. The Associations request that BOEM consider adjusting the lease sale schedule to have the Atlantic sale earlier in the program. In addition, the Associations requests BOEM consider adding another Atlantic Regional Sale to the DPP. Our recommendation would be to have one Atlantic Sale in 2019 and another in 2021 or early 2022.

At this early stage in the program development process, the Associations are disappointed with the decisions to remove areas offshore Maryland, Delaware, and Florida and to impose a 50-mile coastal buffer zone along states remaining in the DPP. It should be noted that the state of Maryland has elected a new governor who may or may not have the same view as his predecessor, but given the nature of the 5-year Program planning process the current Maryland administration will not be afforded the opportunity to consider the possibility of OCS leasing off of Maryland. In the case of Florida, the Associations disagree with BOEM's interpretation of the comments offered by the Florida Department of Environmental Protection and the subsequent removal of areas off of Florida's Atlantic coast from consideration for future leasing. According to information provided in the DPP (see DPP at 3-10 and A-4), Florida asked BOEM to proceed cautiously but did not explicitly request to be removed from the DPP. The Associations believe that the changes made by industry and the government following the Macondo incident and the extensive list of mitigation measures and lease stipulations available to BOEM would provide the environmental protection sought by Florida and, for that matter, all coastal states.

Regarding the 50-mile buffer zone, the Associations recognize the request by the Virginia Governor to include a 50-mile buffer off the coast, but to extend that buffer zone along the North Carolina, South Carolina, and Georgia coasts is not justified. This decision was made with no governor's request to include a buffer zone and without the benefit of an environmental analysis indicating a need for a buffer zone nor a comprehensive compatibility analysis by the Department of Defense (an analysis that DOD stated would be forthcoming in its DPP comments.) Also, it is interesting to note that BOEM chose not to permanently exclude any of the areas mentioned above from geophysical surveying activities when the Record of Decision on Atlantic geological and geophysical operations was issued a year ago. Therefore, the Associations request that BOEM consider including the entire Mid- and South Atlantic Planning Areas in the scope of the upcoming Draft Programmatic Environmental Impact Statement to better represent the desires of those individual states favoring activity within the proposed buffer zone, and to properly allow NEPA review to inform such decisions. By doing so, these areas could conceivably be included in the Proposed Program.

The Associations would also like to challenge BOEM's continued insistence that future infrastructure needs, especially in the area of oil spill response (see DPP at S-10), should be considered when making a lease sale scheduling decision. To place any emphasis in the decision-making process on the lack of current oil and natural gas or spill response infrastructure in the

Atlantic is misguided. If and when industry is ready to commence a drilling program, industry will comply with applicable laws and regulations and work with the respective states, which include having effective spill response infrastructure in place. The Associations encourage BOEM not to consider infrastructure associated with drilling or production activities in their lease-sale considerations.

### C. GOM

The Gulf of Mexico OCS remains critically important to our nation's energy security, and in fiscal year 2014 the region accounted for 16.3 percent of oil production and 4.6 percent of gas production. Another benefit of the sustained and expansive energy policy the U.S. has followed in parts of the Gulf of Mexico is that the U.S. oil and natural gas industry has become the world leader in offshore technology development, particularly in deepwater exploration, drilling and development operations. The Associations are pleased that BOEM recognizes these points and maintains regular and predictable lease sales in these planning areas in the DPP. Certainty and predictability are essential to draw industry participation in future lease sales that will in turn provide federal revenues from lease bonuses, rentals and royalties and ensure sustained offshore exploration and production activity. The number and timing of lease sales in the Gulf of Mexico should be maintained without further restrictions.

