

## Alaska Oil and Gas Association

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December 3, 2013

Michael S. Rolland  
Bureau of Ocean Energy Management  
Alaska OCS Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

**Re: Comments on the Call for Information and Nominations, Proposed Oil and Gas Lease Sale 237, Alaska OCS Region, Chukchi Sea Planning Area**

Dear Mr. Rolland,

The Alaska Oil and Gas Association (“AOGA”) appreciates the opportunity to provide comments on the Bureau of Ocean Energy Management (“BOEM”) Call for Information and Nominations (“Call”) for the proposed Oil and Gas Lease Sale 237, Alaska OCS Region, Chukchi Sea Planning Area. AOGA is a nonprofit business trade association whose mission is to foster the long-term viability of the oil and gas industry for the benefit of all Alaskans. AOGA’s membership includes 15 companies representing the industry in Alaska, which have state and federal interests, both onshore and offshore. Our members are in the process of preparing to explore for oil and gas resources in the OCS. As detailed below, AOGA supports the BOEM holding all previously scheduled lease sales and offering all available acreage in those lease sales.

In 2008, the United States Geological Survey (“USGS”) released the first ever wide ranging assessment of Arctic oil and gas resources. In part, that assessment contained the USGS estimate regarding the undiscovered and technically recoverable conventional oil and natural gas. The USGS assessment concluded that approximately 90 billion barrels of oil, 1,669 trillion cubic feet of gas, and 44 billion barrels of natural gas liquid could be discoverable in the Arctic. Furthermore, that assessment estimated that the Arctic region could contain approximately 13% of the world’s undiscovered oil reserves as well as 30% of the world’s undiscovered natural gas reserves. More specifically, it is estimated that the Chukchi Sea could hold up to 12 billion barrels of oil and 54 trillion cubic feet of natural gas. These figures illustrate the paramount importance of the Chukchi Sea leasing process to establishing access to nationally and internationally significant hydrocarbon regions. However, in order to promote exploration and

development, it is crucial that the BOEM employ a manner of leasing that results in the predictability and certainty necessary for AOGA members to engage in effective long-term strategies in the Chukchi Sea.

AOGA does not believe that there is any justification for the BOEM moving from area wide leasing to targeted leasing in the Arctic. Traditionally, targeted leasing has been a methodology BOEM has employed in low interest areas. In contrast, the U.S. Arctic is not an area lacking in interest. The most recent lease sale in the Chukchi Sea resulted in a record 2.6 billion dollars in revenue for the federal government. In addition to that revenue, the Chukchi Sea offers more resources than any other undeveloped U.S. energy basin, and development of this area will greatly enhance U.S. energy security by sustaining the Trans-Alaska Pipeline System and generating significant economic benefits for Alaska and the nation. For example, development of oil and gas resources in the Chukchi Sea could result in creating almost 25,000 new jobs in the United States.

The BOEM's decision to move to targeted leasing represents yet another encumbrance to developing the oil and gas resources in the Chukchi Sea in an efficient and prudent manner. While previous Arctic lease sales have resulted in billions of dollars of revenue for the federal government, federal regulatory obstacles have precluded AOGA members from drilling even one well to hydrocarbon depth. Furthermore, four Chukchi and Beaufort Sea lease sales that were included in the 2007-2012 program were cancelled before any progress could be made. The federal government must honor its commitments and provide a clear and consistent regulatory framework. Federal regulations should be based on relevant and sound scientific research in order to attract the investment necessary for a successful lease sale and, ultimately, to recognize the benefits associated with Chukchi Sea oil and gas development.

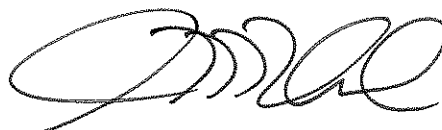
The BOEM is requesting that a nominating party must justify its nomination based "on relevant geological, geophysical and economic information." In doing so, BOEM is essentially asking for information traditionally contained in an Environmental Impact Statement ("EIS") without first identifying which portions of the Chukchi Sea Planning Areas will ultimately be offered for lease. In other words, the Call is asking industry to endure the temporal and economic burden of compiling data without any guarantee that those efforts will correspond to an opportunity to engage in leasing. Given that the BOEM has access to the majority of the geological and geophysical data that exists relating to the Chukchi Sea, AOGA believes that it would be more efficient for all parties for the BOEM to conduct the nomination process with the data it currently possesses. By following that traditional and proven process, it will prevent interested parties from engaging in thorough analysis on areas in the Chukchi Sea that may subsequently be excluded from the Chukchi Lease Sale 237.

When establishing provisions for leases offshore Alaska, the Department of Interior ("DOI") must account for the factors that make Arctic development different from development in the Gulf of Mexico or offshore California. Federal regulators have instituted multiple limitations on Arctic exploration, including seasonal drilling limitations and subsistence closures, which they have not applied to constrain exploration in other OCS regions.

Sensitivities to subsistence impacts have also precipitated lease stipulations and mitigation measures that limit the time available for operators to prosecute their leaseholds. Lease Stipulation Number 5, applicable to leases sold during Chukchi Lease Sale 193 and Beaufort Lease Sale 202, provides that “[l]ease-related use will be restricted when the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.” This stipulation, in concert with restrictions applied by the U.S. Fish & Wildlife Service and the National Marine Fisheries Service pursuant to the Marine Mammal Protection Act, further constrains the ability of operators to prosecute their leases during the already-limited open-water season. The DOI should develop provisions applicable to Arctic leases that properly account for the unique regulatory restrictions imposed on Arctic operators.

AOGA appreciates that additional access for offshore energy development is critical, and efforts to move forward by commencing the pre-lease process for the proposed Chukchi lease sale are promising. Given the unique environment of the Arctic, the DOI must work collaboratively with industry to ensure a sound and efficient regulatory regime that takes into account the best practices and best technologies necessary for a particular project, as opposed to prescribing inflexible standards across a diverse region. Proposed Lease Sale 237 represents a tremendous opportunity for the nation to take a significant step toward securing a brighter energy and economic future, but the manner in which the DOI conducts its pre-lease and regulatory processes will ultimately determine whether that opportunity can be fully realized.

Sincerely,

A handwritten signature in black ink, appearing to read 'JMA', with a large, stylized flourish at the end.

Joshua M. Kindred  
Regulatory & Legal Affairs Manager