

Virginia Commission on Energy and Environment

Offshore Oil and Gas Leasing Overview

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From Outer Continental Shelf Lands Act, as Amended

"It is hereby declared to be the policy of the United States that . . . ***the Outer Continental Shelf is a vital national resource*** 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 "

Outer Continental Shelf Oil & Gas Leasing Program 2007 - 2012



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. (About \$13 billion annual revenue based on 5-year average.)

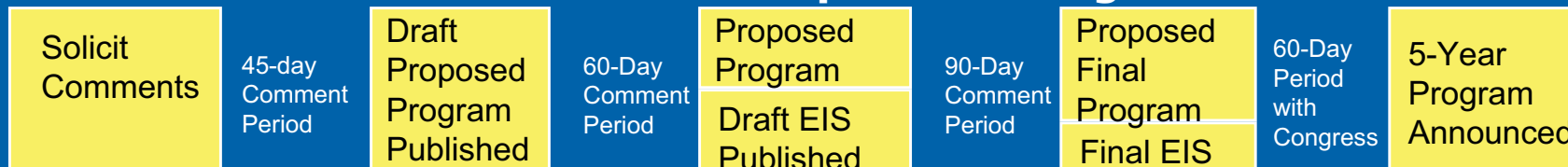
- **Core balancing objectives:**

- Safe Offshore Operations
 - Environmental Protection
 - Fair Market Value

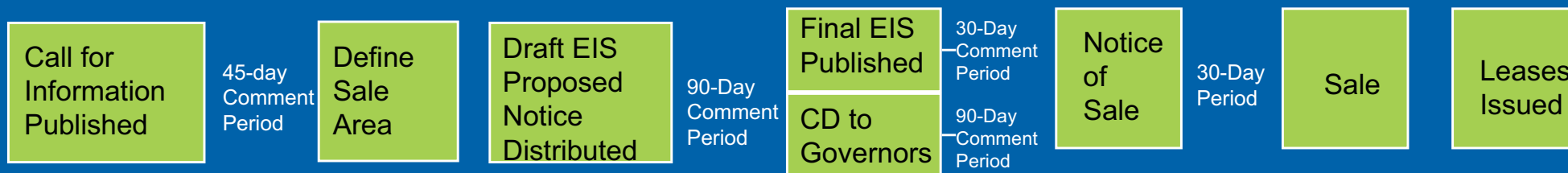
Leasing, Exploration, & Development Process

Pre-lease

Develop 5-Year Program

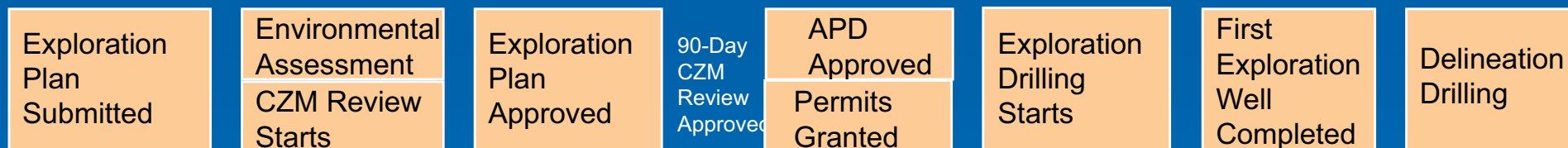


Planning for Specific Sale

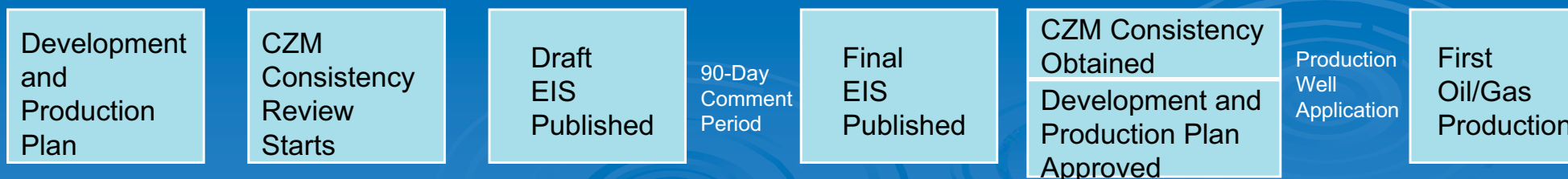


Post Lease

Exploration Plan Approval



Development & Production Plan Approval



Minerals Management Service

OCS 5-Year Plan (2007-2012)

- The lease sale process begins with the 5 – Year Program.
- The 5-year program specifies the size, timing and location of areas proposed for Federal offshore oil and gas leasing.
- It takes about 2-3 years to prepare a 5-Year Program.

