



# United States Department of the Interior



MINERALS MANAGEMENT SERVICE  
Alaska Outer Continental Shelf Region  
3801 Centerpoint Drive, Suite 500  
Anchorage, Alaska 99503-5823

FEB 15 2007

Ms. Susan Childs  
Shell Offshore Inc.  
3601 C. Street, Suite 1334  
Anchorage, Alaska 99503

Dear Ms. Childs:

The Minerals Management Service (MMS) has reviewed the Shell Offshore Inc. (Shell) proposed Beaufort Sea Outer Continental Shelf Lease Exploration Plan (EP) dated January 2007. The EP proposes to drill up to four exploration wells during the 2007 open water season at the Sivulliq prospect and additional prospects in 2008 and 2009. The MMS hereby approves the EP subject to the conditions below:

1. No exploratory drilling activities can be conducted without an approved Application for Permit to Drill (APD). An APD cannot be approved until the EP has been deemed consistent with the State of Alaska Coastal Management Program or consistency is conclusively presumed.
2. No exploratory drilling activities will be allowed to commence in 2007 until the final version of the 2007 conflict avoidance agreement (CAA) has been submitted to the MMS and the MMS has made a determination on the adequacy of measures taken to prevent unreasonable conflicts with subsistence harvests. The EP notes that a final version of the 2007 CAA with the Alaska Eskimo Whaling Commission (AEWC) and Whaling Captains Associations of Kaktovik, Nuiqsut and Barrow will be completed prior to the National Marine Fisheries Service (NMFS) open water meeting in April 2007. A copy of that agreement must be submitted to the MMS.

In the event no agreement is reached between the parties, the lessee, the AEWC, the North Slope Borough (NSB), the National Oceanic and Atmospheric Administration – Fisheries (NOAA), or any of the subsistence communities that could be affected directly by the proposed activity may request that the Regional Supervisor, Field Operation (RS/FO) assemble a group consisting of representatives from the subsistence communities, AEWC, NSB, NOAA Fisheries, and the lessee(s) to specifically address the conflict and attempt to resolve the issues before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests. Upon request, the RS/FO will assemble this group if the RS/FO determines such a meeting is warranted and relevant before making a final determination on the adequacy of the measures taken to prevent unreasonable conflicts with subsistence harvests.

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As part of the conflict avoidance effort, Shell must provide a mechanism for subsistence users in addition to bowhead whaling captains to address potential conflicts. The communications and call center that is proposed for the 2007 season should meet this need. Shell must provide appropriate directly affected communities with information on how to contact the center and submit notification of conflicts.

The MMS must make a determination on adequacy of measures taken to prevent unreasonable conflicts with subsistence harvests prior to commencement of any additional exploratory drilling activities in 2008 and 2009.

3. No exploratory drilling activities can be conducted from August 1 through October 31 without an approved site-specific bowhead whale monitoring program in accordance with Sale 195 lease stipulation 4. Shell has advised the MMS that Shell is seeking an Incidental Harassment Authorization (IHA) from the NMFS to comply with the requirements of this stipulation and has provided the MMS with copies of the IHA application. The MMS will coordinate with the NMFS during review of the IHA application and issuance of the IHA and will advise Shell if the IHA meets the requirements of Stipulation 4 for the 2007 drilling season.

As reflected in Stipulation 4, the monitoring program must be reviewed and approved each year before exploratory drilling can commence. The applicable dates when monitoring is required will depend on the drilling location and the whale migration periods as listed in Lease Stipulation 4.

4. Lease Stipulation 5 requires that Shell notify the RS/FO of all concerns expressed by subsistence hunters during operations and of steps taken to address such concerns and that the RS/FO work with agencies and the public to assure potential conflicts are identified and efforts taken to avoid conflicts. This office will establish a reporting and notification process with Shell, NMFS, NSB and AEWC and local communities to administer this provision.
5. Lease-related use will be restricted when the RS/FO determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities.
6. Shell must submit a final lighting configuration plan that demonstrates how lighting on the two exploration structures will be configured to minimize outward radiation of light and reduce potential for bird collision. This plan should include a discussion on Shell's plans to use strobe lights to minimize attraction of birds to the drilling structures. The MMS will provide a copy of the final plan to the U.S. Fish and Wildlife Service (FWS).

An avian specialist or personnel qualified or trained in bird identification should be onsite to assist in identification, recording and reporting of bird sightings and collisions. Bird collisions must be reported to the FWS as described in Stipulation 7.

