Billing Code: MR-4310

DEPARTMENT OF THE INTERIOR

Minerals Management Service (MMS)

Request for Comments on the Preparation of a 5-Year Outer Continental Shelf (OCS) Oil and Gas Leasing Program

AGENCY: Minerals Management Service (MMS), Interior

ACTION: Request for Comments

SUMMARY: Section 18 of the OCS Lands Act (43 U.S.C. 1344) requires the Department of the Interior to solicit information from interested and affected parties during the preparation of a 5-year OCS oil and gas leasing program. The current 5-year program covers the period July 2007 to June 30, 2012. The Department's MMS is soliciting information on whether to begin a new Program for mid-2010 to mid-2015 (approximate dates) to succeed the current one.

Section 18 requires completion of a multi-step process of public consultation and analysis before the Secretary of the Interior may approve a new 5-year program. The section 18 process includes the following required steps: this initial solicitation of comments; development of a draft proposed program, a proposed program, a proposed final program; and Secretarial approval. If the decision is made to prepare a new 5-Year Program, the MMS will also prepare appropriate NEPA analysis documents. The public will have opportunities to comment on the draft proposed program, the draft EIS or other NEPA documents, and the proposed program. This Notice in particular requests comments on areas that are restricted from leasing by Congressional Moratoria but were removed from Presidential Withdrawal on July 14, 2008.

DATES: The MMS must receive all comments and information by September 15, 2008.

Public Comment Procedure

The MMS will accept comments in one of two formats: by mail or our Internet commenting system. Please submit your comments using only one of these formats, and include full names and addresses. Comments submitted by other means may not be considered. We will not consider anonymous comments, and we will make available for inspection in their entirety all comments submitted by organizations and businesses, or by individuals identifying themselves as representatives of organizations and businesses.

Our practice is to make comments, including the names and home addresses of respondents, available for public review. An individual commenter may ask that we withhold from the public record, his or her name, home address, or both, and we will honor such a request to the extent allowable by law. If you submit comments and desire that we withhold such information, you must so state prominently at the beginning of your submission.

ADDRESSES: Mail comments and information on the program to: Ms. Renee Orr, 5-Year Program Manager, Minerals Management Service (MS-4010), 381 Elden Street, Herndon, Virginia 20170. Environmental comments and information relevant to oil and gas development on the OCS should be sent to: Mr. James F. Bennett, Chief, Branch of Environmental Assessment, Minerals Management Service (MS-4042), 381 Elden Street, Herndon, Virginia 20170. If you submit any privileged or proprietary information to be treated as confidential, please mark the envelope, "Contains Confidential Information."

INTERNET: The MMS will accept comments submitted to our electronic public comment system. (Public Connect). This system can be accessed at http://www.mms.gov. We also will provide access to information concerning the 5-year program at the MMS Internet website (*www.mms.gov*) and copies or summaries of comments we receive in response to this notice will be available in the MMS Public Connect database.

FOR FURTHER INFORMATION CONTACT: Ms. Renee Orr, 5-Year Program Manager, at (703) 787-1215.

SUPPLEMENTARY INFORMATION: The MMS requests comments from states; local and tribal governments; American Indian and Native Alaskan organizations; Federal agencies; environmental and fish and wildlife organizations; the oil and gas industry; other interested organizations; and other parties on whether to begin the preparation of a new 5-Year Program. MMS is seeking a wide range of information, including marine productivity, environmental sensitivity and resource assessment. The 5-year program enables the Federal Government, states, industry, and other interested parties to plan for steps proposed to lead to OCS oil and gas lease sales. The Department will make a decision on whether to proceed with a specific lease sale on the schedule, only after meeting all of the applicable requirements of the OCS Lands Act, the National Environmental Policy Act (NEPA), and other statutes.

The OCS is a significant source of oil and gas for the Nation's energy supply. On a per day basis, the OCS currently produces about 1.35 million barrels of oil and almost 8 billion cubic feet of natural gas. This represents approximately 27 percent of domestic oil production and 15 percent of natural gas production.

The MMS's oversight and regulatory frameworks ensure production and drilling are conducted in a safe and environmentally responsible manner.

