



Virginia Environment & Energy Commission

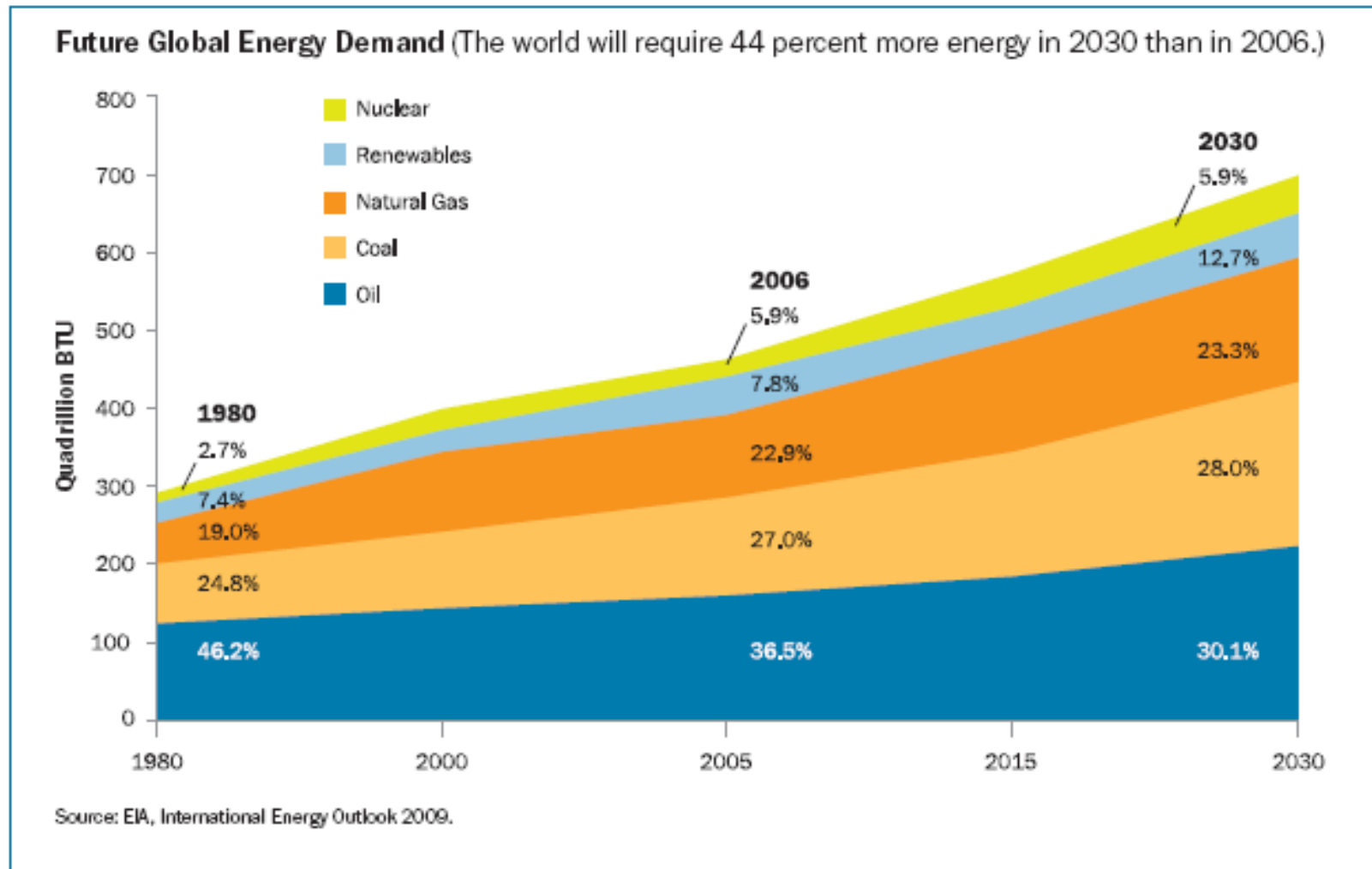
Andy Radford

Sr. Policy Advisor – Offshore Issues

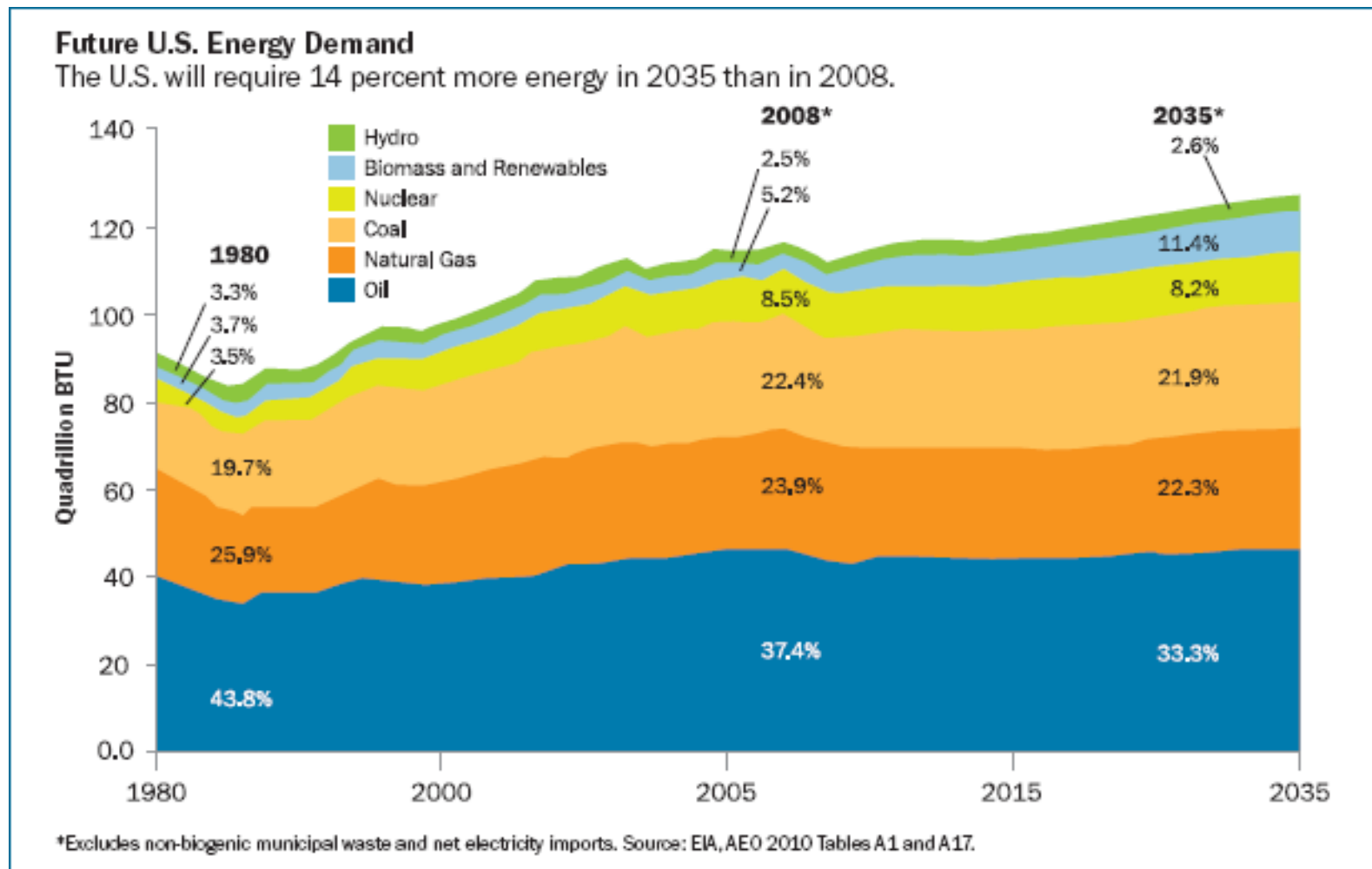
American Petroleum Institute

July 8, 2010

Global Demand Growth



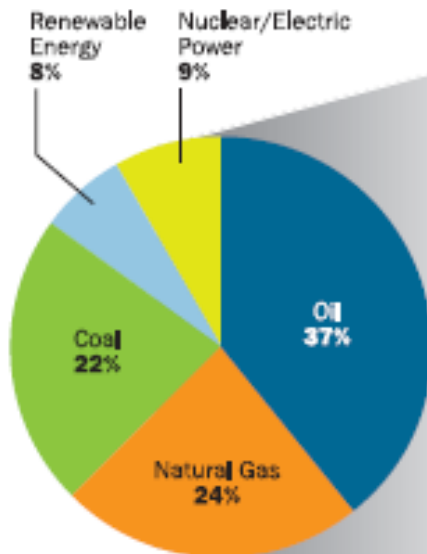
