

Alaska Oil and Gas Association



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Kate Williams, Regulatory Affairs Representative

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Regional Director, Alaska OCS Region
Bureau of Ocean Energy Management, Regulation and Enforcement
3801 Centerpoint Drive, Suite 500
Anchorage, AK 99503-5820

Attn: Chukchi Sea Draft SEIS

Dear Regional Director:

The Alaska Oil and Gas Association (“AOGA”) appreciates this opportunity to submit comments on the Draft Supplemental Environmental Impact Statement (“SEIS”) for Chukchi Sea Lease Sale 193. AOGA is a private, nonprofit trade association whose member companies account for the majority of oil and gas exploration, development, production, transportation, refining and marketing activities in Alaska.

AOGA endorses the comments on the SEIS for Lease Sale 193 being submitted by the American Petroleum Institute (“API”) and the National Ocean Industries Association (“NOIA”) and encourages the Bureau of Ocean Energy Management, Regulation and Enforcement (“BOEM”) to consider and incorporate the suggestions contained therein. AOGA offers the following additional comments on the SEIS.

The purpose of the SEIS is for the BOEM to provide new National Environmental Policy Act (“NEPA”) analysis as directed by the U.S. District Court for Alaska in a July 2010 order. This order instructed BOEM to address three specific concerns: (1) the environmental impact of natural gas development; (2) whether missing information identified in the original EIS was essential or relevant under the federal regulations; and (3) whether the cost of obtaining the missing information was exorbitant, or the means of obtaining it unknown. The SEIS addresses those concerns, concludes that the missing information was not essential and recommends that Lease Sale 193 be affirmed as held. AOGA believes the Secretary should accept the conclusions of the SEIS and expeditiously affirm the sale so exploration and development in the Chukchi Sea Outer Continental Shelf (“OCS”) is not delayed any longer.

The SEIS considers the most viable natural gas development and production scenario for Chukchi leases – including use and potential expansion of existing (due to oil development and production) infrastructure and an overland gas pipeline transportation system – in the context of the alternatives analyzed (and evaluated to the satisfaction of the Court) in the Final EIS for Lease Sale 193. On this point, the SEIS correctly assumes that first commercial gas production would only follow the oil exploration, development and production activities already analyzed in the Final EIS. Furthermore, for each resource category – including water quality, air quality, fish, essential fish habitat, whales, polar bears, other marine mammals, terrestrial mammals, vegetation and habitat, subsistence harvest patterns and sociocultural systems – the SEIS determines that natural gas development and production would have no significant adverse impacts. For resource categories such as marine and coastal birds and archaeological resources, potential impacts would be avoidable or reduced through avoidance and mitigation and compliance with existing construction protocols and law.

Also important is the fact that what is at issue is a lease sale. The OCS Lands Act establishes a four-stage process for planning, leasing, exploration and production of oil and gas resources in Federal waters. Under this process, an OCS lease authorizes a lessee to engage only in “ancillary activities” that do not harm the environment pending further review and approvals. BOEM approval is required prior to any exploration, development or production activities within a lease block. Lessees seeking to engage in such actions must submit for BOEM review an exploration or development and production plan, as appropriate. BOEM is then required under NEPA to prepare an Environmental Assessment (“EA”) and/or an EIS. Proposed plans are evaluated for compliance with applicable regulations, lease stipulations and other requirements, including the adequacy of the related oil-spill response plan. Prior to conducting any drilling operations, the lessee is also required to submit and obtain approval for an Application for Permit to Drill (“APD”).

AOGA agrees with BOEM’s conclusion that new information regarding the Deepwater Horizon incident is not relevant to the analysis of natural gas development and production in the Chukchi Sea OCS, and that analysis of such an oil spill is not within the scope of the District Court’s order. Since the natural gas development and production scenario assumes that natural gas development would take place after oil development is substantially complete, the risk of an oil spill occurring is unlikely. In addition, even if the Court’s order required reconsideration of potential impacts related to production of oil, the information available on the Deepwater Horizon spill would not require any analysis in the SEIS because of the differences between the Gulf of Mexico and the Chukchi Sea cited in the SEIS, including the fact that the Chukchi Sea Planning Area is predominantly shallow water.

