November 21, 2006

Ms. Renee Orr
5-Year Program Manager
Minerals Management Service (MS-4010)
Room 3120
381 Elden Street
Herndon, VA 20170

Mr. James F. Bennett
Chief, Branch of Environmental Assessment
5-Year DEIS
381 Elden Street (MS-4042)
Herndon, VA 20170

Subject: Comments on Proposed 5-Year Program for 2007-2012 and Draft EIS for the 5-Year Program for 2007-2012

Dear Ms. Orr and Mr. Bennett:

The National Ocean Industries Association (NOIA), the Domestic Petroleum Council (DPC), the Independent Petroleum Association of America (IPAA), the International Association of Drilling Contractors (IADC), the Natural Gas Supply Association (NGSA), Petroleum Equipment Suppliers Association (PESA), and U.S. Oil and Gas Association (USOGA) are pleased to respond to your request for comments on the proposed 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program and draft environmental impact statement. Our seven national trade associations represent thousands of companies engaged in all sectors of the U.S. oil and natural gas industry, including exploration, production, refining, distribution, marketing, equipment manufacture and supply, geophysical, and other diverse offshore support services. Either directly or indirectly, we are all working to explore for and produce hydrocarbon resources from the nation's Outer Continental Shelf (OCS) in an environmentally sensitive manner. Our Associations are, therefore, sharply focused on energy development from the domestic offshore, and our interest in the development of the new 5-Year Program is substantial. The 2007-2012 Program will define the shape and scope of domestic offshore energy development opportunities and determine the extent to which the nation is committed to addressing its growing energy supply problems. It will serve as the foundation for significant investment in jobs, technology and infrastructure throughout the nation. It will be the catalyst for significant revenue streams into the federal treasury and to certain states and conservation programs. It will guide the development of domestic energy reserves to fuel our economy. The Program also will articulate a national energy policy that will compete within the global energy marketplace. Most importantly, however, the new 5-Year Program will determine how, and from what sources, our crucial energy needs will be met.

The OCS is a major component of the domestic natural gas and oil supply for this country. Providing over 25% of the natural gas and oil produced in this country, the OCS is vital to our energy security. As stated in our comments in response to the Request for Comments and the Draft Proposed Program, the 5-Year Program needs to be as broad as possible, flexible enough to respond nimbly to changes in the status of offshore areas, and structured in a manner that provides a predictable and reliable lease sale schedule to allow companies to expeditiously explore for and develop hydrocarbons.

<u>Summary of Our Position</u>

NOIA, DPC, IPAA, IADC, NGSA, PESA, and USOGA strongly support the inclusion of the areas that the Minerals Management Service (MMS) has identified for leasing in the Proposed Program, including areas in the Central and Western Gulf of Mexico, Cook Inlet, Beaufort Sea, Chukchi Sea, and North Aleutian Basin in Alaska, and the small area identified off the Virginia coast. However, we reiterate our concern that the agency is being much too conservative, only proposing to possibly lease less than 12 percent of the 1.7 billion acres it manages. We urge the agency to expand the potential lease sale areas to include all areas of the OCS where there is an interest in hydrocarbon development. In particular, we strongly urge the agency to include all of the area in the "original sale 181 area" rather than just the bulge area, as well as all of the area off the East Coast. Areawide lease sales should be continued in the Gulf of Mexico, and scheduled for any other areas possible. Where areawide leasing may not be possible, the agency should schedule focused leasing for particular areas. For areas that are currently unavailable due to temporary administrative or legislative restrictions, the 5-Year Program should be structured in the manner described in the Proposed Program, with sales only going forward in those areas if the restrictions were lifted before the analysis and sale process was scheduled to begin. Finally, we urge the agency to make the new plan as flexible as possible, so that the federal government will be nimble in responding to changing circumstances and needs of the country.

<u>The Outer Continental Shelf Lands Act</u>

The Outer Continental Shelf Lands Act (OCSLA) states that it is the policy of the United States that: "the outer Continental Shelf is a vital national resource reserve held by the Federal Government for the public, which should be made available for expeditious and orderly development, subject to environmental safeguards, in a manner which is consistent with the maintenance of competition and other national needs."

Section 18 of the OCSLA requires the Secretary to prepare and maintain a schedule of OCS lease sales determined to "best meet national energy needs for the 5-year period." The nation's needs were analyzed in the President's National Energy Policy, which emphasized the "fundamental imbalance" between the nation's ability to supply needed energy reserves and the growing demand in national energy consumption. Meeting the United States' and the world's growing demand for oil and natural gas will require substantial investment in finding and developing new sources of supply.

