

PUBLIC POLICY TRENDS & DEVELOPMENTS FOR OFFSHORE OIL & GAS EXPLORATION

Interstate Oil and Gas Compact Commission, Midyear Issues Summit

May 23-25, 2010, Lexington, Kentucky



ENERGYNORTHAMERICA, LLC



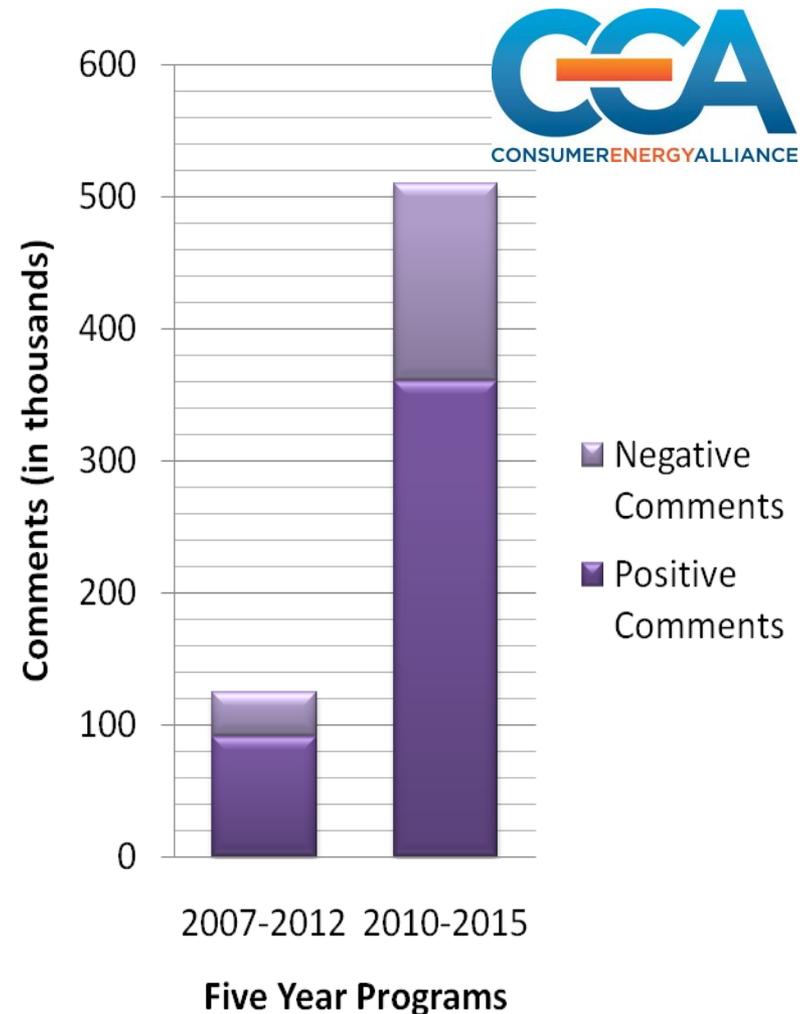
www.energy-northamerica.com

- Federal Offshore Program 2010 -2015 & 2012 – 2017
- Response to Oil Spill: Regulatory and Legislative
 - Moratorium on Drilling
- National Ocean Policy
- Climate Change/Ocean Acidification



www.energy-northamerica.com

- Trend for opening new areas
 - Public support at new highs and Congress allowed moratorium to expire
- Robust external outreach campaign garnered more than 350,000 comments in support of offshore energy
- Industry & coalition efforts accounted for more than 71% of the 500,000+ comments received by MMS
- Strong efforts by CEA were responsible for such a significant positive response – almost four times the response from the 2007-2012 comment period





www.energy-northamerica.com

- **DEVELOP:** We are opening new areas for offshore oil and gas development as part of a comprehensive energy plan for the country.
- **EXPLORE:** We are expanding offshore oil and gas exploration and scientific analysis to gather the information we need to develop resources in the right places and the right ways.
- **PROTECT:** We are protecting special places that are simply not appropriate for oil and gas drilling.

