October 11, 2005

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

Subject: Comments on Preparation of 5-Year Program for 2007-2012 and Scoping Comments on the EIS for the 5-Year Program for 2007-2012

Dear Ms. Orr:

The National Ocean Industries Association (NOIA), the Independent Petroleum Association of America (IPAA), the International Association of Drilling Contractors (IADC), the Domestic Petroleum Council (DPC), the U.S. Oil & Gas Association (USOGA), and the Petroleum Equipment Suppliers Association (PESA) are pleased to respond to your request for comments on the preparation of a new 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing program and scoping for the environmental impact statement. Our six 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.

As the 2007-2012 Program is developed, it 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.

Summary of Our Position

NOIA, IPAA, IADC, DPC, USOGA and PESA strongly encourage the Minerals Management Service to continue the annual offering of all acreage in the Central and Western Gulf of Mexico, the Beaufort Sea, Cook Inlet and the Chukchi Sea. We further urge the agency to lease the full area of the Eastern Gulf of Mexico not under moratoria, known as the "original 181 area." We also encourage MMS to include areas currently under administrative withdrawal or leasing moratoria in the plan, so that the areas will have been analyzed if circumstances change between 2007 and 2012. In particular, we strongly recommend that the Aleutian Basin of Alaska and portions of the Atlantic planning areas be included. 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.

The Outer Continental Shelf Lands Act

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. The Supplementary Information within the Request for Comments clearly states that "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."

In order to close the gap on this imbalance and meet surging U.S. demand, it is necessary to design a 5-Year Plan with maximum flexibility, placing as much acreage as possible within the plan in order to respond to our nation's energy needs, economic growth and national security during the period of 2007-2012.

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, contrary to the language of the MMS notice, to conduct a full analysis of all the OCS areas under section 18 of the OCSLA. This will 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.

Prejudging the Planning Process

The notice states that the "Secretary has no intention of offering for leasing areas in the Eastern Gulf of Mexico Planning Area within 100 miles of the coast of the State of Florida." We believe it is inappropriate to declare such an intention at the beginning of the scoping process. Section 18 requires that all areas be analyzed so that informed decisions may be made after conducting a comparative analysis of all the areas. Additionally, the National Environmental Policy Act (NEPA) requires that scoping be an "early and open process for determining the scope of issues to be addressed and for identifying the significant issues related to the proposed action. 40 CFR § 1501.7. Declaring her intention before that process has even taken place undermines the NEPA process.

Furthermore, the Eastern Gulf of Mexico is one area that holds great potential for future oil and natural gas finds. This planning area alone 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. The Administration reduced this leasing area by 75% in the last 5-Year Plan. We strongly encourage MMS to include the rest of the lands from the Eastern Gulf planning area that were specifically identified for leasing by the previous two Administrations because of their importance to the national energy supply.

Information Requested - Specific Factors

1) National energy needs for the period relevant to the new program (in particular for this program, the role of OCS leasing in achieving national energy policy goals, including its potential for contributing to increased domestic natural gas supplies); the economic, social, and environmental values of the renewable and nonrenewable resources contained in the OCS; and the potential impact of oil and gas exploration on other resource values of the OCS and the marine, coastal and human environments.

As noted in the MMS Request for Comments, as much as a 60% increase in worldwide oil production will be needed to meet growing energy demand over the next 25 years, and natural gas demand is expected to double. The OCS has a pivotal role in meeting that growing demand, and it is essential that the federal government plan accordingly by including as much of the energy resources on the OCS as possible in the 2007-2012 5-Year Program.

4) Location of planning areas with respect to, and the relative needs of, regional and national energy markets.

We recommend that the agency reconsider the current planning areas. For instance, we believe that it may be beneficial to break up some of the larger planning areas on the Atlantic Coast. This would allow for a more focused analysis of the resources in the smaller areas.