Importance of Continued Oil and Gas Development



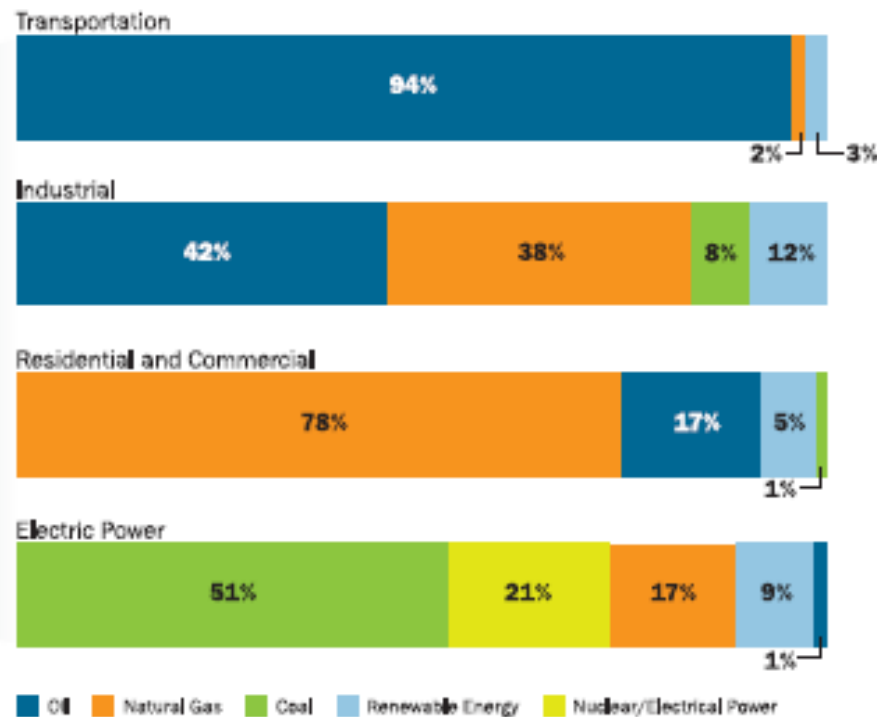
U.S. Energy Use – 2008

Energy Consumption by Sector, 2008

Total Energy Consumption by Fuel



Sector Energy Consumption by Fuel Type

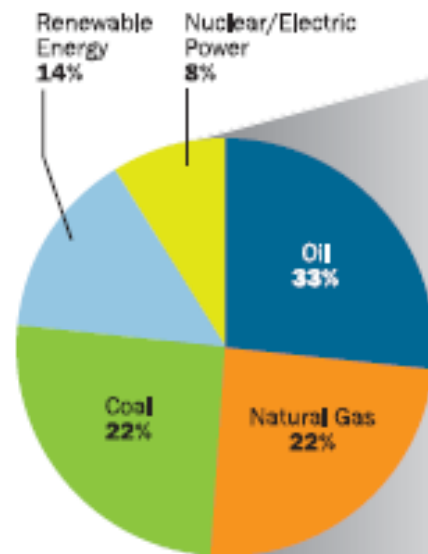


Source: AEO 2010 Tables A1, A2 and A17.