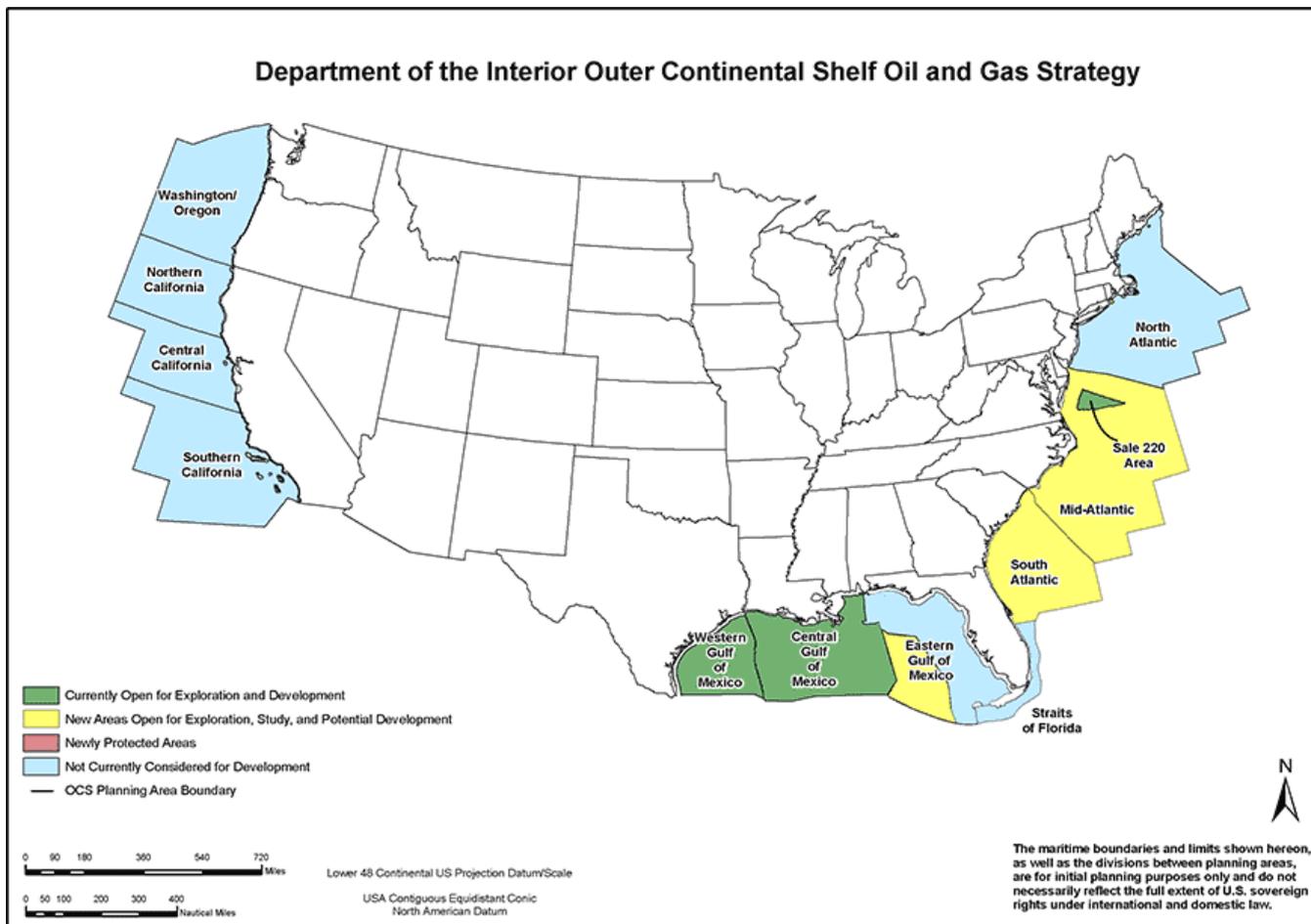


www.energy-northamerica.com

- WGOM, CGOM, and EGOM Beyond 125 miles of Florida
 - Recently Clarified to apply to islands like the Florida Keys
- Mid-Atlantic/South Atlantic (Will be studies : May not offer leases)
- Beaufort, Chukchi (Will be studies: May not offer more leases or development)
- North Atlantic Off-Limits (40 percent of Atlantic Resource Base)
- North Aleutian Basin (Bristol Bay) Off-Limits (Proven discoveries)
- Pacific Coast Off-Limits (proven – larger than EGOM)
- Blue Areas Listed as “Low Resource Potential” – but we no idea what resources exist there
- Bottom Line: Areas Taken off the Table have more oil and gas potential than what they say was added