The 5-Year Plan:

- 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.
- Anticipated 40-year benefits from the 5-Year Program approximately:
Additional 10 billion barrels of oil; additional 45 trillion cubic feet of natural gas; and additional \$170 billion in net benefits to the Nation.

Offshore Restrictions Lifted – Presidential Withdrawal/Congressional Moratoria

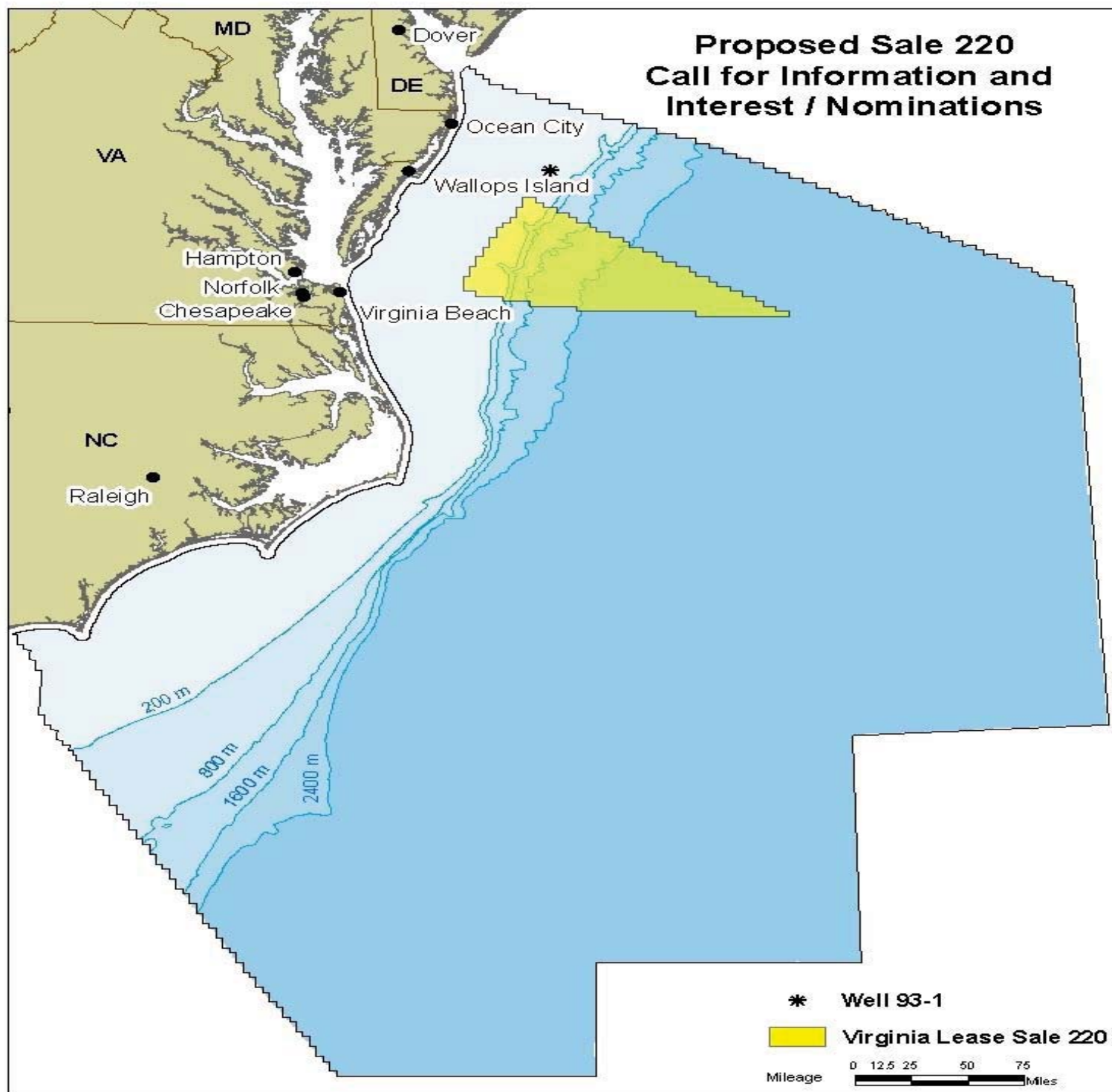
- July 14, 2008 - the President announced a modification of the Presidential Withdrawal.
- October 1, 2008 - the Congress let expire the previous Department of the Interior Appropriations measures that had imposed an Atlantic drilling ban that lasted over 25 years.
- Currently, MMS is not prohibited from OCS oil and gas activities related to leasing and pre-leasing activities in these areas that are permitted under the OCSLA, NEPA, and other laws addressing OCS matters.
- MMS may only lease in areas that are in the current 5-year plan. An area not in the approved 5-year plan can not be added later to that plan.
- The only area that is now available in the 5-year plan that was previously unavailable because of the Withdrawal and Moratoria is the Sale 220 area off the coast of Virginia.