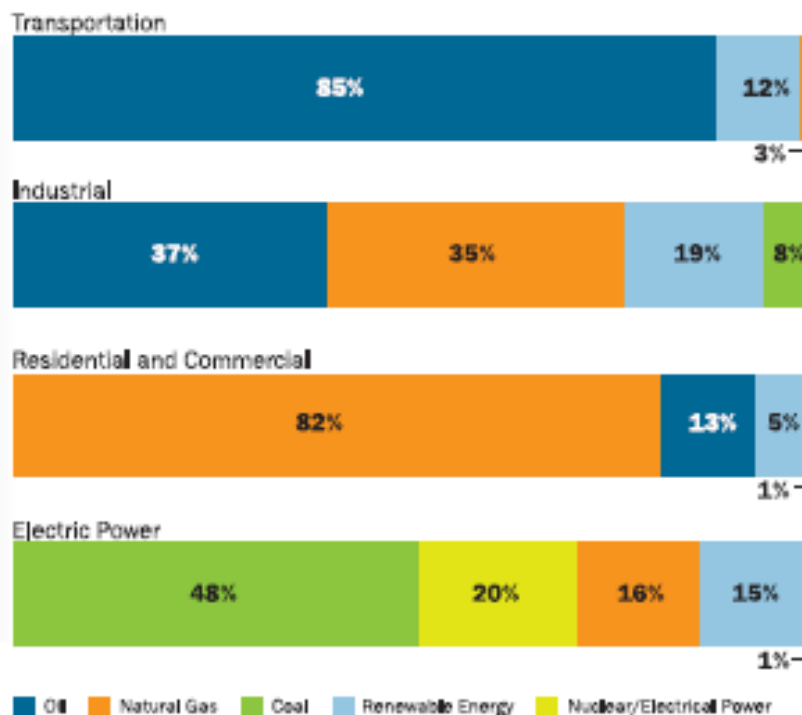
U.S. Energy Use – 2035

Energy Consumption by Sector, 2035

Total Energy Consumption by Fuel

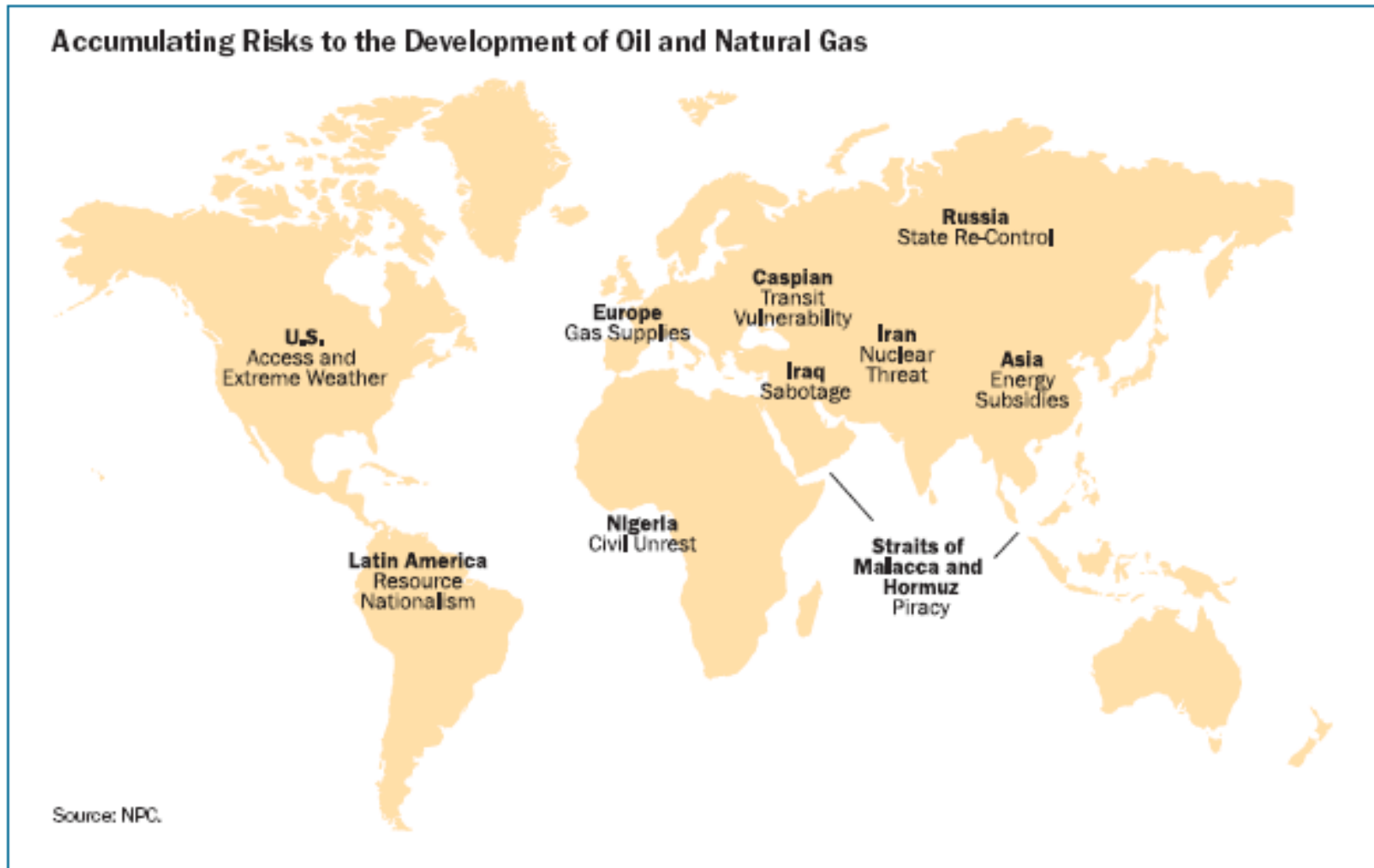


Sector Energy Consumption by Fuel Type



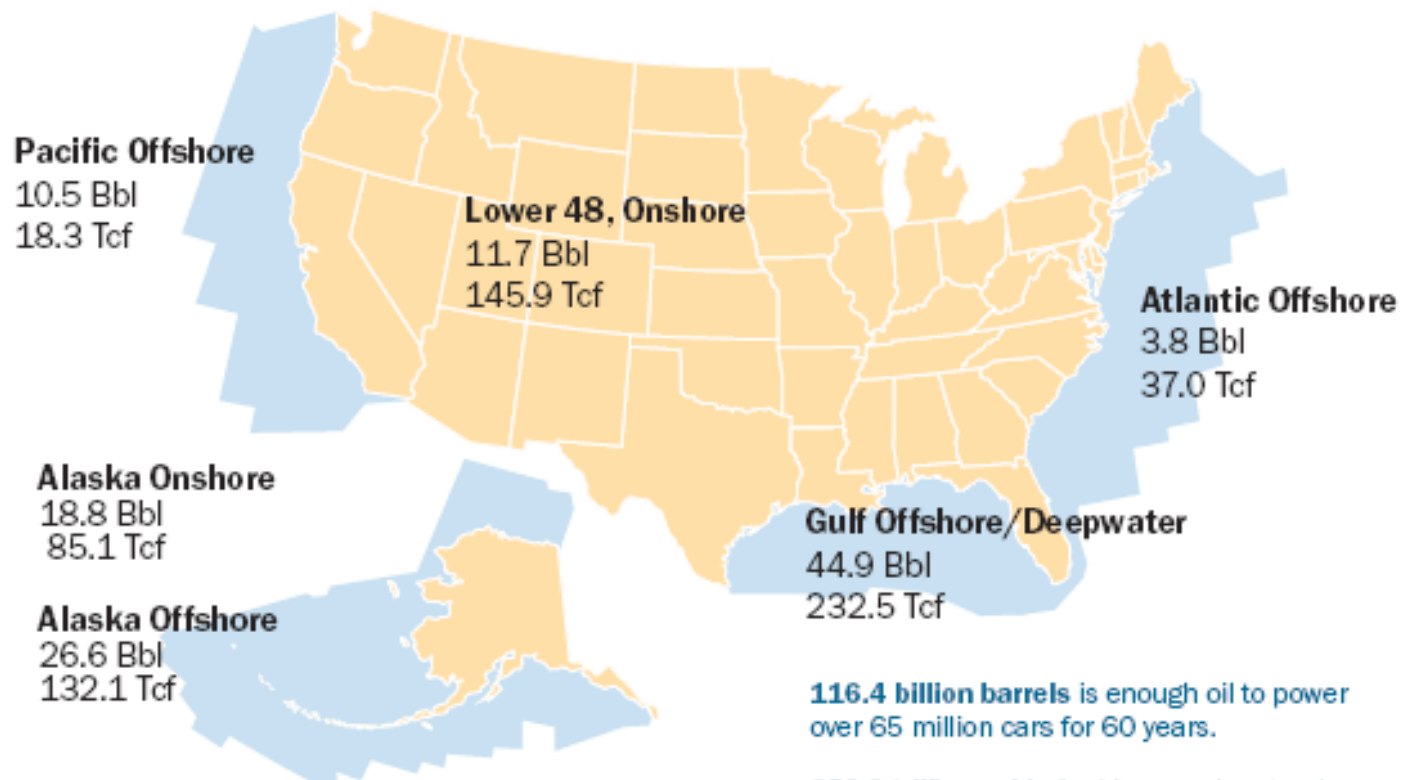
Source: AEO 2010 Tables A1, A2 and A17.

Imported Oil Risk Factors



U.S. Oil and Natural Gas Resources

U.S. Crude Oil (Bbl) and Natural Gas (Tcf) Resources (Undiscovered Technically Recoverable Federal Resources)*



*Figures may not add exactly to total due to rounding.
Source: MMS, BLM, and API calculations.

Importance of Deepwater Exploration



- Global deepwater production capacity has more than tripled since 2000
- Deepwater discoveries are important to the reserve base
- Deepwater discoveries are larger, on average, than new onshore discoveries
- U.S. GOM deepwater projects are driving higher U.S. oil production