The offshore areas of the United States are estimated to contain significant quantities of resources in yet-to-be-discovered fields. MMS estimates that the Undiscovered Technically Recoverable oil and gas resources in the U.S. OCS consist of 86 billion barrels of oil and 420 trillion cubic feet of natural gas. Significant areas of the OCS have been under congressional and/or executive restrictions starting in the early 1980's. Currently, approximately 574 million acres, *i.e.,* 85 percent of the OCS offshore the lower-48 states are unavailable for leasing consideration, due to congressional moratoria, something no other country in the world has done to this extent. MMS estimates that these restricted areas--in the Pacific, the Atlantic, and parts of the central and eastern Gulf of Mexico--contain about 30 percent of the potential undiscovered oil and 27 percent of the undiscovered natural gas resources offshore the lower-48 states. (This is a mean estimate based on MMS's 2006 assessment.)

Neighboring countries are expanding offshore oil and gas exploration due to oil and gas price increases as well as other environmental and economic factors. A moratorium imposed by the Canadian government on offshore drilling in Georges Bank, a rich fishing ground off southwest Nova Scotia in the North Atlantic, is in place until 2012. The Canadian government is considering lifting that moratorium. Canada also has issued leases and exploration rights in the eastern Beaufort Sea adjacent to the U.S. Beaufort Sea. Another example is Cuba, which has entered into licenses with private energy companies to develop its offshore resources. Cuba appears to be exploring aggressively its oil and gas resources since the late 1990's, with offshore activity less than 50 miles from the coast of Florida.

The vast majority of OCS production comes from the Central and Western Planning Areas of the Gulf of Mexico. Given the recent effects of hurricanes on Gulf production in the short and long terms, it is clear that the country has concentrated most of its offshore domestic energy production activity in one area. To address this, MMS is calling for a broadened approach to address other areas of the OCS as well. In testimony before Congress in May 2008, Energy Secretary Bodman emphasized the need to expand conventional energy supplies and diversify their sources. He proposed greater access to areas, including the OCS, that contain substantial amounts of oil and natural gas. New development technologies and methods will provide the opportunity for this development to proceed with proper protection for the environment.

The MMS is initiating the section 18 5-year program development at this time, approximately 2 years ahead of schedule, as part of the Federal Government's actions to address the existing domestic energy situation. Currently, each American uses an average of 3 gallons of oil per day. About two-thirds of that oil is used in transportation. In fact, oil is expected to remain, by far, the primary fuel for transportation for decades to come, even with aggressive efforts and government policies to encourage the development of alternative fuels, more efficient engines, and increasingly effective conservation measures.

The MMS is developing a program to produce electricity from alternative energy resources on the OCS. Under the Energy Policy Act of 2005, the Secretary, acting through MMS, has established a program to develop renewable energy resources on the OCS. On July 9, 2008, MMS issued a Proposed Rule for alternative energy on the OCS. As a first step, under an interim policy announced in late 2007, MMS is working toward issuance of several leases for data gathering and technology testing. These leases will look at varied renewable energy sources in different portions of the OCS. The Energy Information Administration (EIA) reported in 2007 that wind and other renewables are the fastest growing energy sources in the U.S., projecting that renewables will account for over 10 percent of domestic energy production by 2030. In the long term, development of a wide array of renewable energy sources is critical. However, in the short and mid-term, both nationally and globally, we will continue to rely on fossil fuels.

On June 18, 2008, the President issued a statement on energy, particularly focusing on the rising price of gasoline. High gasoline prices stem from high oil prices which result from basic "supply and demand" factors in the current market. The dramatic increase in oil and natural gas prices has resulted from growing U.S. and global demand for these products that has not been matched by an equivalent increase in available supplies. The President stated that much of the oil consumed in the U.S. comes from abroad and some of that is from "unstable regions and unfriendly regimes. This makes us more vulnerable to supply shocks and price spikes beyond our control – and that puts both our economy and our security at risk." The Department of Commerce reported in April that the U.S. trade deficit grew to its largest level in over a year to $60.9 billion. Even with exports rising, increases in oil prices continued to drive up the deficit. The deficit of petroleum products has grown to $34.5 billion, up from $23.5 billion last year. It is expected that continued importing of oil will widen the trade deficit even more sending billions of dollars to other countries.

