

Offshore Energy
and
Minerals Management
The 5-Year Leasing Program

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Gulf Of Mexico Region

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MMS

MMS Overview

- Created in 1982
- Responsible for 1.7 billion OCS acres
 - Lease issuance to decommission
- Day-to-Day
 - ~8,000 leases
 - ~43 million acres leased
 - ~27% of oil; ~15% natural gas
 - ~4,000 production platforms
 - ~33,000 miles of pipeline
 - ~42,000 OCS personnel
 - ~125 operating companies
- ~\$26 billion revenue for fiscal year 2008
 - ~ \$13 billion annual revenue based on 5-year average



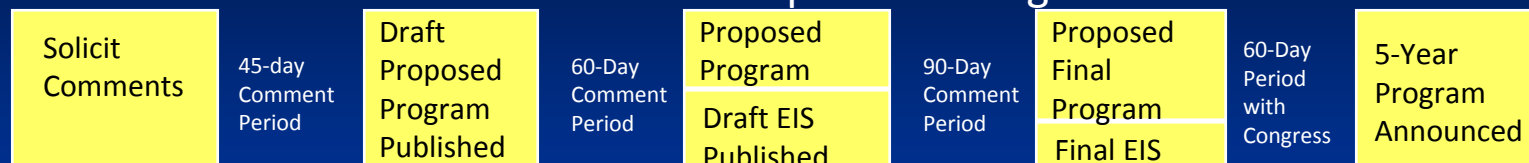
MMS

- Manages Federal mineral and energy resources on the Nation's Outer Continental Shelf
- Collects revenue from Federal OCS and onshore Indian lands, distributes those revenues
- *Core balancing objectives:*
 - *Safe Offshore Operations*
Promote incident-free operations during exploration, development, and production in Federal offshore waters
 - *Environmental Protection*
Ensures that all Federal offshore activities are conducted with appropriate environmental safeguards
 - *Fair Market Value*
Assures receipt of fair market value to the public

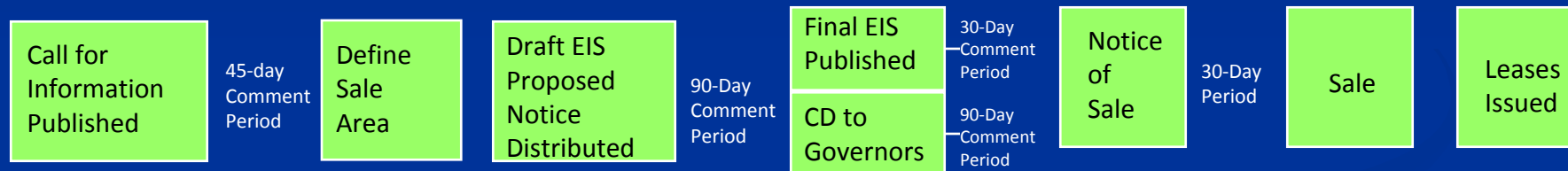
Leasing, Exploration, and Development Process