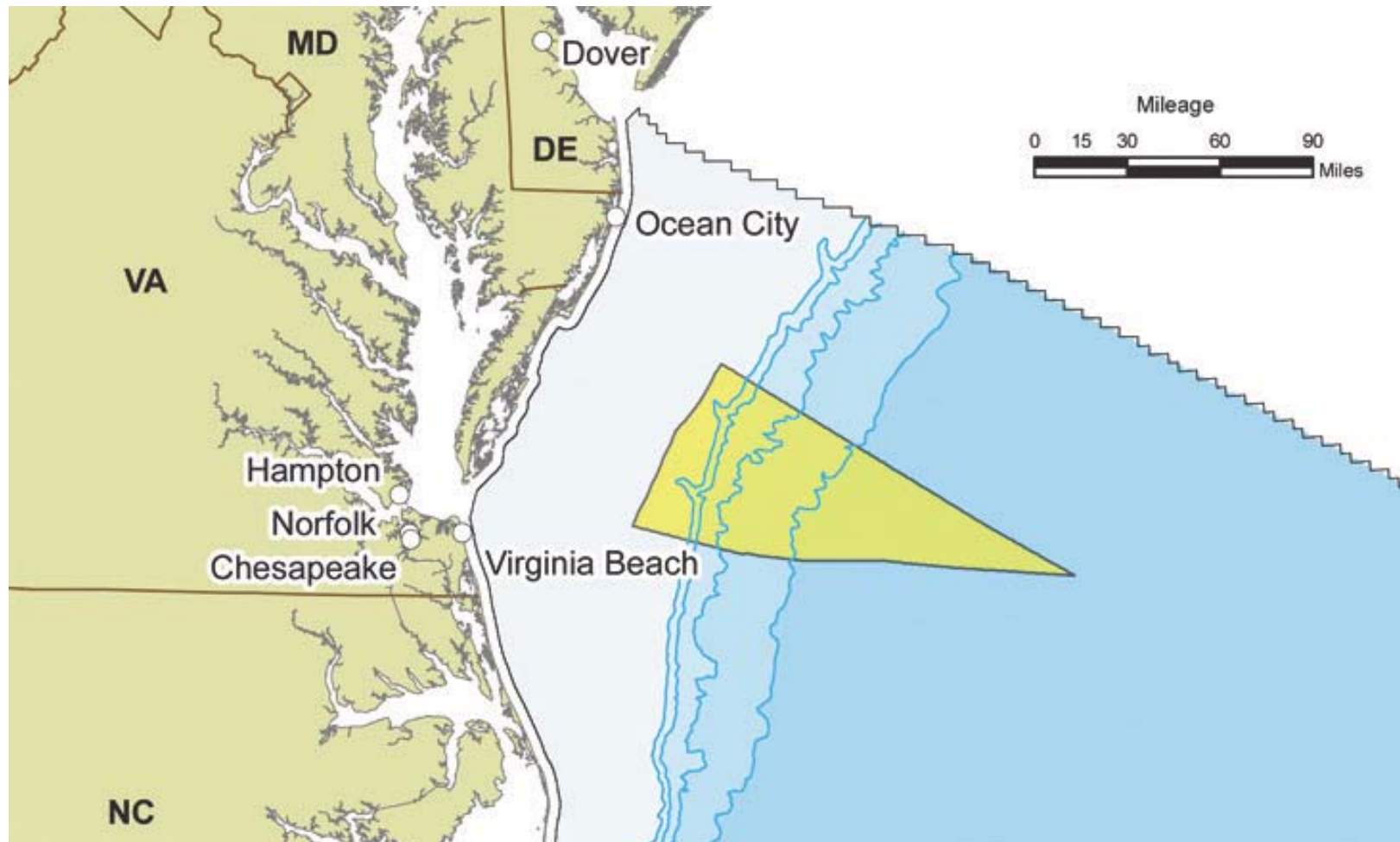
Obama Administration

OCS Oil and Gas Strategy



- Announced March 31, 2010
- 2007-2012 5-year Plan
 - Virginia Sale 220 affirmed
 - Atlantic Seismic Environmental Study to proceed
 - Alaska sales curtailed
 - Alaska exploratory drilling to proceed