www.energy-northamerica.com

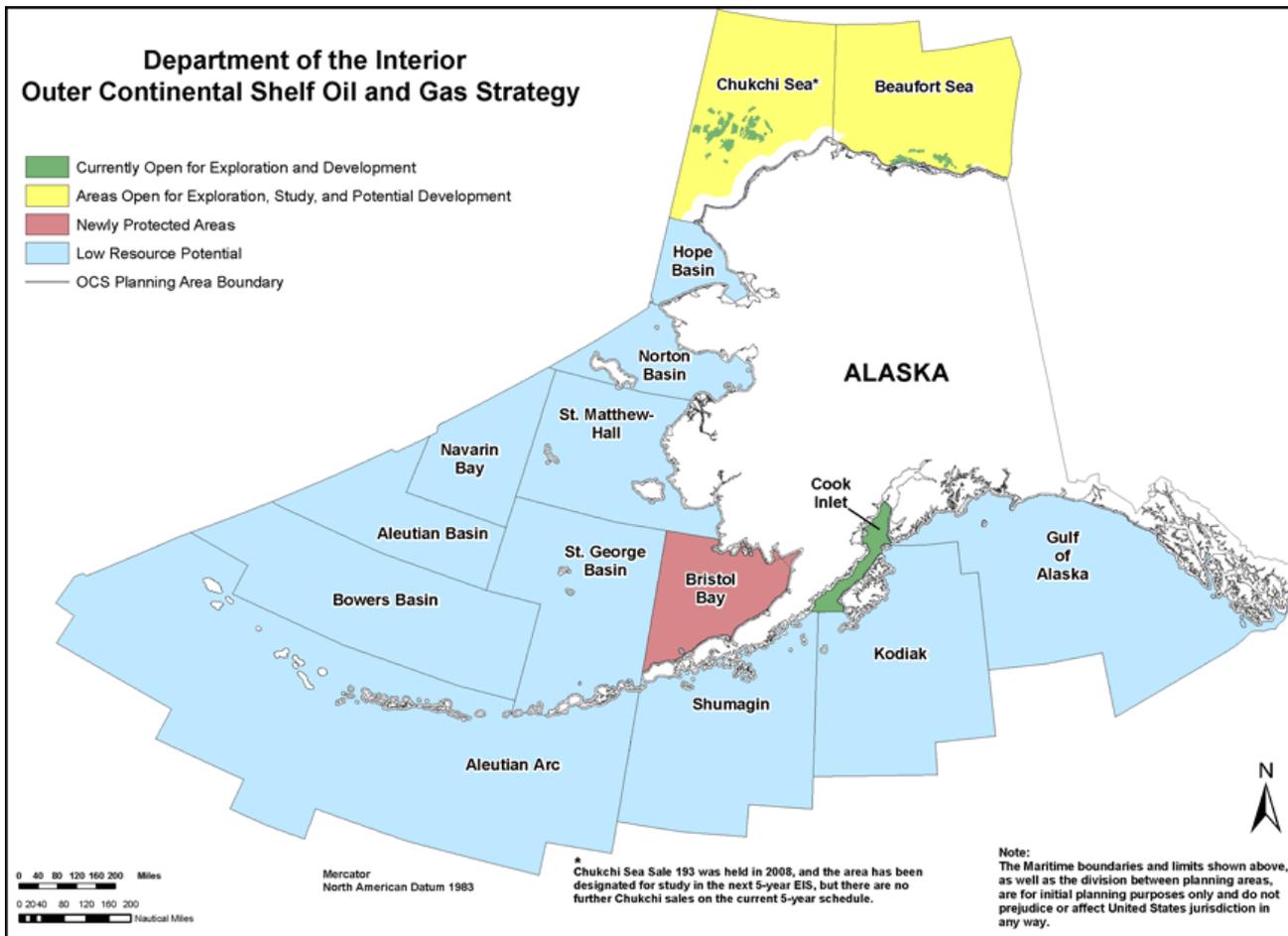




www.energy-northamerica.com

Department of the Interior Outer Continental Shelf Oil and Gas Strategy

- Currently Open for Exploration and Development
- Areas Open for Exploration, Study, and Potential Development
- Newly Protected Areas
- Low Resource Potential
- OCS Planning Area Boundary