Pre-lease

Develop 5-Year Program

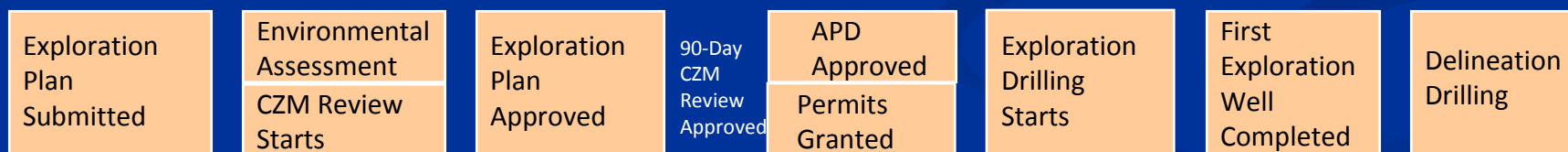


Planning for Specific Sale

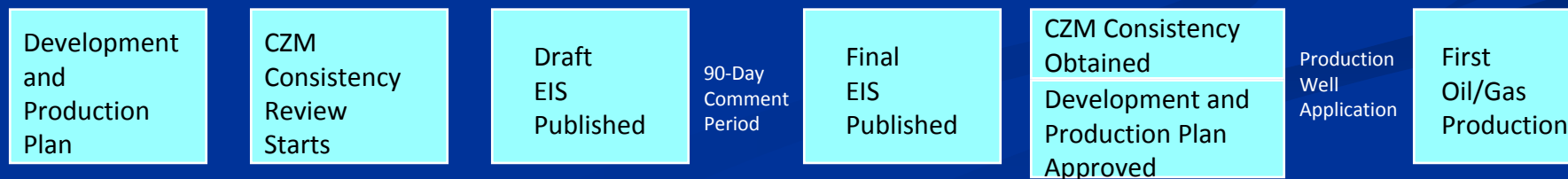


Post-Lease

Exploration Plan Approval



Development & Production Plan Approval



Abbreviations: ADP, Application for Permit to Drill; CD, Consistency Determination; CZM, Coastal Zone Management; EIS, Environmental Impact Statement



OCS 5-Year Program (2007-2012)

- Lease sale process begins with 5-Year Program
- 5-Year Program specifies
 - Size, timing and location of areas proposed for Federal offshore oil and gas leasing
- The 5-year Program:
 - Responds to national energy needs while addressing economic, social and environmental concerns of the public; and
 - Reduces dependence on foreign oil and stimulates the domestic economy

Outer Continental Shelf Oil & Gas Leasing Program 2007 - 2012



Legend

- OCS Planning Area
- Areas Withdrawn From Leasing Through 2022
- Areas Available for Leasing in the 2007-2012 5-Year Program
- National Marine Sanctuary (NMS) / Presidential Withdrawal Areas
- Existing Leases
- Areas Available for Leasing, but Outside the 2007-2012 5-Year Plan

Scale:
 NAD 1983 Geographic CONUS Map 1:6,500,000
 0 30 60 120 180 240 300 Nautical Miles
 0 250 100 150 200 250 Statute Miles

Sale Schedule For 2007-2012 Program

- Sales held
- Sales remaining for consideration

| <u>Year</u> | <u>Sale Area</u> | <u>Sale No.</u> |
|-------------|----------------------|-----------------|
| 2007 | Western GOM | 204 |
| | Central GOM | 205 |
| 2008 | Chukchi Sea | 193 |
| | Central GOM | 206 |
| | Eastern GOM* | 224 |
| | Western GOM | 207 |
| 2009 | Central GOM | 208 |
| | Beaufort Sea** | 209 |
| | Western GOM | 210 |
| | Cook Inlet*** | 211 |
| | Chukchi Sea | 212 |
| 2010 | Central GOM | 213 |
| | Western GOM | 215 |
| | Central GOM | 216 |
| 2011 | Beaufort Sea | 217 |
| | North Aleutian Basin | 214 |
| | Western GOM | 218 |
| | Cook Inlet | 219 |
| | Mid-Atlantic | 220 |
| 2012 | Chukchi Sea | 221 |
| | Central GOM | 222 |

* Mandated by Gulf of Mexico Energy Security Act. Not subject to OCSLA section 18.

** Delayed to 2010

*** Special Interest Sale cancelled for lack of interest at this time

Status of 5-Year Program (2010-2015)

- Request for Comments/Intent to Prepare an EIS published on August 1, 2008, with 45-day comment period
- Draft Proposed Program (DPP) announced on January 15, 2009 by former Secretary and published on January 21, 2009, with 60-day comment period

Status of 5-Year Program (2010-2015)

- February 10, 2009
 - Secretary Salazar announced 4-step strategy for OCS energy
 - Extended comment period by 180 days to September 21, 2009
 - Directed preparation of a report on conventional and renewable resources and potential impacts (“45-day report”)
 - Scheduled 4 regional meetings – which were held in April
 - Issued final renewable energy rules

Status of 5-Year Program (2010-2015)