Gasoline prices may be a more visible consequence of the energy situation, but there are other consequences that affect various sectors of the economy. According to the EIA, while gasoline prices in the U.S. have increased about $1.15 per gallon over the past year, diesel fuel has increased almost $1.90 per gallon. (SOURCE: Gasoline and Diesel Fuel Update. *Energy Information Administration.* 14 July 2008. http://tonto.eia.doe.gov/oog/info/wohdp/diesel.asp?featureclicked=1&) Since much of the Nation's consumer goods are transported by truck, the prices of such goods to the consumer also reflect the increase in energy costs and may affect consumer buying patterns.

Energy is also one of the greatest input costs for manufacturers. This sector is dependent upon globally competitive energy to compete in the market place both domestically and globally. According to the Industrial Energy Consumers of America (IECA), a cross-industry trade association, the high price of natural gas in particular has contributed to the loss of about 3.3 million, or about 19 percent, of U.S. manufacturing jobs since 2000 (SOURCE: Cicio, Paul.

Industrial Energy Consumers of America. "A Natural-Gas High." *Forbes.com*. 4 June 2008. http://www.ieca-us.com/documents/06.04.08_Forbes.comArticle-MagazineArticle.pdf)

Furthermore, as the use of natural gas to generate electricity has grown in this country, the increase in natural gas prices causes an increase in electricity costs to manufacturers as well as to the general public. The EIA projects residential electricity prices will increase by an annual average of about 5.2 percent in 2008 and 9.8 percent in 2009, compared with an increase of 2.2 percent in 2007. (SOURCE: Short-Term Energy Outlook. *Energy Information Administration.* 8 July 2008. http://www.eia.doe.gov/steo) Unlike oil that is priced globally, natural gas is a more regional product that is priced domestically. Over 80 percent of natural gas consumed in the U.S. is domestically produced. While supply and demand have remained fairly stable, the price of natural gas has shown an increase of almost 130 percent over the past year.

In his June 18 statement, the President asked Congress to pass legislation as soon as possible to lift the congressional restrictions in order to give states the option to recommend the opening of the OCS off their coasts to environmentally-responsible exploration for and development of hydrocarbon resources and sharing of revenues. On July 14, the President removed the executive prohibition in those areas and again asked Congress to lift the congressional restrictions and to allow increased domestic oil exploration and production. Similar legislation has been introduced in the recent past, but not enacted. The current economic and energy situation may argue for reconsideration of these matters. The dramatic increase in energy prices has affected all aspects of the American economy, and while not all coastal states have considered exploration and development activity off their coasts, some states have already addressed the potential of the OCS. For example, in 2006 the Commonwealth of Virginia adopted an energy policy that includes interest in developing natural gas resources more than 50 miles off its coast. Similar legislation has been introduced in other states.

Section 18 of the OCS Lands Act requires that the Secretary consider national energy needs in formulating a leasing program. In April 2007 when MMS announced the Proposed Final Program for 2007-2012, oil was priced at $64.21 per barrel. As of the end of June 2008, prices were at $134.60 per barrel, representing an increase of over 100 percent. Gasoline prices have doubled over the same period from just over $2.00 to over $4.00 per gallon.

OCS Planning Areas to Be Considered and Analyzed

Section 18 of the OCS Lands Act requires that the 5-year schedule of lease sales be based upon a comparative analysis of the oil and gas-bearing regions of the OCS. MMS has created 26 planning areas, which are depicted in Figures 1 and 2. The boundaries between planning areas were administratively created and are not specified in law or regulation. Note that precise marine boundaries between the United States and nearby or adjacent nations have not been determined in all cases. The depicted maritime boundaries and limits, as well as divisions between planning areas, where shown, are for planning and administrative purposes only. These limits do not affect or prejudice in any manner the position of the United States, or its individual States, with respect to the nature or extent of internal waters or of sovereign rights or jurisdiction.

