

Alaska Oil and Gas Association



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Kate Williams, Regulatory Affairs Representative

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Mr. Michael Bromwich
Director
Bureau of Ocean Energy Management, Regulation and Enforcement
1849 C St., N.W.
Washington, DC 20240

Dr. James Kendall
Director, Alaska OCS Region
Bureau of Ocean Energy Management, Regulation and Enforcement
3801 Centerpoint Drive, Suite 500
Anchorage, AK 99503

**Re: Shell Offshore Inc.'s 2012 Revised Outer Continental Shelf Lease
Exploration Plan Camden Bay, Alaska and related Oil Discharge Prevention
and Contingency Plan**

Dear Director Bromwich and Regional Director Kendall:

The Alaska Oil and Gas Association (“AOGA”) appreciates this opportunity to provide comments on Shell Offshore Inc.’s 2012 Revised Outer Continental Shelf (“OCS”) Lease Exploration Plan (“EP”), Camden Bay, Alaska and related Oil Discharge Prevention and Contingency Plan (“ODPCP”). AOGA is a non-profit trade association whose member companies account for the majority of oil and gas exploration, development, production, transportation, refining, and marketing activities in Alaska.

AOGA strongly urges the Bureau of Ocean Energy Management, Regulation, and Enforcement (“BOEMRE”) to expeditiously review and approve Shell’s revised Camden Bay EP. Shell submitted its initial EP in May 2009, which BOEMRE approved following an Environmental Assessment and Finding of No Significant Impact. This approval was then upheld through rigorous judicial review and the Ninth Circuit Court of Appeals. Up until May 2010, Shell and BOEMRE had been actively engaged in discussing the final details of Shell’s Applications for Permits to Drill for the 2010 exploration season. Those plans were shelved at BOEMRE’s

direction following the Deepwater Horizon incident. In October 2010, Shell submitted an update to the EP in anticipation of proceeding with exploration drilling activities during summer 2011. However, Shell was forced to postpone plans once again due to continued permitting delays. Shell submitted the current version of its EP on May 4, 2011. This plan has been thoroughly reviewed by BOEMRE, the courts, and through the public process. Exhaustive environmental review has been completed. Given this vetting, and for the reasons described in more detail below, AOGA firmly believes BOEMRE should approve Shell's Camden Bay EP and in a timeframe that will allow for an exploration drilling program in 2012.

Under the revised Camden Bay EP, Shell plans to drill four exploratory wells on three lease blocks in the Camden Bay area of the Beaufort Sea beginning in summer 2012. Two of the four wells were included in Shell's initial EP. The plan revision includes two additional wells – one each at the exact same prospects, addresses Shell's agreement with local communities to collect select waste streams that under the initial EP would have been discharged pursuant to the current National Pollutant Discharge Elimination System general discharge permit, and notes the possibility that Shell might use the *Kulluk* instead of the *Discoverer* to drill the exploration wells. The impacts associated with the revised EP are thus similar and in some respects substantially less than (i.e. zero discharge for certain waste streams) the initial plan BOEMRE already approved.

One of Shell's top priorities in any drilling project, including its planned exploration wells in Camden Bay, is oil spill prevention. Shell's ODPCP associated with the Camden Bay EP is specifically designed to aid Shell in its efforts to prevent oil spills, and in the highly unlikely event of a spill, is also designed to mitigate the impacts of a spill on the environment. Shell submitted the current version of its ODPCP in May 2011. This plan has also been subject to extensive public comment and was reviewed and approved by BOEMRE. Importantly, it meets and even exceeds all applicable federal and state regulatory standards. Like the Camden Bay EP, given the thorough review Shell's ODPCP has already received over the last four years, AOGA strongly believes the ODPCP should also be approved. The revisions serve to strengthen the plan, including a description of the *Kulluk* or the *Discoverer* as the drilling vessel and updates the Worst Case Discharge ("WCD") information based on Notice to Lessees ("NTL") No. 2010-N06 and the oil spill response based on the new WCD.

Shell's oil spill response capability covers a potential blowout of a flow rate of 16,000 bbl/day for a duration of 30 days – a total volume of 480,000 bbl of oil. This is more than sufficient to cover a potential blowout of any well in the revised Camden Bay EP; the highest calculated Worst Case Discharge ("WCD") for the Camden Bay EP potential wells is approximately 9,000 bbl/day.