Section 18(a)(2) enumerates the criteria to be considered in developing the 5-Year Plan, including existing information on all the regions, an equitable sharing of developmental benefits and environmental risks among the various regions, the relative environmental sensitivity and marine productivity of different areas, and the relevant environmental and predictive information for the different areas.

In order to complete the analysis required by conducting such "equitable sharing" among the regions and determining the relative environmental risks, sensitivities, and other analyses among the regions, it is necessary to conduct a full analysis of all the OCS areas under section 18 of the OCSLA. This would allow the agency to use that information if circumstances change between now and 2012, even if a particular area is not included in the final Program released in 2007.

Hurricanes Katrina and Rita have demonstrated the shortsightedness of limiting our energy production to one small area of the OCS, and the foresight of the Congress when it required in the OCSLA that there by an "equitable sharing" among the offshore regions. We urge the agency to learn from the lessons of Katrina and Rita as it develops the new 5-Year Program, and give the plan maximum flexibility, adding to the areas included in the Proposed Program, in order to respond to our nation's energy needs, economic growth and national security during the period of 2007-2012.

The plan would be much more flexible and able to respond to the nation's energy needs if all areas with interest and potential were analyzed and fully considered in the Program and environmental impact statement. Then, if an area not included in the 5-Year Program becomes available during the 5-Year period, the agency would be allowed to tier off of the work conducted in the environmental impact statement and prepare environmental documentation for the individual sale to be added to the Program, rather than having to do a whole new 5-Year Program. We urge the MMS to add the areas left out of the Proposed Program, and to analyze them in the environmental impact statement.

## Impacts of Producing Energy - or Inhibiting Energy Production - from the OCS

We are concerned that the analysis presented in the Proposed Program and draft environmental impact statement does not appear to be considering the socioeconomic impacts of the proposed program on people living in all 50 states of this country. We strongly recommend that, consistent with the statute's mandate to best meet the national needs, the Program and environmental impact statement fully consider the socioeconomic impacts on all the American people that would come from both producing energy from the offshore, and of not producing energy from many areas of the offshore. The resources of the OCS are owned by all Americans, and the hardship created by withholding our energy resources from people in middle America should be analyzed in the environmental impact statement and in the decision-making process.

## Draft Environmental Impact Statement Alternatives

In choosing among the eight alternatives outlined in the draft environmental impact statement, NOIA, DPC, IPAA, IADC, NGSA, PESA, and USOGA support Alternative 1, the Proposed Action. This alternative would call for 21 lease sales; 6 in the Central Gulf of Mexico, 5 in the Western Gulf of Mexico, 2 in the Beaufort Sea, 3 in the Chukchi Sea, 2 in the North Aleutian Basin, 2 in Cook Inlet, and 1 in the Mid-Atlantic. This alternative is fully analyzed in the draft document, and comes closest to meeting the requirements of the OCSLA. However, we believe that the range of alternatives should also include at least one option for analysis that would propose leasing additional portions of the OCS, particularly more areas in the Atlantic and at least a portion of the Eastern Gulf of Mexico.

Area Changes from the Draft Proposed Program

The Proposed Program alters several areas proposed for leasing in the Draft Proposed Program by limiting the areas originally proposed. The Chukchi Sea area and the small Mid-Atlantic area would be cut back to accommodate 25-mile buffers from the coastline. The latter area would be further cut back to accommodate a no-obstruction zone in and out of the Chesapeake Bay. The North Aleutian Basin Area would be cut back to mirror the same area offered in Sale 92 in 1988.

The Central Gulf area would be cut back to exclude acreage east of the military mission line. NOIA, DPC, IPAA, IADC, NGSA, PESA, and USOGA strongly oppose this exclusion. Historically, the MMS has successfully worked with the Department of Defense to determine which areas east of the Military Mission Line may be leased, based on the military's needs, the agency's plans, and mitigation measures. It is short-sighted to simply take this acreage off the table through 2012, when the resources could be left in the plan, with a proviso that the Secretary of Defense must be consulted before leasing could occur.

Lifting the Withdrawal of the North Aleutian Basin

According to the Proposed Program, the State of Alaska has requested that the President revoke the withdrawal of this area from leasing. This would allow the MMS to conduct the preparatory environmental and planning work required for the lease sales proposed for this area in the Proposed Program. We concur with the Governor's request that the President revoke this withdrawal.