All exploration program vessels will minimize operations that require high-intensity work lights, especially within the 20-meter bathymetric contour. High-intensity lights will be

turned off in inclement weather or periods of darkness; however, navigation, deck lights, and interior lights may remain on for safety. The intent of this mitigation measure is to reduce the risk of coastal and marine birds striking exploration program vessels.

The Sivulliq drilling program is located outside the geographical area where endangered Spectacle's and Stellar Eiders occur as identified by Sale 195 Lease Stipulation 7. If future drilling operations are proposed in the geographical areas identified by Stipulation 7, the MMS will coordinate with the FWS and the MMS may require additional preventative measures.

7. No exploratory drilling operations can be conducted until Shell has received a final IHA from the NMFS and Letter of Authorization from FWS as appropriate for the proposed activity.
8. Shell will be required to collect meteorological and oceanographic data pursuant to 30 CFR 250.282. The MMS will work with Shell to develop the information and reporting requirements in coordination with Shell's plans for environmental monitoring and data collection to implement the critical operations and curtailment plan.
9. The MMS approves the cultural orientation and other training programs included in Appendix F of the EP as meeting the requirements for Lease Sale Stipulation 2.

The program shall be attended at least once a year by all personnel involved in onsite exploration activities (including personnel of the lessee's agents, contractors, and subcontractors) and all supervisory and managerial personnel involved in lease activities of the lessee and its agents, contractors, and subcontractors. Shell must maintain a record of all personnel who attend the program onsite for so long as the site is active, not to exceed 5 years. This record shall include the name and date(s) of attendance of each attendee.

10. The MMS approves Shell's request to classify the objective formations for the Sivulliq prospect as H<sub>2</sub>S absent pursuant to 30 CFR 250.490 (b)(2).
11. Prior to construction of well cellars at drill sites for the Sivulliq prospect, which have been cleared previously for historic shipwrecks based on previous site clearance survey work, Shell must conduct an updated visual verification that there are no historic shipwrecks present.

The MMS will also review site specific shallow hazards survey results for the other exploration prospects to determine historic resource potential.

Lease OCS-Y-1743 is located inside the 20-meter isobaths and has the potential for prehistoric archaeological resources. Prior to conducting any exploration activity on this lease, the MMS will require an archeological survey and analysis pursuant to MMS NTL No. 05-A03.

12. Shell is reminded of Lease Sale 195 Information to Lessee clause "h" which states, "Generally, behavioral disturbance of most birds and mammals found in or near the lease

area would be unlikely if aircraft and vessels maintain at least a 1-mile horizontal distance and aircraft maintain at least a 1,500-foot vertical distance above known or observed wildlife concentration areas, such as bird colonies and marine mammal haulout and breeding areas.”

Several communities expressed concern regarding Shells proposed helicopter routes along the coastline affecting caribou and caribou subsistence activities. Shell should consider adjustment to the helicopter routes to remain further inland to the extent possible. Shell should notify this office of modified helicopter routes so that the MMS can advise the coastal communities of Shell's plans.

The MMS final action from the regulatory review of the Beaufort Sea Regional Exploration Oil Discharge Prevention and Contingency Plan is address under a separate letter. Exploratory drilling activities can not commence until the conditions of that action have been satisfied.

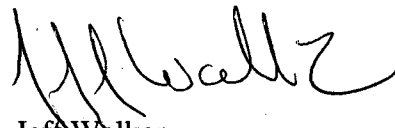
The MMS will continue to assess the shallow hazards site clearance results provided in the plan in conjunction with the application for permit to drill and in accordance with 30 CFR 250.1617.

In addition to the exploratory drilling program approved under this EP, Shell is authorized to conduct the proposed geotechnical coring program described in the EP. It is the MMS's understanding that this activity is also included in the scope of the activities described in the application to the NMFS and FWS for Marine Mammal Protection Act authorizations. The coring program should not commence until the appropriate authorizations have been issued for the activity. As required in the MMS authorization to conduct this activity in 2006, Shell must provide visual clearance of the site to determine if any historic archaeological resources (shipwrecks) are present. Any identified resources should be avoided and reported to this office.

This action letter does not authorize or approve seismic activities. Off lease geological and geophysical surveys require a permit pursuant to 30 CFR 251. On lease ancillary activities (shallow hazards surveys) require a notice pursuant to 30 CFR 250.209.

If you have questions, please contact me directly at 907.334.5303 or by email at [Jeffrey.Walker@mms.gov](mailto:Jeffrey.Walker@mms.gov).

Sincerely,



Jeff Walker  
Regional Supervisor  
Field Operations