- DPP Comment Period
Closed September 21, 2009
 - Over 500,000 comments received

Offshore Restrictions Lifted

Presidential Withdrawal/Congressional Moratoria

- July 14, 2008
 - President Bush announced a modification of the Presidential Withdrawal
- September 30, 2008
 - Congress let expire the previous DOI Appropriations measures that had imposed an Atlantic drilling ban that lasted over 25 years

Offshore Restrictions Lifted

Presidential Withdrawal/Congressional Moratoria

- As of October 1, 2008
 - MMS not prohibited from OCS oil and gas activities related to leasing and pre-leasing activities in areas permitted under the OCSLA, NEPA, and other laws addressing OCS matters
- MMS may only lease in areas that are in the current 5-Year Program

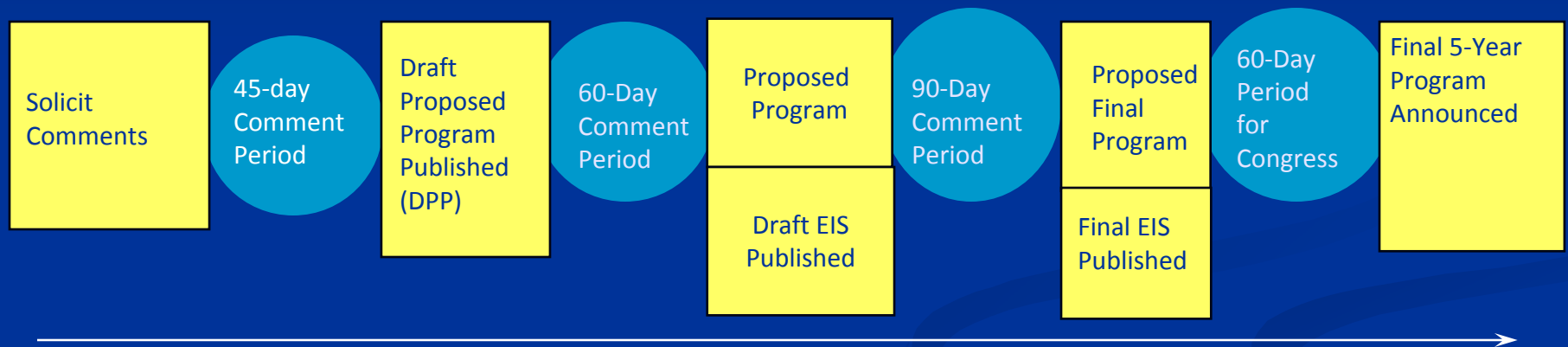
Offshore Restrictions Lifted

Presidential Withdrawal/Congressional Moratoria

- *However*

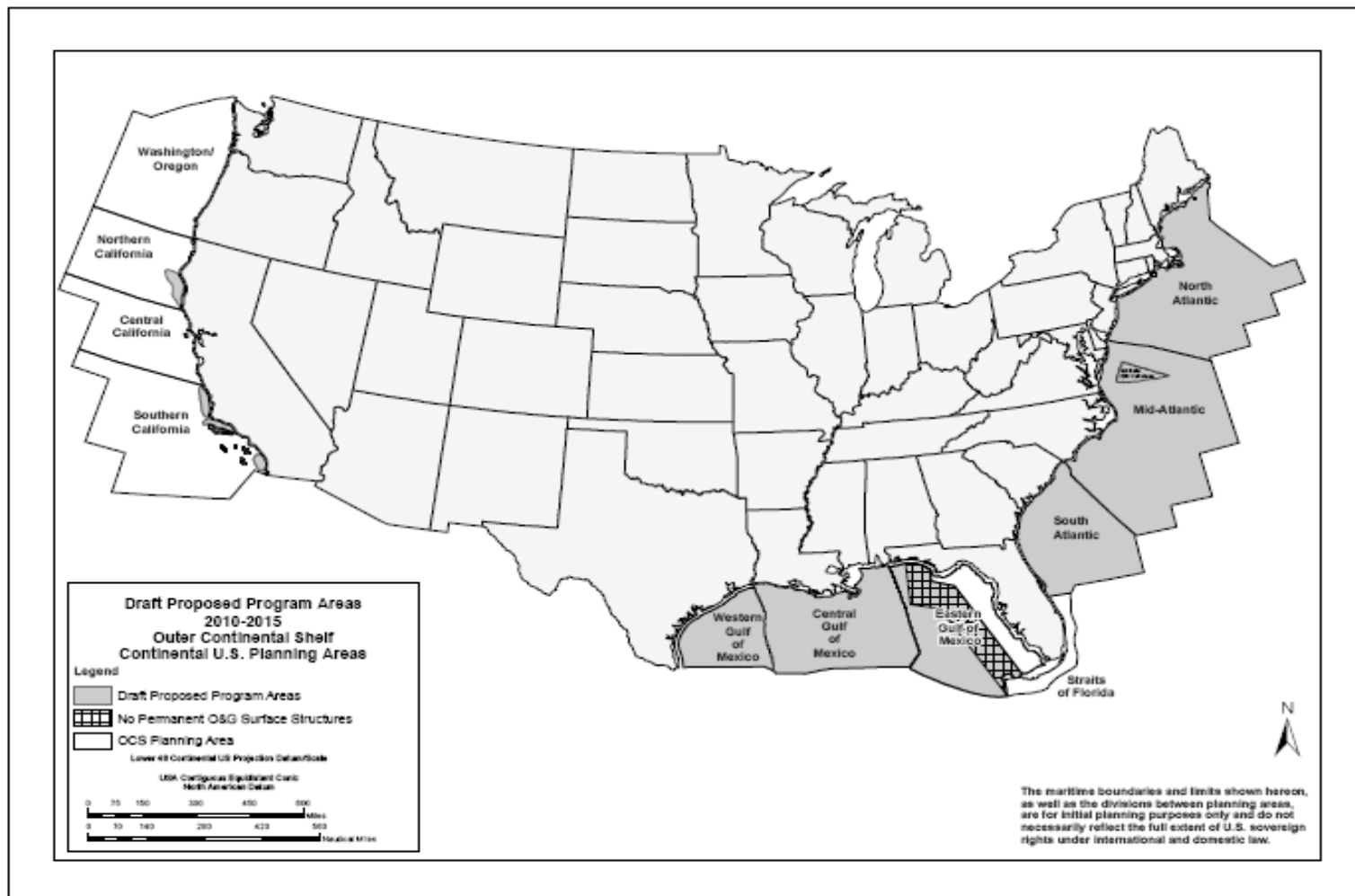
- Sale 220 area off Virginia is the only area available in the 5-Year Program that was previously unavailable
- Current 5-Year Program has a sale scheduled for that area in 2011