5) Other uses of the sea and seabed, including fisheries, navigation, military activities, existing or proposed sealanes, potential sites of deepwater ports (including liquified natural gas facilities), potential offshore wind and wave energy sites, and other anticipated uses of OCS resources and locations; and any information that could be useful for future rulemaking concerning offshore alternative energy as authorized by the Energy Policy Act of 2005.

In its final report in 2004, the U.S. Commission on Ocean Policy cited the MMS as the model that should be used for permitting new and developing uses of the OCS. Congress has now mandated that, and our six associations are pleased that the MMS will be the permitting agency for alternative energy projects on the OCS. We look forward to working with the agency as it develops regulations and implements those regulations. We believe that if the offshore natural gas and oil industry is included and considered in these processes, it will minimize conflicts among competing permittees on the OCS, and will provide for more productive management of these submerged lands.

<u>Information Requested - Specific Questions</u>

i) What do you think is the proper role of the OCS as part of a comprehensive national energy policy? How should the 5-Year Program for 2007-2012 be structured to fulfill this role?

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. The 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.

Areawide lease sales should be continued in the Gulf of Mexico, and scheduled for any other areas where the data is available. Where areawide leasing may not be possible, the agency should schedule focused leasing for particular areas. We urge the agency to analyze all areas of the OCS and schedule sales for any areas where there is an interest in hydrocarbon development. For areas that are currently unavailable due to temporary administrative or legislative restrictions, the 5-Year Program could be structured so that sales would only go forward in those areas if the restrictions were lifted before the sale process was scheduled to begin.
Hurricanes Katrina and Rita have demonstrated the folly 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 Katrina and Rita as it develops the new 5-Year Program.

ii) Since recent studies have projected shortfalls in meeting energy needs, particularly natural gas, how should such needs be balanced with the laws, goals and policies influencing the management of the OCS? How should long-term planning address the current energy supply situation?

The health of the economy is dependent on the availability of abundant, affordable energy. To protect the United States, the laws, goals and policies set out in the OCSLA and other statutes must be interpreted and implemented in the context of projected energy shortfalls. Some recommendations for ways to streamline the planning process and make it more flexible follow in (iii).

iii) Although OCS oil and gas leasing is typically conducted through an extensive, long-established process, are there alternative ways to ensure appropriate consultation and to streamline our leasing procedures? Should the OCSLA be amended to allow changes in the 5-Year Plan without starting the process all over again in cases of acute supply or demand shift affecting national security? How might we best meet the purpose of the OCSLA “to insure that the extent of oil and gas resources of the OCS is assessed at the earliest practicable time?

We recommend that planning for OCS leasing be streamlined, and more flexible, so that it may respond to the energy needs of the country. While we support an open process with opportunity for public input, we think the process could be improved so that it does not take two years to prepare a 5-Year Program. We recommend removing one step in the process, the proposed program stage. If the agency issued the draft proposed program at the same time as the draft environmental impact statement, the two comment periods could run concurrently. The final program could then be issued at the same time as the final environmental impact statement, again with a concurrent time period. After the waiting period, the Secretary could approve the 5-Year Program. This schedule would still allow for comments from the states, tribes, and constituent groups at the scoping phase, draft phase, and final phase. And, it would save an additional 60-day comment period and subsequent time for analysis – perhaps saving as much as six months.

In addition to streamlining the preparation of the Program, we also believe the plan itself can allow for greater flexibility. Ideally, the plan should schedule sales for all areas with hydrocarbon potential and interest, whether or not those areas are available for leasing when the plan is prepared. Then, if an area becomes available during the course of the Program, the sale could occur on schedule.

At a minimum, all areas with interest and potential should be analyzed and fully considered in the draft program and draft environmental impact statement. Then, if an area not included in the 5-Year Program becomes available during the 5-Year period, the agency should be allowed to tier off of the work conducted in the draft 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.