New OCS 5 – Year Program (2010 -2015)

- August 2008 – New Request For Information (RFI) on starting new leasing program for 2010-2015 published.
- September 2008 – Comment period closed on RFI. Over 150,000 comments received.
- January 2009 – Issued the 5-Year Oil & Gas OCS Draft Proposed Program (DPP) with a 60-day public comment period. Proposes new leasing in the North, Mid, and South Atlantic Planning Areas.
- February 2009 – In order to become familiar and study the issues in the proposed leasing program, the new Secretary of the Interior announced a 180-day extension of the public comment period for the Draft Proposed Program until September 21, 2009.
- April 2009 – Secretary of the Interior launches new public hearings on new 5-Year Program and comprehensive energy policy.

Call/NOI for Lease Sale 220 Offshore Virginia:

- Lease sale scheduled for 2011 under current leasing program 2007-2012.
- Call/NOI published November 13, 2008.
- Comment period extended and closed on January 13, 2009.
- 1st step in information gathering and public participation. Numerous opportunities for public comment and dialogue with states and constituents over the next few years.
- Area included in leasing program 2007-2012 at the request of the Commonwealth of Virginia to know more about the resources off the coast.
- Program area:
 - In the Mid-Atlantic Planning area (about 2.9 million acres)
 - Includes 50-mile coastal buffer and no obstruction zone off the Chesapeake Bay
 - Resource estimates of 130 million Bbls oil and 1.14 Tcf gas
 - Net Economic Value of about \$850 million to over \$4 billion



History and Resources of the Atlantic OCS

- 10 oil and gas lease sales were held in the Atlantic OCS between 1976 and 1983.
- 32 exploratory wells were drilled in the mid-Atlantic. (51 wells drilled in the entire Atlantic). No wells were drilled in the sale 220 program area.
- 1 discovery in the Atlantic – Hudson Canyon Area 598. (Not located in Mid-Atlantic planning but rather in the North Atlantic planning area offshore NJ/NY).
- Manteo Exploration Unit
 - Offshore North Carolina
 - 21 leases included in the Manteo Exploration Unit; approved 1990.
 - State of NC denied Consistency and leases relinquished.
 - After several appeals, in 2000 the Supreme Court awarded \$156 million in damages to companies for breach of contract.
 - No active leases exist off the Atlantic seaboard.
- Based on the 2006 National Assessment, we estimate the mean Undiscovered Technically Recoverable Resources contained in the Sale 220 program area to be 130 million barrels of oil and 1.14 trillion cubic feet of gas. (Seismic data over 25 years old).

VA State Energy Policy:

- VA expressed interest in knowing more about the resources off their coast in their response to the RFI for the current 2007-2012 program. In 2006, VA Governor codified the state's policy *"...to support federal efforts to determine the extent of natural gas resources 50 miles or more off of the Atlantic shoreline,..."*
- Specifically, VA requested:
 - The entire Atlantic coast be included
 - Natural gas only
 - Exploration only
 - 50-mile minimum setback

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

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

Environmental Stipulations

- Lease may contain detailed requirements designed to eliminate, alleviate, or mitigate adverse environmental effects.
- Environmental studies workshop held in Williamsburg, Virginia, December 2008 on assessing environmental and technical needs.

Atlantic Issues

- DoD Coordination/ Wallops Flight Facility (NASA operated)
 - Military stipulations, deferrals, or joint coordination may be used for competing uses. DOI/DoD Memo of Agreement in effect.
 - NASA has asked to be cooperating agency.

- Revenue Sharing Authority
 - Unlike CIAP and GOMESA, no revenue sharing for Virginia and other Atlantic states in current statute.
 - 8(g) revenue sharing of 27% with states of federal revenues could be available in the 3-6 miles off the coast.