Virginia Lease Sale 220



Obama Administration

OCS Oil and Gas Strategy

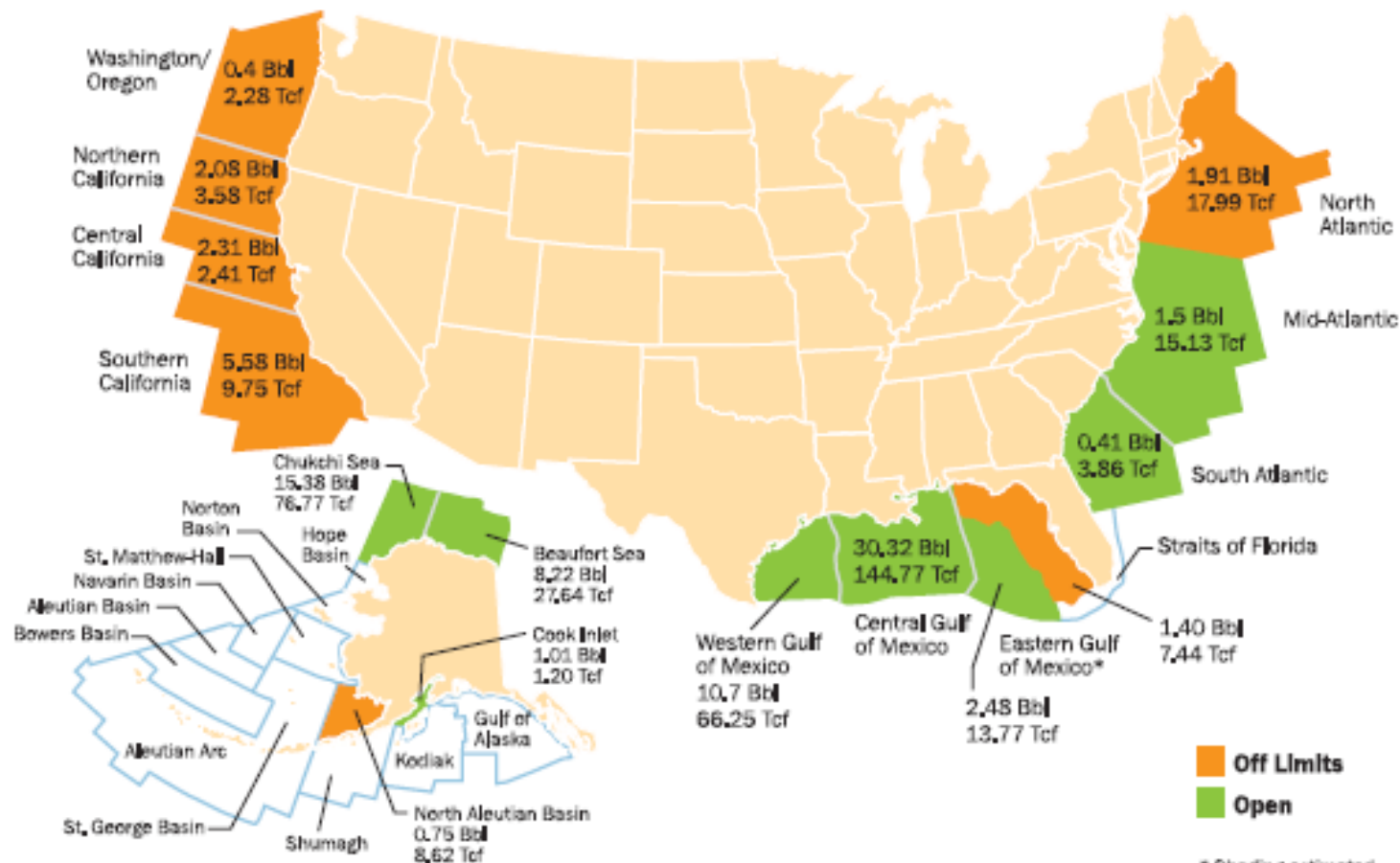


- 2012-2017 5-year Plan
 - Mid- and South Atlantic to be considered
 - Portion of Eastern Gulf of Mexico to be considered
 - Alaska Lease Sales to be consider based on drilling results and environmental studies
 - North Aleutian Basin/Bristol Bay placed off limits
 - Environmental Impact Study to begin

Areas Considered for Leasing

2012-2017

Offshore Undiscovered Technically Recoverable Federal Oil (Bbl) and Natural Gas (Tcf) Resources