Shell has taken significant precautions to minimize the potential for a loss of well control, including an extra set of redundant shear rams, testing every 7 days instead of every 14 days, and remotely operated vehicle/diver options on and near site. In the highly unlikely event that well control is lost, Shell will immediately mobilize its oil spill response capabilities, including a subsea capping and containment system. If a relief well proves necessary, the *Kulluk* or *Discoverer* would serve as its own primary relief well drilling vessel, but if that vessel cannot be used, a secondary relief well drilling vessel would be mobilized. In addition, Shell will have pre-staged boats, booms, skimmers, helicopters, barges, and other assets ready to begin oil recovery within one hour. Shell's exploration activities will occur during open water conditions, from mid-July through October. However, because of the possibility of ice incursions during the open water period, Shell has also included oil spill response strategies and tactics in the ODPCP designed to cover ice conditions.

Unlike conditions in the Gulf of Mexico, wells in the Arctic are "simple" wells from a well control standpoint. These wells are shallow in shallow water (less than 150 feet) and in relatively uniform and strong rock with normal pressure conditions. In contrast, the well associated with the Deepwater Horizon oil spill was drilled in over 5,000 feet of water with down hole well pressures in excess of 15,000 psi. Shell's planned wells in the Beaufort are generally in less than 150 feet of water with down hole well pressures a quarter of the psi of the Macondo well.

Should BOEMRE approve Shell's EP for Camden Bay for 2012, which AOGA strongly urges BOEMRE to do, Shell must also obtain at least ten other federal permits and authorizations in order to proceed with an exploratory drilling program. This is not a project that is occurring without adequate oversight and necessary approvals.

In addition, on top of meeting all regulatory requirements, Shell has included several other mitigation measures in the EP that will decrease the potential for conflicts between exploratory drilling activities and subsistence harvests. For example, Shell has developed and will implement a communication plan before drilling operations begin to coordinate activities with subsistence users and Village Whaling Captains' Associations. Further, Shell will suspend all operations beginning August 25 for the Nuiqsut and Kaktovik subsistence bowhead whale hunts. Shell also will impose altitude restrictions on air travel and speed limits on vessel travel to minimize collisions and disturbances. These are just a few of the mitigation measures Shell has voluntarily placed on its operations to reduce potential conflicts.

The importance of oil and gas development on Alaska's OCS cannot be overstated. This largely untapped area holds an estimated 27 billion barrels of oil and 132 trillion cubic feet of natural gas. By comparison, total production from the North Slope is about 16 billion barrels of oil.

Development of these resources is necessary for the continued operation of the Trans-Alaska Pipeline System ("TAPS"), which delivers 11% of domestic oil production to refineries on the West Coast and has been identified as critical infrastructure for national security. TAPS is currently operating at one-third capacity, or approximately 600,000 barrels of oil per day compared to 2 million barrels of per day in 1988, and will face operational challenges without additional supply.

Furthermore, according to a recent study by Northern Economics and the University of Alaska, an annual average of 54,000 new jobs in Alaska and the rest of the U.S. would be created and sustained by OCS-related development for 50 years. This translates into \$63 billion in payroll to employees in Alaska and \$82 billion to employees in the Lower 48. Federal, state, and local governments would realize \$193 billion in revenues. Clearly, development of Alaska's OCS resources is vital to the nation's energy security and would help turn the tide against the economic recession we are now facing.

Shell has a long history of safe, responsible, and environmentally sound operations worldwide, and in Alaska specifically. Over 150 wells have been drilled offshore in Arctic waters of the U.S. and Canada, including more than 50 wells in the U.S. Beaufort and Chukchi Seas off Alaska's coast. Shell has drilled 33 wells in Alaska, 32 of which were offshore. During these operations, there has never been an oil spill caused by a well blowout in state or federal waters of the Alaskan or Canadian Arctic. Shell's Camden Bay EP and associated ODPCP have both been approved previously after thorough review by the public, BOEMRE, and the courts. The current plans include revisions based on changes in regulation and communications with local communities which strengthen relations and environmental protection. AOGA urges BOEMRE to approve Shell's Camden Bay EP so yet another exploratory drilling season is not lost.

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

Sincerely,



KATE WILLIAMS
Regulatory Affairs Representative