Many planning areas were subject to a recently modified presidential withdrawal from leasing under the authority of Section 12 of the OCS Lands Act (43 U.S.C. 1341). On July 14, 2008 a Modification of the Presidential Withdrawal of areas of the United States Outer Continental Shelf from leasing disposition was announced by President Bush in the following statement, "Under the authority vested in me as President of the United States, including section 12(a) of the Outer Continental Shelf Lands Act, 43 U.S.C. 1341(a), I hereby modify the prior memoranda of withdrawals from disposition by leasing of the United States Outer Continental

Shelf issued on August 4, 1992, and June 12, 1998, as modified on January 9, 2007, to read only as follows:

"Under the authority vested in me as President of the United States, including section 12(a) of the Outer Continental Shelf Lands Act, 43 U.S.C. 1341(a), I hereby withdraw from disposition by leasing, for a time period without specific expiration, those areas of the Outer Continental Shelf designated as of July 14, 2008, as Marine Sanctuaries under the Marine Protection, Research, and Sanctuaries Act of 1972, 16 U.S.C. 1431-1434, 33 U.S.C. 1401 et seq."

This modification affects the following planning areas: Washington-Oregon; Northern, Central, and Southern California; South, Mid-, and North Atlantic; and Central and Eastern Gulf of Mexico. Portions of these planning areas have been closed to leasing pursuant to congressional moratoria in annual appropriations statutes from the 1980's to the present.

Also pursuant to the Gulf of Mexico Energy Security Act of 2006, Congress placed off limits until 2022 the Eastern Gulf within 125 miles of Florida, all of the Eastern Gulf east of 86 degrees, 41 minutes West longitude, and a portion of the Central Gulf within 100 miles of Florida. See Figure 2. The President's June 16 and July 14 statements continue to recognize that deference should be paid to the coastal states, but calls for discontinuing the restrictions so the states have the option to decide whether to support offshore activity. As with the RFI issued in August 2005 (70 FR 49669) for the current program, we are asking for input from the states, local governments, and other interested parties as to whether and how their interest in offshore resources has changed. Based upon expressions of such interest in the initiation of the current program, areas under restriction were included in the program proposals and the approved program includes three areas that had not been considered for leasing for many years—the North Aleutian Basin, Alaska; a portion of the Gulf of Mexico; and an area in the Mid-Atlantic offshore the coast of Virginia. Only the area off Virginia remains under a congressional ban. Had these areas not been included in the Draft Proposed Program, they could not have been in the approved program.

As set forth in more detail later in this notice, the information requested is wide-ranging, including other uses of the sea, marine productivity, and environmental sensitivity. Accordingly, this notice provides an opportunity for a governor or anyone else to comment on any area of the OCS. Such information is therefore solicited and will be considered in light of the factors specified by section 18 of the OCS Lands Act, discussed later in this notice, and in light of existing moratoria. Based upon the analysis of these factors, the Secretary will decide which areas to include in the draft proposed program. Pursuant to section 18, included areas will be subject to further analysis as well as review and analysis under NEPA. The Secretary also seeks comments on whether the Congressional restrictions should be eliminated or modified.

Section 18

As previously noted, the program preparation process will follow all the procedural steps required by section 18 of the OCS Lands Act. This notice solicits comments early in the preparation process pursuant to section 18(c)(1) of that Act. The MMS will prepare a draft proposed program based upon consideration of the comments we receive and analysis of the principles and factors specified in section 18. The draft proposed program will present for review and comment a preliminary schedule of lease sales and potential alternatives.

Section 18 of the OCS Lands Act lists the factors to be considered–the economic, social, and environmental values of all of the resources of the OCS and the potential impact of oil and gas exploration and development on the environment. Specific factors that must be analyzed and considered in deciding where and when to lease include the following: (1) existing information on the geographical, geological, and ecological characteristics of such regions; (2) equitable sharing of developmental benefits and environmental risks among the various regions; (3) location of such regions and regional and national energy markets; (4) location with respect to other current and anticipated uses of the sea and seabed; (5) expressed industry interest; (6) laws, goals, and policies of affected states specifically identified by governors; (7) relative environmental sensitivity and marine productivity of different areas of the OCS; and (8) environmental and predictive information for different areas of the OCS. The OCS Lands Act requires the Secretary to obtain a proper balance among the potential for environmental damage, the discovery of oil and gas, and adverse impact on the coastal zone, for which DOI uses cost-benefit analysis.

Types of Information Requested

The MMS invites comments from anyone who would like to submit information for us to consider in determining the appropriate size, timing, and location of OCS oil and gas leasing for the new 5-year period. The types of information we seek are described below, using general and specific headings. Regardless of these headings, all respondents are welcome to comment on any aspect of program preparation and to submit any type of pertinent information.