However, the Associations believe BOEM has missed an opportunity by deciding not to include any additional areas of the Eastern Gulf of Mexico Planning Area in the DPP. The Eastern Gulf of Mexico has significant known reserves that feature promising geological conditions, and it is close to existing infrastructure that could be enhanced relatively quickly if the area were opened for leasing and development. The Associations feel that excluding the Eastern Gulf Planning Areas in the first stage of the multi-stage leasing program evaluation process is not aligned with the intent of the Five-year Leasing Program process that is designed to take multiple factors into account and not pre-determine the outcome. The DPP gives no justification as to why additional areas of the Eastern Gulf of Mexico are not being considered for leasing – other than the existence of a temporary congressional moratorium. The Associations feel this is not consistent with the March 2010 Obama Administration strategy announcement<sup>3</sup> calling for “expanded development and production throughout the Gulf of Mexico, including resource-rich areas of the Eastern Gulf of Mexico that are currently under Congressional moratorium and closed to development.” That same strategy called for opening the Atlantic and thus begs the question as to whether the decision to not open additional areas in the Eastern Gulf of Mexico is politically driven rather than guided by the careful deliberation contemplated in the OCS Lands Act. The Associations request that the entire Eastern Gulf of Mexico Area be included in the scope of the Programmatic Environmental Impact Statement, so that should congress lift the temporary ban on leasing a move to offer leases could take place quickly.

The Associations would also like to comment on leases offered in recent Gulf of Mexico lease sales with a “7 + 3” year lease term. Some companies have elected to bid on these new leases with shorter primary terms, but the new policy has not been actively embraced by industry. In general, this lease term is difficult for the industry to work under because there is not

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<sup>3</sup> [http://www.doi.gov/news/pressreleases/2010\\_03\\_31\\_release.cfm](http://www.doi.gov/news/pressreleases/2010_03_31_release.cfm)

adequate time to fully evaluate the lease and drill a well in the required seven years. As a result, certain companies have chosen not to bid on new leases in the 800 to 1600 meter water depth range that have the “7+3 “ year lease term. The Associations feel that the “7 + 3” year lease term policy does not encourage additional development in deepwater. The offshore energy industry was not consulted when this discretionary policy change was made, but the Associations would welcome an opportunity to discuss this further with BOEM. In the meantime, the Associations request that BOEM eliminate the “7 + 3” year lease term and return to the traditional 10 year lease term for all newly issued leases located in water depths greater than 800 meters.

#### **D. Alaska**

Development of new oil and gas resources in Alaska is a critical state and national interest. In 1988 Alaska’s North Slope was producing 2.145 million barrels per day – or 25% of the U.S. domestic production. Current North Slope production has declined to less than 520,000 barrels per day, representing less than 6% of total U.S. production. Drilling of new offshore prospects and development of the discoveries that may be found is essential to the long-term viability of the Trans-Alaska Pipeline System. The Chukchi Sea was last estimated by MMS/BOEM in 2006 to contain 15.38 BBO, 76.77 TCFG, or a total of 29.04 BBOE. The Beaufort Sea was last estimated by MMS/BOEM in 2006 to contain 8.22 BBO, 27.65 TCFG, or a total of 13.14 BBOE<sup>4</sup>. The Chukchi Sea offers more potential resources than any other undeveloped U.S. energy basin. The Beaufort Sea, while smaller, nevertheless provides among the largest undiscovered resource accumulations in the U.S. Based on a 2011 study by the Anchorage firm Northern Economics, development of these two Arctic OCS Basins could generate as many as 50,000 jobs<sup>5</sup>.

The development of the Chukchi Sea and the Beaufort Sea would also greatly enhance U.S. energy security by sustaining the Trans-Alaska Pipeline System and generating significant economic benefits for Alaska and the nation. Lack of regulatory certainty to current Alaska OCS leaseholders will impact the economic attractiveness of future Alaska OCS lease sales. While approximately 650 leases netting the federal government billions of dollars have been awarded to companies interested in oil and gas exploration in federal waters offshore Alaska since 2005, significant federal regulatory obstacles remain and to date not a single well has been drilled to its targeted hydrocarbon depth in this area. Additionally, four Chukchi and Beaufort Sea lease sales that were included in the 2007-2012 Program and proposed to take place between 2009 and 2012 were cancelled. Only three lease sales are included in the current 2012-2017 Leasing Program, one each in the Chukchi Sea, Beaufort Sea and Cook Inlet. Whether or not these lease sales will be held is unknown. To attract the investment necessary for a successful lease sale and realize the benefits associated with Alaska offshore development, the federal government should consistently adhere to its lease sale plans and provide a clear and consistent regulatory framework that is based on sound science