Sale 193 is the most successful oil and gas lease sale in Alaska's history (and at the time, in U.S. history). BOEM received approximately \$2.7 billion in high bids and issued 487 leases. The time required to get from lease sale to first production is estimated to be 20 years, yet to date, not even one exploratory well associated with Sale 193 has been drilled.

Development of Alaska's OCS is vital not only to Alaska's economy, but the nation's energy independence. In the past, Alaska's oil resources accounted for 20 percent of the nation's domestic production (1980-2000). Today, that number has declined to 9 percent. According to conservative Department of Interior ("DOI") estimates, Alaska's OCS holds 25 billion barrels of oil and 122 trillion cubic feet of natural gas – one-third of the nation's technically recoverable OCS reserves. By comparison, the U.S. has 22 billion barrels of proved oil reserves, annual U.S. production of oil is 1.6 billion barrels and total production to date from the North Slope is about 16 billion barrels of oil.

With global demand for oil and natural gas expected to increase 50 percent by 2030, it is critical that energy companies have access to domestic hydrocarbons. Today, about 65 percent of the nation's oil supply and nearly 20 percent of its natural gas supply is imported. The current trend threatens to undermine our economy and national security. Clearly, Alaska's OCS has the potential to make a significant contribution to the domestic supply of oil and gas and help eliminate this threat.

Access to Alaska's OCS resources is critical to the continued operation of the Trans-Alaska Pipeline System ("TAPS"), which is currently operating at about one-third of its capacity, and could be uneconomic to operate after 2020 without additional throughput. Access is also a key component to the economic feasibility of the proposed natural gas pipeline from the North Slope to the Lower 48. Additionally, OCS oil and gas development would benefit Alaska's economy by providing thousands of high-paying jobs over a long-term period. A study by the University of Alaska's Institute of Social and Economic Research ("ISER") and Northern Economics found that new offshore energy production in Alaska would create an annual average of 35,000 new jobs in the state, with a total payroll of approximately \$72 billion over the 50-year life of the projects. New offshore development in Alaska would also generate thousands of new high-paying jobs throughout the country across a wide-variety of industries. Further, these numbers do not even take into account the royalties and tax revenues directly tied to offshore oil and gas development and production that would flow to the federal government and state and local economies in Alaska.

Exploring for oil and gas offshore in Alaska is not a new concept. A total of 30 wells have been drilled in the Beaufort Sea and five wells drilled in the Chukchi Sea. These wells were drilled over 20 years ago using older technology. Today's technology has resulted in reduced

environmental impacts and footprints for infrastructure for oil and gas development projects. Advancements in 3-D and 4-D seismic technology allow industry to focus their “targets,” reducing impacts even more. Moreover, there has never been an oil spill caused by a blowout from offshore exploration and production drilling in state and federal waters off Alaska or the Canadian Arctic.

Finally, Alaska’s North Slope and OCS are now perhaps the most studied energy basins in the U.S. In the past decade alone, over 250 scientific studies have been funded in the Arctic, with the majority focused the Beaufort and Chukchi Seas. All told, at least \$500 million has been spent on more than 5,000 independent studies since 1973.

AOGA strongly urges the Secretary to affirm Chukchi Sea Lease Sale 193, as recommended by the SEIS. The leases issued under Sale 193 were sold only after an exhaustive environmental analysis, and the specific concerns the District Court raised about the Final EIS for the sale are adequately addressed by the SEIS. Failure to affirm Lease Sale 193 would allow the moratorium on exploration and development of Alaska’s OCS to continue, harming Alaska’s economy and the nation’s energy security, without a corresponding benefit to the environment.

If you have any questions on these comments, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Kate Williams". The signature is written in a cursive, flowing style.

KATE WILLIAMS
Regulatory Affairs Representative