General

The MMS would like to receive comments and suggestions of national or regional application that would be useful in formulating the program. The types of information that would be most useful to us in conducting the analysis pursuant to section 18 of the OCS Lands Act relate to the following factors:

(1) national energy needs for the period relevant to the new program (in particular for this program, the role of OCS oil and gas leasing in achieving national energy policy goals, including its potential for contributing to increased domestic natural gas supplies); the economic, social, and environmental values of the renewable and nonrenewable resources contained in the OCS; and the potential impact of oil and gas exploration and development on other resource values of the OCS and the marine, coastal, and human environments;

(2) geographical, geological, and ecological characteristics of the planning areas of the OCS and near shore and coastal environments;

(3) equitable sharing of developmental benefits and environmental risks among the various planning areas;

(4) location of planning areas with respect to, and the relative needs of, regional and national energy markets;

(5) other uses of the sea and seabed, including fisheries, navigation, military activities, existing or proposed sea lanes, potential sites of deepwater ports (including liquefied natural gas facilities), potential offshore wind, wave, current or other alternative energy sites, and other anticipated uses of OCS resources and locations;

(6) relative environmental sensitivity and marine productivity of the different planning areas and/or a specific section of a given planning area of the OCS;

(7) environmental and predictive information pertaining to offshore and coastal areas potentially affected by OCS oil and gas development (including, but not limited to, socio-cultural and archaeological information); and

(8) methods and procedures for assuring the receipt of fair market value for lands leased.

The MMS also invites commenters to respond to the following questions:

(i) What do you think is the proper role of OCS oil and gas leasing as part of a comprehensive national energy policy? How should the 5-year program be structured to fulfill this role?

(ii) Since recent studies have projected shortfalls in meeting energy needs, particularly natural gas, how could such needs be balanced with the laws, goals, and policies influencing the management of the OCS? How should long-term planning address the current energy supply situation?

(iii) Should areas under Congressional moratoria be included in the new 5-Year Program? What areas? With Sales proposed in what time-frame?

(iv) Although OCS oil and gas leasing is typically conducted through an extensive, long-established process, are there alternative ways to ensure appropriate consultation and to streamline our leasing procedures? Should the OCS Lands Act be amended to allow changes in the 5-year plan without starting the process all over again in cases of acute supply or demand shift affecting national security? How might we best meet the purpose of the OCS Lands Act "to insure that the extent of oil and gas resources of the outer Continental Shelf is assessed at the earliest practicable time"?

(v) If new areas are leased for exploration and potential development, what short-term and long-term impacts do you foresee for the economies of coastal communities?

(vi) How should ecological considerations be weighed against national and local economic benefits, if new areas are considered for oil and gas leasing?

(vii) If new areas are not leased for exploration and potential development, what environmental impacts do you foresee from imports of oil and gas?

(viii) Is there a strategic advantage to considering sources of oil and gas in areas currently under congressional moratoria to potentially diversify OCS energy development?

Specific

States

As every state is feeling the effects of increased oil and gas prices and thereby is potentially impacted by the possibilities of enhanced domestic energy production, a letter soliciting such information has been sent to the governors of all 50 states. For coastal states, pursuant to section 18(f)(5) of the OCS Lands Act and implementing regulations at 30 CFR 256.20, MMS requests information concerning the relationship between OCS oil and gas activity and the states' coastal zone management programs that are being developed or administered under the Coastal Zone Management Act. We also request states to submit information concerning environmental risk and potential for damage to coastal and marine resources associated with development of the OCS, information related to other uses of the sea, and any information that is relevant to equitable sharing of developmental benefits and environmental risks associated with OCS oil and gas activity. In addition, for non-coastal and coastal states we request information on the impacts of rising prices and potential shortages on your economies and citizens and their roles in the national economy.

Oil and Gas Industry

As specified in section 18(a)(2)(E) of the OCS Lands Act, MMS requests that oil and gas industry respondents provide information indicating interest in the opportunity to lease and develop additional OCS oil and gas resources. Respondents should base this information upon their expectations as of 2010. For each area in which a company is interested, please submit information concerning unleased hydrocarbon potential, future oil and gas price expectations, and other relevant information that the company uses in making OCS oil and gas leasing decisions. The MMS requests that industry respondents provide additional information as specified below. Upon request, such information will be treated confidentially, as explained further below:

(1) Indicate the OCS planning area(s) where the company would be interested in acquiring oil and gas leases <u>regardless of whether the area is currently under Congressional moratoria</u>. If more than one planning area is of interest, rank the areas in order of preference.