Size, Timing and Location of Leasing

NOIA, DPC, IPAA, IADC, NGSA, PESA, and USOGA support the following options with regard to the size, timing and location of lease sales in the 2007-2012 OCS Leasing Program:

NOIA, DPC, IPAA, IADC, NGSA, PESA, and USOGA support the Proposed Program Option for the Beaufort Sea Planning Area, which would provide for two sales; one in 2009 and one in 2011. There is a great deal of interest in this area, and it must remain a key part of the Program.

NOIA, DPC, IPAA, IADC, NGSA, PESA and USOGA support the three sales proposed for the Chukchi Sea Planning Area, in 2007, 2010 and 2012. This is an area of high potential and interest, and we commend the agency for proposing regular sales for this area. We would, however, prefer Option 2, which includes all the acreage identified in the draft Proposed Program.

NOIA, DPC, IPAA, IADC, NGSA, PESA and USOGA support the two sales proposed for the North Aleutian Basin Planning Area, which would provide for two sales, in 2010 and 2012. We strongly commend the agency for proposing sales, contingent on subsequent action being taken to remove impediments. This allows for more flexibility to the program, and is consistent with the statutory mandate to the agency. We would, however, prefer Option 2, which includes the entire area identified in the draft Proposed Program.

NOIA, DPC, IPAA, IADC, NGSA, PESA and USOGA support the Proposed Program Option for the Cook Inlet Planning Area, which would provide for two special interest sales, in 2009 and 2011. Although we generally advocate for regular areawide leasing, we recognize that in some unique circumstances other leasing methods may be needed. This option recognizes the unique circumstances in the Cook Inlet Area, and provides that MMS issue a call for nominations and comments before proceeding with either lease sale, and would move forward only if analysis of the comments and nominations support consideration of a sale. While we would prefer regular sales for Cook Inlet, we support the MMS' willingness to be flexible and continue to include this area in the 2007-2012 program.

NOIA, DPC, IPAA, IADC, NGSA, PESA and USOGA support the Proposed Program Option for the Western Gulf of Mexico Planning Area, which would provide for five areawide annual sales. These lease sales will maintain a predictable series of sales for the five years of the program.

NOIA, DPC, IPAA, IADC, NGSA, PESA and USOGA support the five areawide annual sales proposed for the Central Gulf of Mexico Planning Area. We further support the sale proposed for 2007 for a portion of the "original sale 181 area" but strongly recommend that the agency increase the acreage proposed for that sale and for future sales in this area to include the entire "original sale 181 area" that was specifically identified for leasing by the previous Administration because of its importance to national energy supply. This is an area that holds great potential for future oil and natural gas finds. It may hold over 12 trillion cubic feet of natural gas, a significant resource with the potential to fuel agricultural fertilizer production, numerous domestic industries, and millions of American households. Since the area is so close to existing infrastructure, it is also the quickest way to bring new supplies of energy to the American people. And, there is bipartisan support for leasing this area, as evidenced by votes in both houses of Congress. In addition, we commend the agency for including a portion of the Central Gulf of Mexico Planning Area that is currently withdrawn for analysis. This will allow more flexibility to the program.

NOIA, DPC, IPAA, IADC, NGSA, PESA and USOGA oppose the proposal to not analyze any areas in the Eastern Gulf of Mexico Planning Area. While most of the area is under withdrawal, it is an area of high resource potential and should be included in the plan for analysis so that the program will be more flexible. In particular, we strongly object to the proposal to not include and analyze the portion of the "original sale 181 area" that is still in the Eastern Gulf of Mexico Planning Area. As stated above, this area holds great potential for future oil and natural gas finds.

NOIA, DPC, IPAA, IADC, NGSA, PESA and USOGA commend the agency for including a small portion of the Mid Atlantic Planning Area in the Proposed Program, and for proposing one special interest sale in 2011. However, we strongly object to limiting the area to this one small section. The entire Mid-Atlantic Region should be included for analysis. We urge the agency to expand the area for analysis in the Mid-Atlantic Region.

Fair Market Value Options

NOIA, DPC, IPAA, IADC, NGSA, PESA and USOGA support the Proposed Program Option to set minimum bid levels by individual lease sale based on market conditions and continue to use the two-phase postsale bid evaluation process. We believe that setting minimum bids for all sales in the 5-Year Program would limit the agency's ability to respond to changes in programs or changing market conditions.

NOIA, DPC, IPAA, IADC, NGSA, PESA and USOGA appreciate the opportunity to provide comments on the Proposed Program for 2007-2012 and accompanying draft environmental impact statement. If you have any questions or need additional information, please contact Kim Harb at (202)737-0926.

Sincerely,

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