5-Year Leasing Program Process



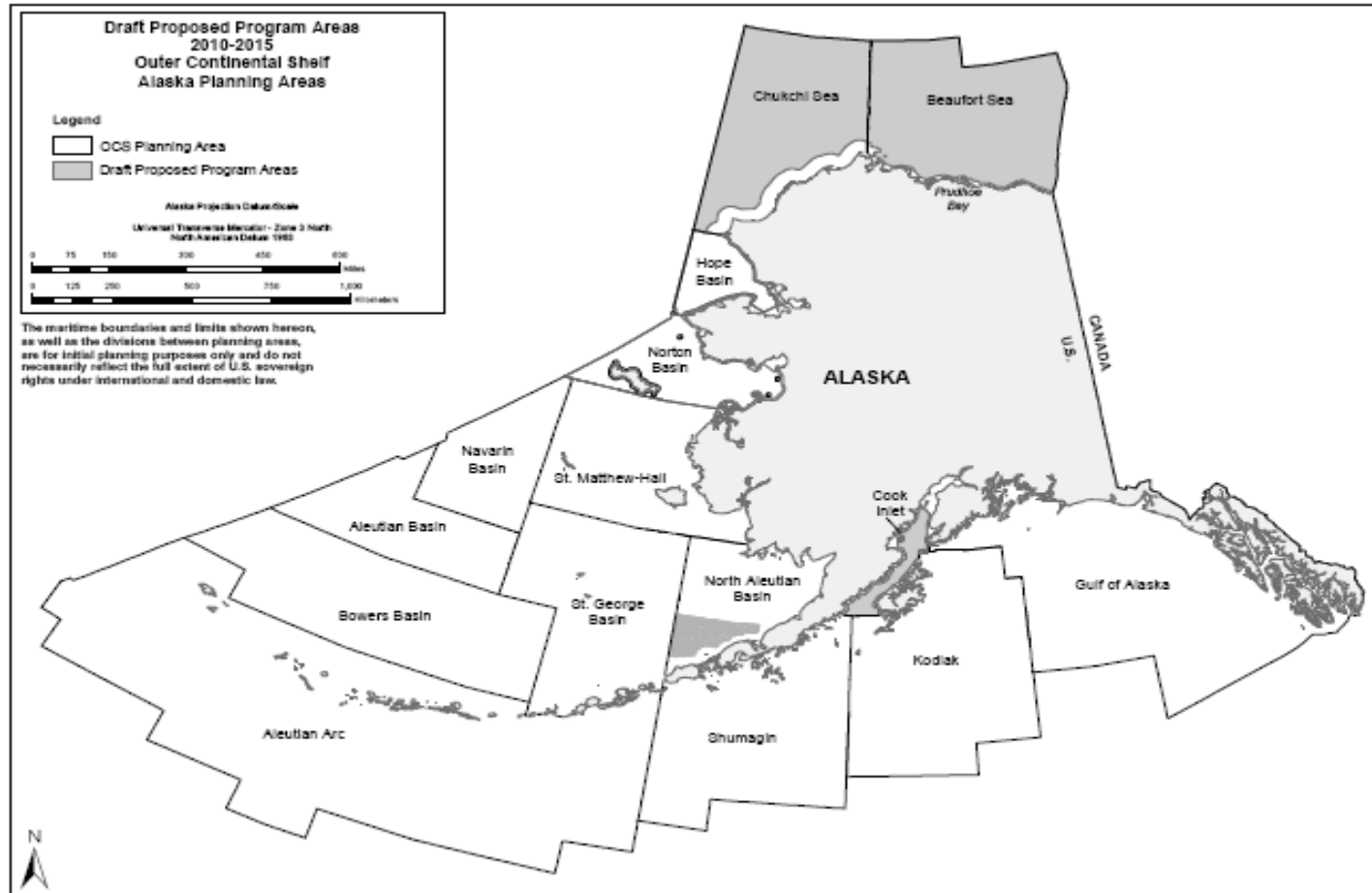
- Additional 180 days added to DPP for this new program
- Multiple opportunities for comment

Continental US DPP Areas



Map B. Continental U.S. Draft Proposed Program Areas

Alaska DPP Areas



Assessment of Undiscovered Oil & Gas Resources

- Aids the development of appropriate Government policy (such as MMS' 5-Year Leasing Program, Energy Policy)
- Provides resource estimates that are used for environmental and socioeconomic studies (EIS)
- Provides an independent estimate of the Nation's remaining resources for use by Government, industry, academia and the public.

Resource Estimates in DPP Areas

(at \$60 bbl & \$6.41 mcf)

| <u>Planning Area</u> | <u>Oil (Bbo)</u> | <u>Gas (Tcf)</u> | <u>BBOE</u> |
|--------------------------|------------------|------------------|-------------|
| ■ Central Gulf of Mexico | 14.37 | 59.52 | 24.96 |
| ■ Western Gulf of Mexico | 5.74 | 33.78 | 11.78 |
| ■ Southern California | 4.15 | 7.08 | 5.41 |
| ■ Eastern Gulf of Mexico | 3.03 | 10.97 | 4.98 |
| ■ North Atlantic | 1.33 | 7.32 | 2.64 |
| ■ Northern California | 1.63 | 2.30 | 2.04 |
| ■ Mid-Atlantic | 0.94 | 5.54 | 1.93 |
| ■ Beaufort Sea | 1.36 | 1.58 | 1.64 |
| ■ Cook Inlet | 0.73 | 0.70 | 0.85 |
| ■ South Atlantic | 0.31 | 1.69 | 0.61 |
| ■ North Aleutian | 0.43 | 0.79 | 0.57 |
| ■ Chukchi Sea | 0.11 | 0.16 | 0.13 |