(2) Indicate the number and timing of lease sales in the period 2010-2015 that would be appropriate for each planning area. If only one lease sale in a planning area is appropriate, indicate whether that area should be considered for leasing early or late in the 5-year program schedule. If more than one lease sale in a planning area is suggested, indicate the preferred interval between lease sales.

(3) The MMS estimated resource potential in moratoria areas is based on a limited number of wells, and very old (25 years) seismic data. How might seismic data be acquired in these areas?

(4) Indicate the lead time to production (should new leasing be allowed to occur in previously restricted areas) in areas that are not part of the current program, relative to lead-times to new production in previously leased areas like the Central and Western Gulf of Mexico.

Section 18(g) of the OCS Lands Act authorizes confidential treatment of privileged or proprietary information. In order to protect the confidentiality of privileged or proprietary information, include such information as an attachment to other comments submitted so that there is no ambiguity about what portions of the comments are confidential or proprietary. Upon request, MMS will treat the privileged or proprietary information that is attached to a response as confidential from the time of its receipt until 5 years after approval of the 2010-2015 leasing program, subject to the standards of the Freedom of Information Act. However, MMS will not treat as confidential any aggregate summaries of privileged or proprietary information, the names of respondents, or comments not containing such information. As noted above, respondents should affix the label "Contains Confidential Information" on any envelope containing privileged or proprietary information.

Department of Commerce

Pursuant to section 18(f)(5) of the OCS Lands Act and implementing regulations at 30 CFR 256.20, MMS requests information concerning relationships between affected states' coastal zone management programs and OCS oil and gas activities. We have sent a letter to the Secretary of Commerce soliciting such information.

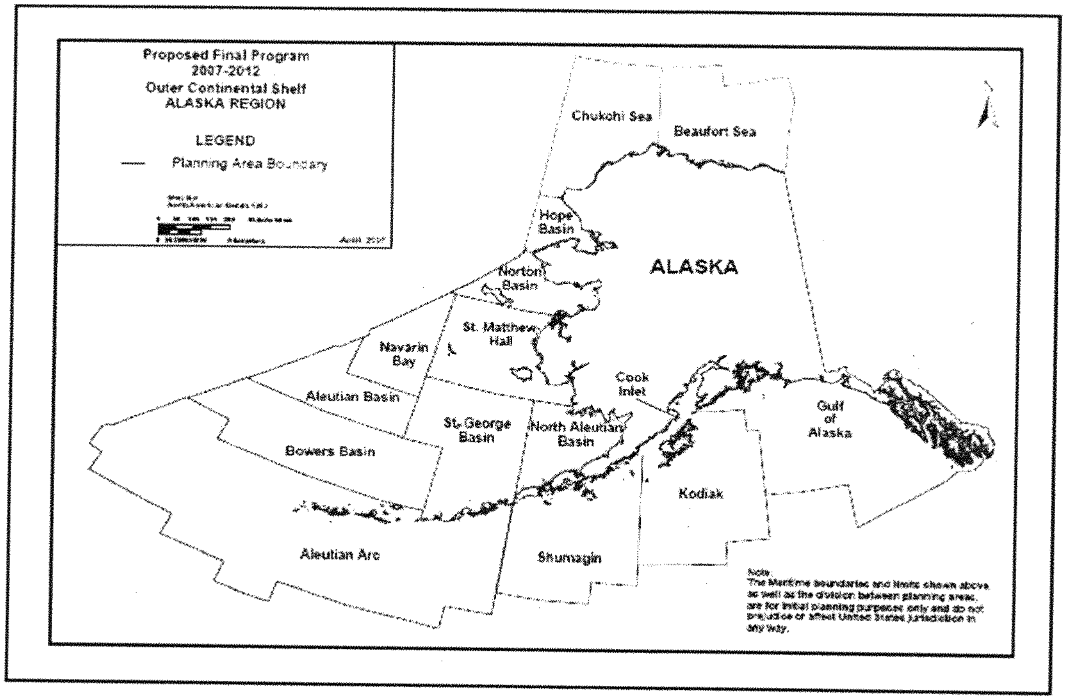
Department of Energy

Pursuant to implementing regulations at 30 CFR 256.16, MMS requests information concerning regional and national energy markets, OCS oil and gas production goals, and oil and gas transportation networks. We have sent a letter to the Secretary of Energy soliciting such information.