Furthermore, the President should have the authority to conduct emergency leasing in cases where he determines there is a national energy security crisis. The country's energy needs are intrinsically tied to our security and economic needs, and the President should have the tools to respond to emergency situations.

iv) If new areas are leased for exploration and potential development, what short-term and long-term impacts do you foresee for the economies of coastal communities?

We believe there would be strong positive impacts to local communities adjacent to new offshore leasing. A study conducted in Louisiana revealed that the offshore natural gas and oil operations in the Gulf of Mexico have an annual $6 billion positive impact on the state economy. More than $1.2 billion of this impact is in the form of salaries and wages paid to offshore workers. The remainder of the impact results from business with onshore vendors located in Louisiana that provide the goods and services needed by the offshore industry. In addition, the offshore industry spends up to $15 billion on capital expenditures. In addition, the State receives benefits through property, sales and income taxes. Finally, portions of the royalties collected from the companies are shared with the states through contributions to the Land and Water Conservation Fund and through distributions to states under section 8(g) of the OCSLA.

v) How should ecological considerations be weighed against national and local economic benefits, if new areas are considered for oil and gas leasing?

Ecological issues should be considered in making any decisions regarding leasing. We do not believe that every area is appropriate for oil and gas development. However, the offshore natural gas and oil industry has proven that it can conduct its operations in a safe, environmentally sound manner. Therefore, any decisions made regarding leasing, or not leasing, should be based on the factual record, rather than on emotional appeals to unfounded fears.

Inventory Provision of Energy Policy Act of 2005

> Explain how legislative, regulatory and administrative programs and processes restrict or impede development of OCS resources and the extent that they affect domestic supply. What recommendations should be considered to ensure that domestic resource potential is adequately assessed? MMS also seeks comments and information regarding availability of technologies to obtain more precise resource estimates.

The first and most obvious impediment to the development of OCS resources are the administrative withdrawals and moratoria that have placed 85% of the lower-48 OCS off limits to natural gas and oil leasing. This all-or-nothing policy that blocked off the entire East Coast, the entire West Coast, most of the Eastern Gulf of Mexico and a portion of Alaska is simply bad public policy. Rather than gathering data on all the resources in these areas, including the socioeconomic and environmental effects and hydrocarbon resources, and then making an informed decision about where it would be appropriate to lease and where not appropriate, policymakers have simply removed 85% of this resource from the American people that own it. This is clearly inconsistent with the mandates of the OCSLA as we have provided earlier in these comments. The large scale withdrawals and moratoria are bad public policy, and they should be removed.

Even in areas that are open for leasing, there are significant impediments and restrictions. As the offshore natural gas and oil industry strives to find and produce hydrocarbons on the OCS, the companies often find themselves mired in statutes, regulations and agencies, constrained by numerous authorizations and permits required before a single drop of energy can be recovered. Companies comply with and seek permits and authorizations from the MMS, the Environmental Protection Agency, the National Marine Fisheries Service, the Coast Guard, the Department of Homeland Security, and the Corps of Engineers. They must provide data and documentation to demonstrate their compliance with numerous statutes and accompanying regulations, including the OCSLA, the Clean Air Act, the Clean Water Act, the National Historic Preservation Act, the Coastal Zone Management Act, the Endangered Species Act, the Marine Mammal Protection Act, and the Magnuson-Stevens Fishery Conservation and Management Act.

We recommend that the agencies work together and streamline their processes to create a unified permitting process, so that companies would not be bouncing from one agency to another seeking permits and authorizations, and having to duplicate information for multiple agencies.

In order to complete the offshore inventories required by the Energy Policy Act of 2005, we believe that 2-D and 3-D seismic surveys should be used as part of the analysis. These are proven technologies that will allow the agency to gather useful information so that policymakers will be able to base decisions on factual data.

<u>Gas-Only Leasing</u>

1) Can gas-only production be realistically anticipated?
2) Where on the OCS should such leases be offered?
3) What technological obstacles may exist?
4) What steps would have to be taken if significant amounts of oil are encountered? Would the well have to be capped?
5) What steps would have to be taken if condensate is encountered?
6) How would gas-only production affect the OCSLA requirement for "prevention of waste and conservation of natural resources"?