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<sup>4</sup> Minerals Management Service. *Undiscovered Oil and Gas Resources, Alaska Federal Offshore as of 2006*. [http://www.boem.gov/uploadedFiles/BOEM/Oil\\_and\\_Gas\\_Energy\\_Program/Resource\\_Evaluation/Resource\\_Assessment/2006\\_AlaskaUndiscoveredOilandGasResources.pdf](http://www.boem.gov/uploadedFiles/BOEM/Oil_and_Gas_Energy_Program/Resource_Evaluation/Resource_Assessment/2006_AlaskaUndiscoveredOilandGasResources.pdf)

<sup>5</sup> Northern Economics, Inc. and Institute of Social and Economic Research. *Potential National-Level Benefits of Alaska OCS Development*. Prepared for Shell Exploration & Production. February 2011

The Associations are pleased that BOEM recognizes the importance of continued Alaskan OCS exploration and development and has proposed lease sales in the Chukchi, Beaufort, and Cook Inlet in the DPP. However, while other Arctic nations such as Russia and Norway are aggressively developing Arctic resources, the U.S. risks being left behind. The DPP fails to recognize decades of safe and environmentally responsible resource development in Alaska, and a history of offshore exploration that has addressed concerns of Alaska's indigenous residents. The Associations are disappointed in the reduction of areas available for lease and in the limited number of lease sales proposed, instead of a robust plan for development in a region that holds immense resource potential. The Associations request that the three proposed Arctic lease sales be maintained without further access restrictions.

The President's unilateral, permanent withdrawal of large Arctic areas from future leasing is not necessary with the multiple mechanisms available to BOEM and other agencies to protect sensitive environmental areas and other OCS users. When coupled with other Administration decisions that undermine potential opportunities to offset declining Alaska oil production, the long-term viability of the Trans-Alaska Pipeline is increasingly threatened, and with it the flow of existing production to the Lower 48 States.

As BOEM contemplates future lease offerings in the Alaska OCS areas, the Associations request that a careful examination of current lease terms and policies is undertaken. A short window of available time to properly explore and drill in the Chukchi and Beaufort Seas makes the effective period of a 10-year lease much shorter. While BOEM points out on page 8-20 of the DPP that an initial lease period cannot extend for longer than 10 years under the OCS Lands Act, the Associations feel that some other policy mechanisms could be used to allow companies the time to properly recoup the large investments needed to explore and develop oil and natural gas resources in the Alaskan OCS.

## **E. Conclusion**

Through decades of activity in the Gulf of Mexico industry has proven that its operations can coexist with other uses and users of the ocean. As subsequent BOEM decisions on areas to include in the Proposed Program, the Proposed Final Program and the Final Program are made, these decisions should not be based on an "either/or" proposition. The oil and gas industry's experience in the Gulf of Mexico with other industries present in Gulf Coast states offers ample evidence that oil and natural gas development and other ocean industries can co-exist and thrive.

The Associations appreciate the opportunity to comment on the Draft Proposed Five-Year OCS leasing Program. We look forward to working with BOEM on development of the 2017-2022 Five-year OCS Leasing Program. Should you have any questions please contact Andy Radford at 202-682-8584 or [radforda@api.org](mailto:radforda@api.org).

Sincerely,



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Erik Milito, American Petroleum Institute



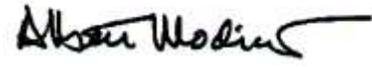
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Jeff Vorberger, National Ocean Industries Association



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