MMS

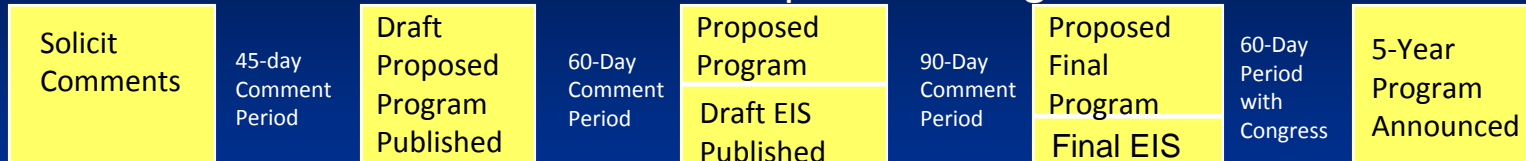
Next Steps for the New 5-Year Program

- Schedule Scoping meetings on draft EIS;
- Publication of Proposed Program and DEIS with minimum 90-day comment period;
- Publication of Proposed Final Program and Final DEIS and submission to President and Congress with minimum 60-day waiting period;
- Secretary approves new program;
- Sale steps for early sales on the schedule may begin before finalization of new program.

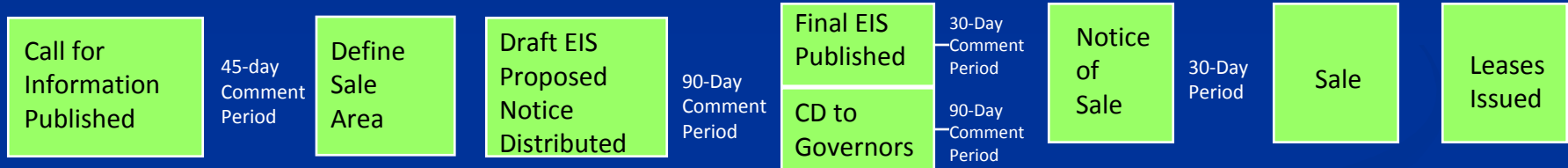
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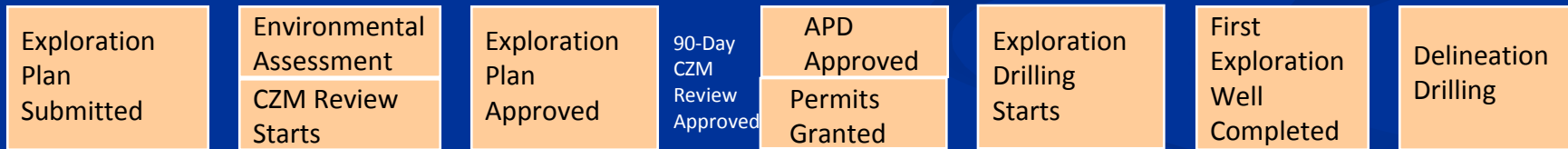


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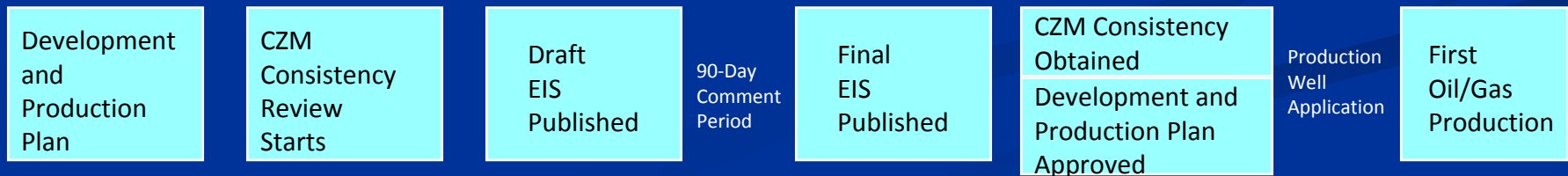