While we recognize that there are occasions where particular fields produce entirely (or mostly) natural gas, we do not think it is necessary to limit leasing to gas. Oil can be produced in a safe manner on the OCS, and industry has clearly done so for over 30 years. According to the National Academies of Science, approximately two-thirds of the oil in the sea is from natural seeps. Two-thirds of the third that is left originates as runoff from land, having nothing to do with our operations. Less than 1% is from offshore production operations.

Furthermore, since it is not always clear prior to drilling whether a field will yield natural gas, oil, or both, it seems inconsistent with the principle of conservation of the resource to leave recoverable oil deposits behind in order to drill new wells for natural gas elsewhere.

Alaska Specific

1) Should the special lease sale process used in the current 5-Year Program be continued or amended to reflect regional needs?

Although our associations generally advocate for areawide leasing, we recognize that other leasing methods may be needed in some unique areas. For the current 5-Year Program, the agency issued calls for nominations and comments before scheduling any lease sales in Norton Basin or Chukchi Sea. We supported the MMS' proposal for the current plan and applaud the scheduling of a Chukchi Sea sale toward the end of the current plan, but we believe that these areas, particularly Chukchi Sea, merit regular lease sales. We strongly encourage the agency to schedule regular lease sales in any areas where there was interest during the current program, and to continue to use the special leasing method for other areas where there has not been any interest. In particular, we urge the agency to include the Aleutian Basin and the Chukchi Sea in the 2007-2012 5-Year Program. If the area is restricted at the time of a scheduled sale or there is not interest, then the sale could be cancelled.

2) Should MMS consider dropping the current joint bidding restrictions for large companies in certain areas of Alaska offshore? If so, where and why?

The MMS should drop the joint bidding restrictions for large companies for certain difficult areas. In frontier areas, there are a limited number of companies that can individually overcome the enormous financial, technical and resource obstacles to oil and gas production present in such areas. Thus, it defeats the purposes of the OCSLA to add an additional burden by preventing companies from pooling their resources in order to do so.

Affected Coastal States

In light of the fact that the hydrocarbon and other resources on the OCS belong to all of the states and that energy produced and energy policy affects the socioeconomic environment of all states, we recommend that all states be considered affected states for the purpose of the 5-Year Program (rather than just coastal adjacent states), and that any information that all states submit on how the program would affect them be considered in the development of the leasing schedule.

EIS Preparation

We recommend that the environmental impact statement fully analyze the exemplary safety and environmental record of the domestic offshore natural gas and oil industry. The offshore oil and gas industry is one of the safest workplaces in America, with an injury rate that is nearly 70% lower than all of private industry and 50% lower than the petroleum industry as a whole. The offshore oil and natural gas industry produces about 4 million barrels of oil equivalent per day. Only 7 barrels of petroleum (or .0002% of production) is released, as compared with 1,700 barrels of oil per day from natural seeps. (National Research Council, 2002.) There has not been a major spill of any type from an OCS production platform in 25 years. There has not been a major spill from a blowout on an OCS production platform in 35 years. There has only been 1 catastrophic fire in the past 8 years, and none since 2000.

We further recommend that the environmental impact statement fully consider both the socioeconomic impacts of producing energy from many of the areas of the offshore, as well as the socioeconomic impacts of NOT producing energy from many of the areas of the offshore. We recommend that the agency consider and analyze those impacts for all of the American people, living in all 50 states, since the resources of the OCS are owned by the whole country.

NOIA, IPAA, IADC, DPC, USOGA and PESA appreciate the opportunity to provide comments on the Proposed Outer Continental Shelf Oil and Gas Leasing Program for 2007-2012. If you have any questions or need additional information, please contact Kim Harb at (202)737-0926.

Sincerely,

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