Source: Minerals Management Service and Department of the Interior.

* Shading estimated.

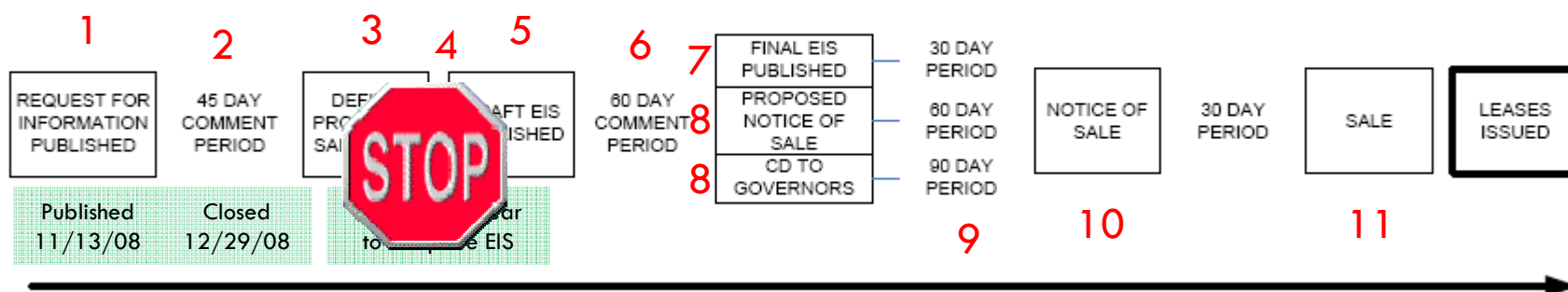
Administration Response – Post Deepwater Horizon



- Virginia Lease Sale cancelled
- 2010 Western Gulf Sale cancelled
- 2012-2017 5-year Plan public hearings postponed
- Alaska exploratory drilling postponed
- Atlantic Seismic Environmental Study to proceed

VA OCS SALE 220

PLANNING FOR SPECIFIC SALE



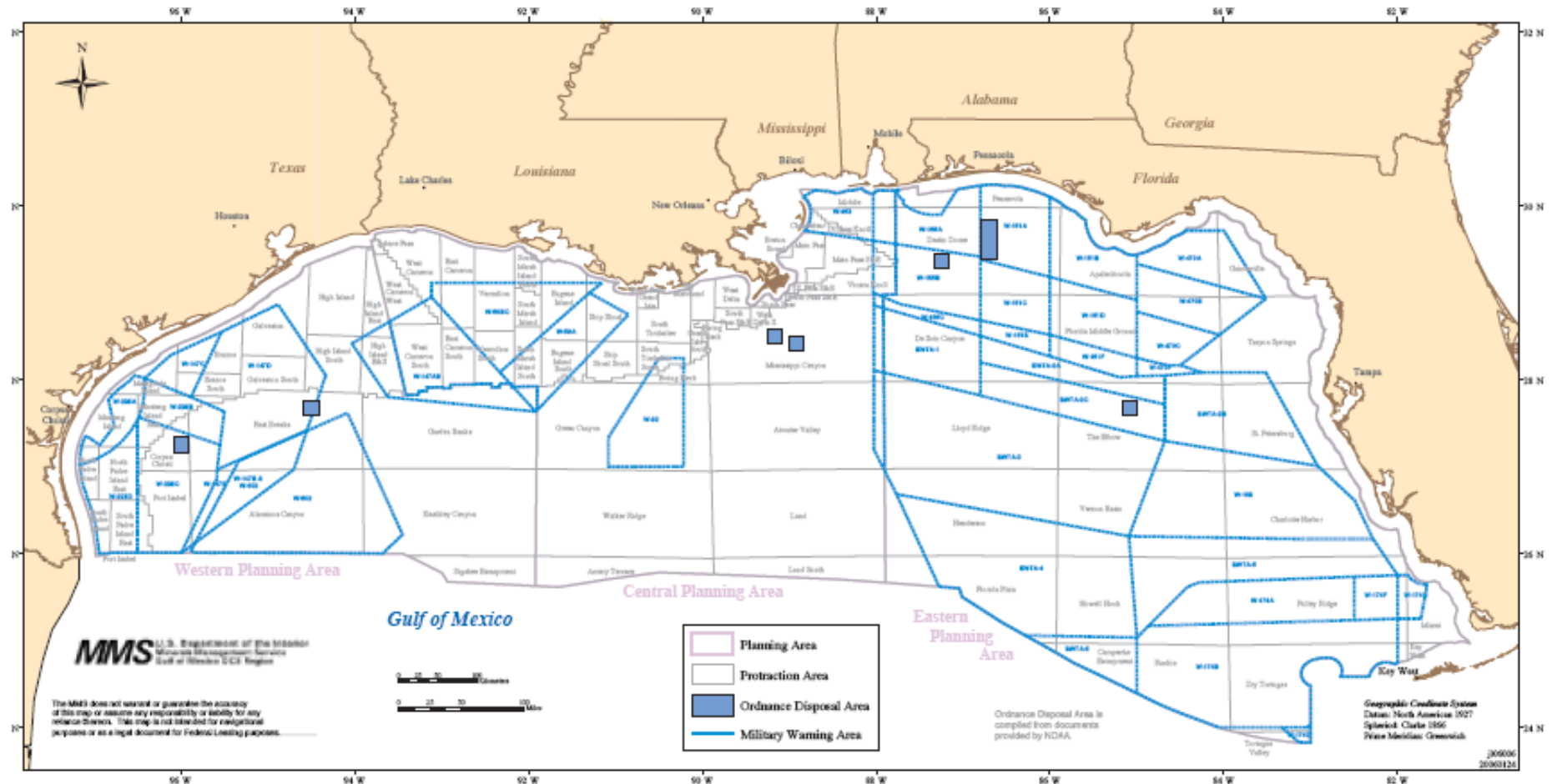
Tentative Sale Schedule (as of 11/08)

