

September 5, 2008

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Subject: Comments on Preparation of 5-Year Program for 2010-2015 and Scoping
Comments on the EIS for the 5-Year Program for 2010-2015

Dear Ms. Orr and Mr. Bennett:

The National Ocean Industries Association (NOIA), the American Exploration & Production Council (AXPC), the International Association of Drilling Contractors (IADC), the International Association of Geophysical Contractors (IAGC), the Independent Petroleum Association of America (IPAA), the Petroleum Equipment Suppliers Association (PESA), and the U.S. Oil & Gas Association (USOGA) 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 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 OCS in an environmentally responsible 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 2010-2015 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, AXPC, IADC, IAGC, IPAA, PESA, and USOGA strongly encourage the MMS to consider and analyze all planning areas of the OCS as you prepare the draft proposed program and draft environmental impact statement. Gathering resource data and environmental analyses for all areas of the OCS will allow the agency to comply with both the spirit and the letter of the Outer Continental Shelf Lands Act (OCSLA), and will allow the federal government to be as nimble as possible in responding to changing circumstances and needs of the country.

The Outer Continental Shelf Lands Act

The 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.

In order to close the gap on this imbalance and meet surging U.S. demand, the new 5-Year Program should be designed with maximum flexibility, and it must contain as much acreage as possible in order to respond to our nation’s energy needs, economic growth and national security during the period of 2010-2015.

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 2015, even if a particular area is not included in the final program released in 2010.

Information Requested - General

- 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.

An estimated 60% increase in worldwide oil production will be needed to meet growing energy demands over the next 25 years, and natural gas demand is expected to double during this same period. 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 2010-2015 5-Year Program.

As noted in the MMS Request for Comments, the OCS is estimated to contain undiscovered technically recoverable resources of 86 billion barrels of oil and 420 trillion cubic feet of natural gas. However, 85% of the continental U.S. OCS is currently off-limits, leading the vast majority of our offshore energy production to come from the Central and Western Planning Areas of the Gulf of Mexico. It is unwise for the country to concentrate its energy production activity in one area, and as noted by Energy Secretary Bodman in May and by President Bush in September of this year, the country should provide greater access to new areas of the OCS that contain substantial amounts of oil and natural gas.

- 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.

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 MMS has proceeded with a proposed rulemaking in order to permit alternative energy projects offshore. We are pleased that the MMS is the permitting agency for alternative energy projects on the OCS, and we will continue to work with the agency as it proceeds with the promulgation of 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.

Information Requested - Specific Questions

- i) What do you think is the proper role of OCS oil and gas leasing as part of a comprehensive national energy policy? How should the 5-year program 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 domestically, the OCS is vital to our energy security. In order to meet growing national energy demands in the future, OCS oil and gas leasing must be expanded in recognition of this reality. Therefore, 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 be an "equitable sharing" among the offshore regions. We urge the agency to learn from these lessons 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 (iv).

- iii) Should areas under Congressional moratoria be included in the new 5-Year Program? What areas? With Sales proposed in what time-frame?

There is currently leasing moratoria on 85% of the continental U.S. OCS. All areas under Congressional moratoria should be included in the new 5-Year Program. This is the only way that these areas will receive the environmental and resource analyses necessary so that an informed decision can be made as to their disposition. These lands are owned by all of the American people, and the American people have a right to be fully informed about the resources they own on these lands, and to participate in the process of determining if they should be included in the plan. If the areas remain under moratoria, they will not be leased, but at least the resource data gathered about the areas will be shared with the American public.

- iv) 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.

Furthermore, 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.

Finally, 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.

- v) 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, and 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.

There are also substantial potential direct revenues to states if the Congress were to decide to share royalties with adjacent states, as was done in the Gulf of Mexico Energy Security Act of 2006.

- vi) 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.

- vii) If new areas are not leased for exploration and potential development, what environmental impacts do you foresee from imports of oil and gas?

In order to meet the growing energy needs of the country, we will need to produce our domestic sources of energy in an environmentally responsible manner. We have a clear record that this can be done. Blocking off 85% of the OCS from the American people has made us more dependent on foreign sources of energy, which are often produced with far less emphasis on environmental protection than similar domestic operations. It is time for a new strategy.

- viii) Is there a strategic advantage to considering sources of oil and gas in areas currently under Congressional moratoria to potentially diversify OCS energy development?

It is short-sighted of the United States to block off 85% of our OCS energy areas, and rely on select, concentrated areas for all our OCS production. As we learned the hard way after Hurricanes Katrina and Rita, a disruption in this area can have dire consequences for our energy and economic security. It would be much wiser to include all areas in the 5-Year Program, and to diversify the areas of our supply.

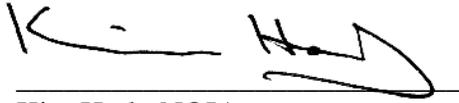
Environmental Impact Statement Preparation

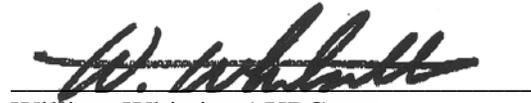
We recommend that the environmental impact statement fully analyze the exemplary safety and environmental record of the domestic offshore natural gas and oil industry. The offshore oil and gas industry is one of the safest workplaces in America, with an injury rate that is nearly 70% lower than all of 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 nearly 30 years. There has not been a major spill from a blowout on an OCS production platform in nearly 40 years. There has only been 1 catastrophic fire in the past 10 years, and none since 2000.

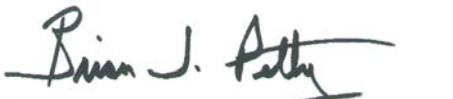
We further recommend that the environmental impact statement fully consider both the socioeconomic impacts of producing energy from many of the areas of the offshore, as well as the socioeconomic impacts of NOT producing energy from many of the areas of the offshore. We recommend that the agency consider 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, AXPC, IADC, IAGC, IPAA, PESA, and USOGA appreciate the opportunity to provide comments on the Proposed Outer Continental Shelf Oil and Gas Leasing Program for 2010-2015. If you have any questions or need additional information, please contact Kim Harb at (202) 737-0926.

Sincerely,


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