NATIONAL OCEAN INDUSTRIES ASSOCIATION

Domestic Petroleum Council

ipaa America's Oil & Gas Producers

Natural Gas Supply Association

US Oil & Gas Association

April 10, 2006

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

Subject: Comments on Draft Proposed 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), Domestic Petroleum Council (DPC), Independent Petroleum Association of America (IPAA), International Association of Drilling Contractors (IADC), Natural Gas Supply Association (NGSA), and US Oil & Gas Association (USOGA) are pleased to respond to your request for comments on the draft proposed 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, 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 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 response to the August 2005 Request for Comments, 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.

Summary of Our Position

NOIA, DPC, IPAA, IADC, NGSA, and USOGA strongly support the inclusion of the areas that the Minerals Management Service (MMS) has proposed in the draft 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 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 Atlantic Planning Areas 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 draft 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.

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. 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 Program, 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 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.

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 Katrina and Rita as it develops the new 5-Year Program, and give the plan maximum flexibility, adding to the areas included in the draft 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 proposed 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. We strongly urge the MMS to add the areas left out of the draft proposed program back into the proposed program, and analyze them in the draft environmental impact statement.

<u>Prejudging the Planning Process</u>

In our response to the Request for Comments we expressed concern that the notice stated 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 felt it was 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 the Secretary’s intention before that process has even taken place undermines the NEPA process. We do not believe this concern was addressed in the draft proposed program.

<u>Impacts of Producing Energy - or Withholding Energy - from the OCS</u>

We are concerned that the analysis presented in the draft proposed program 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 the proposed program and draft 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 considered in the decision-making process.

Size, Timing and Location of Leasing

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

NOIA, DPC, IPAA, IADC, NGSA and USOGA support Option 1 for the Beaufort Sea Planning Area, which would provide for five sales, one each year of the program. Annual areawide lease sales will maintain a predictable series of sales for the five years, and we strongly support this schedule.

NOIA, DPC, IPAA, IADC, NGSA, and USOGA support Option 1 for the Chukchi Sea Planning Area, which would provide for three sales. This is an area of high potential and interest, and we commend the agency for proposing regular sales for this area.

NOIA, DPC, IPAA, IADC, NGSA, and USOGA support Option 1 for the North Aleutian Basin Planning Area, which would provide for two sales. 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.

NOIA, DPC, IPAA, IADC, NGSA, and USOGA support Option 1 for the Cook Inlet Planning Area, which would provide for two special interest sales. 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, and USOGA understand the decision not to include any sales in the Hope Basin, Gulf of Alaska, St. George Basin, Norton Basin, Navarin Basin, St. Matthew-Hall, Aleutian Basin, Bowers Basin, Aleutian Arc, Shumagin, and Kodiak Planning Areas, since interest was not expressed for any of these areas in response to the Request for Comments. However, if these areas were included for analysis in the draft environmental impact statement, then that analysis would be available if there was new interest in any of the areas during the 2007-2012 program. Therefore, we recommend they at least be analyzed.

NOIA, DPC, IPAA, IADC, NGSA, and USOGA understand the decision not to include any sales in the Washington-Oregon, Northern California, Central California, and

Southern California Planning Areas. However, we believe these areas should be included for analysis in the draft environmental impact statement, so that the analysis would be available if there was new interest or changes to the administrative withdrawals or moratoria during the length of the program.

NOIA, DPC, IPAA, IADC, NGSA, and USOGA support Option 1 for the Western Gulf of Mexico Planning Area, which would provide for five areawide annual sales. This option will provide a predictable schedule of sales for this important area.

NOIA, DPC, IPAA, IADC, NGSA, and USOGA support the five areawide annual sales proposed in Option 1 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 two Administrations because of their 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. 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, 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, and USOGA commend the agency for including a small portion of the Mid Atlantic Planning Area for analysis, and for proposing one special interest sale under Option 1. However, we strongly object to limiting the area for analysis and further consideration 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 proposed program, and analyze the whole area in the draft environmental impact statement.

NOIA, DPC, IPAA, IADC, NGSA, and USOGA strongly object to the limited options provided for the South Atlantic, North Atlantic and Straits of Florida. These areas should be fully analyzed in the program and environmental impact statement.

Our six national trade associations appreciate the opportunity to provide comments on the Draft Proposed 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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