1	Call/NOI published	November 2008
2	Comments due on Call/NOI	December 2008/January 2009
3	Area Identification of the Area to be Included in the EIS	early 2009
4	Notice of Scoping Meetings and Additional Scoping Comment Period	Spring 2009
5	Draft EIS available	2010
6	Public Hearings	2010
7	Final EIS available	2011
8	Consistency Determination/Proposed Notice of Sale issued	2011
9	Governor's Comments due	2011
10	Final Notice of Sale published	2011
11	Sale held	2011

Status

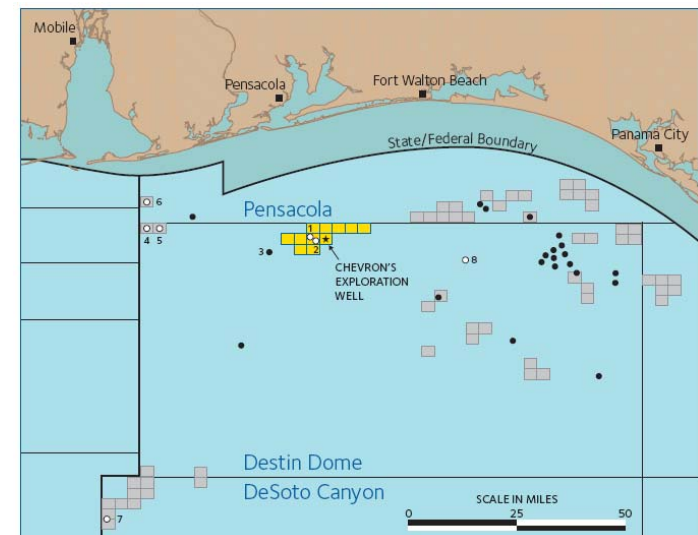
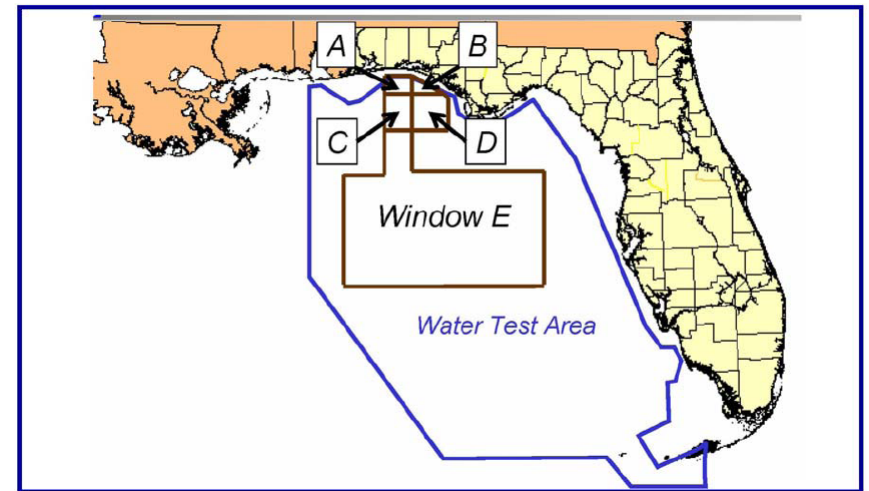
- Steps 1 and 2 of an 11 step process are complete.
- On March 31, 2010 the Administration announced that Sale 220 would be held.
- On April 29, 2010 MMS announced a series of public hearing to be held in May to determine the scope of the Environmental Impact Study to be conducted for Lease Sale 220. These hearings were subsequently cancelled.
- On May 27, 2010, the Administration announced that based on military training requirements and the need to fully consider the recommendations from the Presidential Commission Lease Sale 220 was being cancelled.