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Lease Sale Process

- Call for Information and Nominations/ Notice of Intent to Prepare EIS (45 day comment period)
- Area Identification
- Hold Public Hearing
- Conduct Environmental Analyses/EIS
- Solicit Governor's Comments
- Publish Proposed Notice of Sale/ (90-day public Comment Period)
- Publish Final Notice of Sale
- Hold Lease Sale

Lease Terms

- Every OCS lease has a primary term
 - How long the lease is granted
- Statute sets a 5-year minimum and 10-year maximum
- MMS uses 5, 8, and 10 year terms

Fiscal Terms and Bid Adequacy

- Fiscal Terms in Every Lease
 - Bonus Bid – winning highest \$ amount paid at time of lease auction
 - Rental – holding cost per acre during primary term
 - Royalty – \$ amount paid based on % of production volume
- Bid Adequacy
 - Each bid evaluated by our resource bid adequacy procedures for fair market value to the taxpayer

Multiple Agencies Involved

- U.S. Coast Guard
 - Oil-spill response, port and vessel security and inspections (MOU)
- Environmental Protection Agency
 - Air and water quality (MOU)
- National Oceanic and Atmospheric Administration
 - Coastal programs
 - Marine mammals/endangered species
- Fish and Wildlife Service
 - Marine mammals/endangered species

State and Local Involvement

- Coastal Commissions
- Departments of Fish & Wildlife
- Air Resource Boards
- Departments of Water Resources
- Departments of Conservation & Natural Resources
- Departments of Environmental Regulations
- Departments of Culture, Recreation, & Tourism

Environmental Laws Affect Program

| | | |
|---|---|--|
| National Environmental Policy Act | → | Includes environmental analysis & protection in project planning |
| Federal Water Pollution Control Act (Clean Water Act) | → | Regulates discharges from oil & gas activities into marine waters |
| Clean Air Act | → | Regulates air emissions from industrial activities |
| Coastal Zone Management Act | → | Assures compliance with State coastal area protection plans |
| Endangered Species Act | → | Protects threatened & endangered species |
| Marine Mammal Protection Act | → | Protects marine mammals |
| Fishery Conservation & Management Act | → | Protects essential fish habitat |
| National Historic Preservation Act | → | Protects archaeological resources including those on the ocean floor |
| Oil Pollution Act | → | Oil Spill Financial Responsibility |

Environmental Stipulations

- Lease may contain detailed requirements designed to eliminate, alleviate, or mitigate adverse environmental or other effects
- Lease stipulations are announced at time of Proposed Notice of Sale and become part of the lease contract

Protected Species Stipulation

- Designed to minimize/avoid potential adverse impacts to federally protected species.
 - Protection through
 - Notification on vessels and platforms not to release waste debris
 - Onboard marine mammal observers
 - Vessel speed reduction in presence of cetaceans
 - Ramp-up procedures, *etc.*
- Developed in consultation with the National Marine Fisheries Service and U.S. Fish and Wildlife Service in accordance with Section 7 of the Endangered Species Act of 1973

GOM Regional Stipulations

- Bocks South of Baldwin County, Alabama
Visual Impacts Stipulation
 - Specifies requirements for consultation that lessees must follow when developing plans for fixed structures
 - Alleviates concerns about visual impacts from the coastline by use of sub-sea technology instead of new surface infrastructure

Military Stipulations

■ Military Area Stipulation

- Applied to all blocks leased in military areas since 1977
- Sections
 - 1) Hold and Save Harmless
 - 2) Electromagnetic Emissions
 - 3) General operational coordination

■ Evacuation Stipulation

- Provides for evacuation of personnel and shut-in of operations during any events conducted by the military that could pose a danger to ongoing oil and gas operations

Military Stipulations

- Coordination Stipulation
 - Provides for review of pending oil and gas operations by military authorities.

Environmental Reviews (CZMA, EIS, EA) for Post-Lease Activities

- Exploration Plans
- Applications to Drill (APDs) Permits
- Development and Production Plans
- Decommissioning

Summary

- Long process
- Multiple opportunities for comment
- Coordinated involvement at the Federal, State, and Local level
- MMS oversight from lease issuance to decommissioning

Questions?

Thank You

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