CHRONOLOGY OF OCS 5-YEAR PLAN EVENTS



www.energy-northamerica.com

- March 31, 2010: 2007-2012 Preliminary Revised Program (PRP) & 2012-2017 Scoping Notice for Draft EIS released
- May 3, 2010: 2007-2012 PRP comments due; final leasing program to be announced sometime thereafter
- June 30, 2010: 2012-2017 EIS comments due
- June –July, 2010: Public meetings held on scope of EIS
- Spring 2011: 2012-2017 Proposed Program Schedule and Draft EIS expected
- Early 2012: 2012-2017 Proposed Final Program and Final EIS expected, followed by final decision no sooner than 60 days later
- July 1, 2012: 2012-2017 Program takes effect



www.energy-northamerica.com

GULF OF MEXICO SPILL RESPONSE

WHAT IS BEING DONE

- DHS-DOI investigation launched
- Sec. Salazar directed to complete report by May 28 on additional safety measures for offshore operations
- Moratorium: APDs for any new offshore drilling activity not to be considered until safety review completed
- DOI established OCS Safety Oversight Board
- MMS completed inspections of all 30 deepwater drilling rigs. No significant issues
- CEQ/DOI announce review of NEPA procedures for MMS.

- National Academy of Engineering analysis and technical investigation
- Executive Order established the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling
- Sec. Salazar issued order restructuring MMS into three separate entities
- BP will invest up to \$500 million to research program on incident



GULF OF MEXICO SPILL RESPONSE

WHAT COULD BE DONE

www.energy-northamerica.com

- Increase in liability cap from current limit set forth in the Oil Pollution Act of 1990 (e.g. from \$75M to \$10B)

- Extend statutory time currently allowed for DOI to act on exploration plans (e.g. from 30 days for existing leases, as set forth in OCS Lands Act, to 90 days, and when necessary even further for the completion of environmental/safety reviews. Potential breach of contract. Mobil v. US.

- Increase in excise tax that oil companies pay to finance Oil Spill Liability Trust Fund (e.g. from 8 cents/barrel to 9 cents/barrel starting this year, and rising to 10 cents/barrel starting in 2017). Tax extender language could raise to 32 cents

- Raise statutory expenditure limitation from Oil Spill Liability Trust Fund (e.g. from \$1B to \$1.5B) and increase the cap on natural resource damage assessments and claims (e.g. from \$500M to \$750M)

- Additional DOI inspections and enforcement studies and activities

- Adoption of a new national ocean policy that further restricts and regulates offshore energy development. (To be discussed later)



www.energy-northamerica.com

- Co-chaired by former Florida Governor and Senator Bob Graham & former EPA Administrator William Reilly
- Charged with examining relevant facts/circumstances concerning causes of... Deepwater Horizon spill, developing options for preventing and mitigating the impact of future oil spills resulting from offshore drilling, including options involving:
 - “(1) improvements to federal laws, regulations, and industry practices...that would ensure effective oversight, monitoring, and response capabilities; protect health and safety, occupational health and safety, and the environment and natural resources; and address affected communities; and
 - (2) organizational or other reforms of federal agencies or processes necessary to ensure such improvements are implemented and maintained”
- Made up of 7 members; sitting government employees & elected officials not eligible to serve; Commission’s work subject to Federal Advisory Committee Act
- Final report to be issued within 6 months of Commission’s first meeting; Commission terminates 60 days after submission of final report



www.energy-northamerica.com

- **May 19, 2010: Sec. Salazar issued Secretarial Order restructuring the Minerals Management Service into 3 separate entities with independent missions:**
 - Bureau of Ocean Energy Management—“responsible for the sustainable development of the Outer Continental Shelf’s conventional and renewable energy resources, including resource evaluation, planning, and other activities related to leasing”
 - Bureau of Safety and Environmental Enforcement—“responsible for ensuring comprehensive oversight, safety, and environmental protection in all offshore energy activities”. Both report to Asst. Secy for Land & Minerals Management
 - Office of Natural Resource Revenue—“responsible for the royalty and revenue management function including the collection and distribution of revenue, auditing and compliance, and asset management”. Reports to Asst. Secy. For Policy, Management & Budget
- **Implementation schedule to be developed within 30 days of Order**

QUESTIONS?



www.energy-northamerica.com



Jack Belcher

Partner, Energy North America

832-248-2914

jack.belcher@energy-northamerica.com