Gulf of Mexico – Military Special Use Airspace and Surface Operations



Coexistence of Military Use and Oil and Gas Exploration

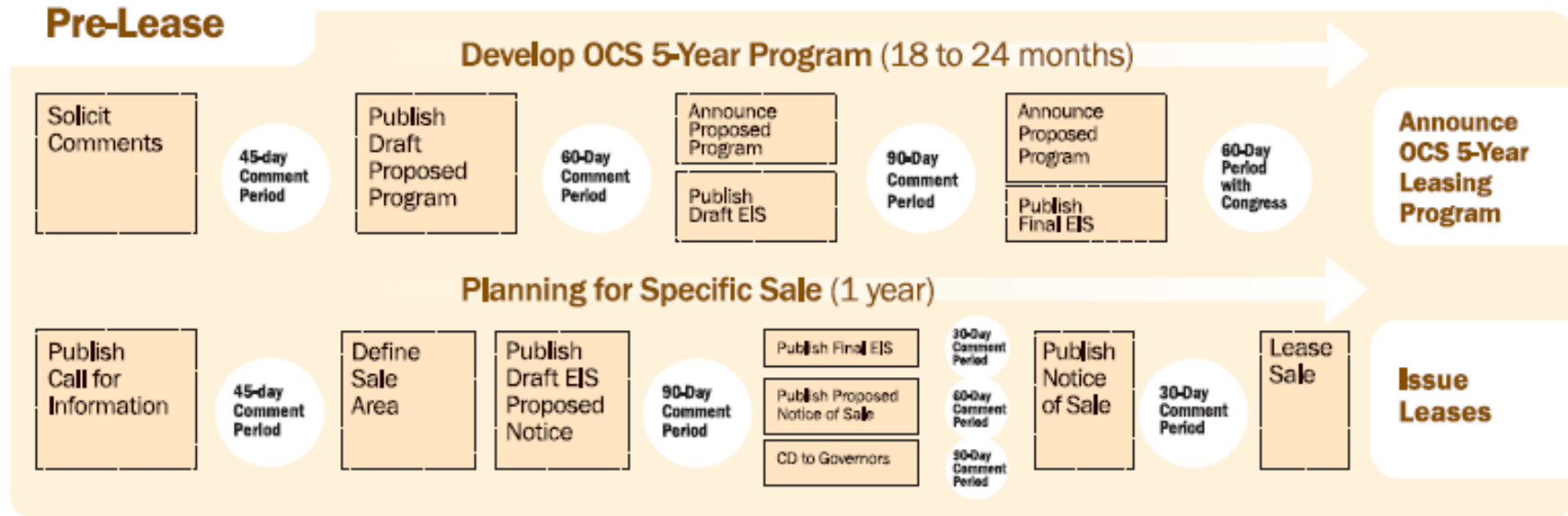
- Long history of collaboration between government agencies and industry
- Memorandum of Agreement in place
- Drilling Window Program in place
- Previous activity in military training areas



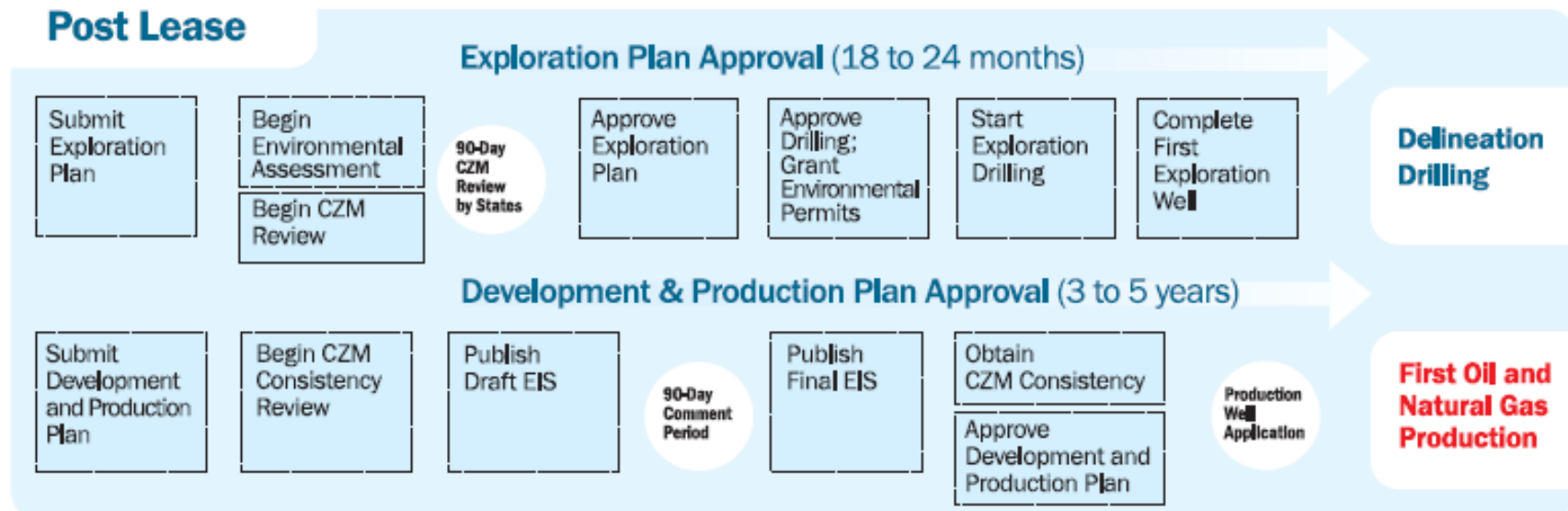


Leasing, Exploration and Development Process

Pre-Lease



Post Lease



ADP = Application for Permit to Drill | CD = Consistency Determination | CZM = Coastal Zone Management | EIS = Environmental Impact Statement **Source: MMS**

Administration Response – Post Deepwater Horizon



- Atlantic Seismic Environmental Study to continue
- Enhanced Safety Measures announced
- Deepwater Drilling Moratorium announced
- Presidential Investigation Commission formed
- MMS reorganized

Industry Response – Post Deepwater Horizon



- Joint Industry Task Forces formed
 - Deepwater Operations
 - Well Control Equipment
 - Subsea Containment
 - Oil Spill Response
 - Well Design

Industry Response – Post Deepwater Horizon



➤ Short-term Focus

- Comprehensive review of industry best practices
- Provide safety recommendations to Department of Interior

➤ Long-term Focus

- Incorporate lessons learned into industry standards

Future Milestones



- January 2011 – Report from Presidential Commission
- Summer 2011 – Draft Environmental Studies complete
- July 2012 – 2012-2017 5-year Plan announced



Questions?

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