Randall B. Luthi
Director, Minerals Management Service

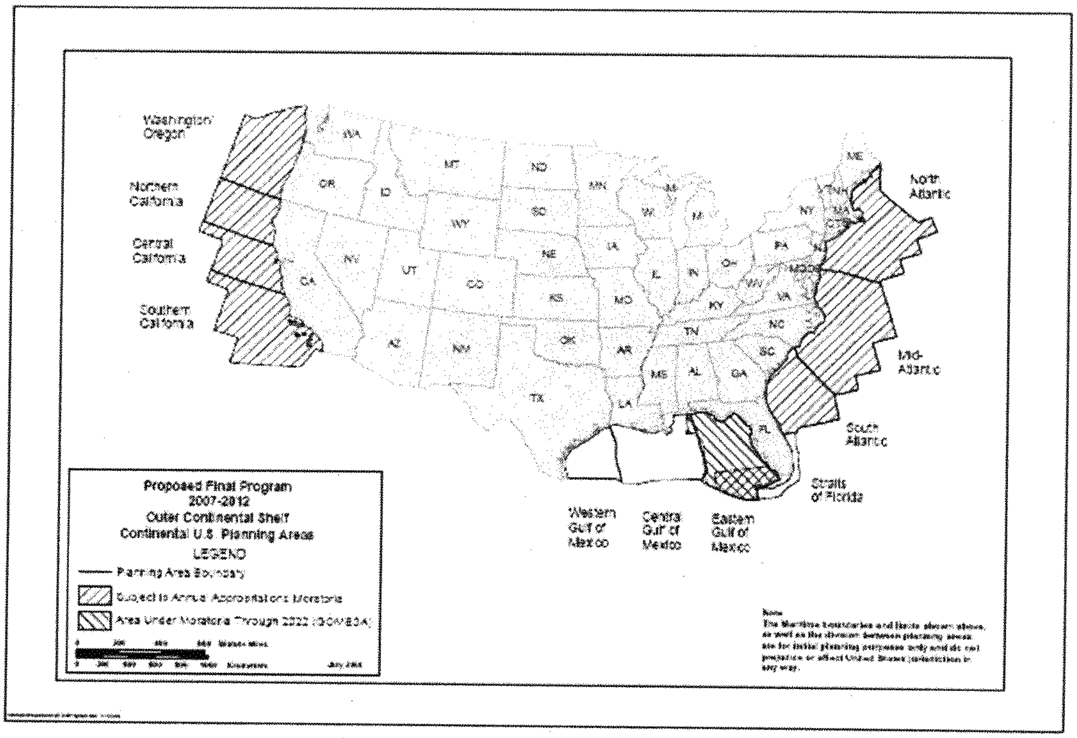
7-29-08
Date

Figure 1



Proposed Final Program
2007-2012
Outer Continental Shelf
ALASKA REGION
LEGEND
Planning Area Boundary
Chukchi Sea
Beaufort Sea
Hope Basin
ALASKA
Norton Basin
St. Matthew Hall
Navarin Bay
Aleutian Basin
Cook Inlet
Gulf of Alaska
St. George Basin
North Aleutian Basin
Bowers Basin
Kodiak
Aleutian Arc
Shumagin
Note:

Figure 2


Washington/ Oregon
Northern California
Central California
Southern California
North Atlantic
Mid-Atlantic
South Atlantic
Straits of Florida
Western Gulf of Mexico
Central Gulf of Mexico
Eastern Gulf of Mexico
WA
OR
CA
ID
NV
MT
WY
UT
AZ
CO
NM
ND
SD
NE
KS
OK
TX
MN
IA
MO
AR
LA
WI
IL
MI
IN
OH
KY
TN
MS
AL
GA
FL
SC
NC
VA
WV
PA
NY
NJ
ME
NH
MA
CT
Proposed Final Program
2007-2012
Outer Continental Shelf
Continental U.S. Planning Areas
LEGEND
Planning Area Boundary
Area Under Moratoria Through 2022 (GOMESA)