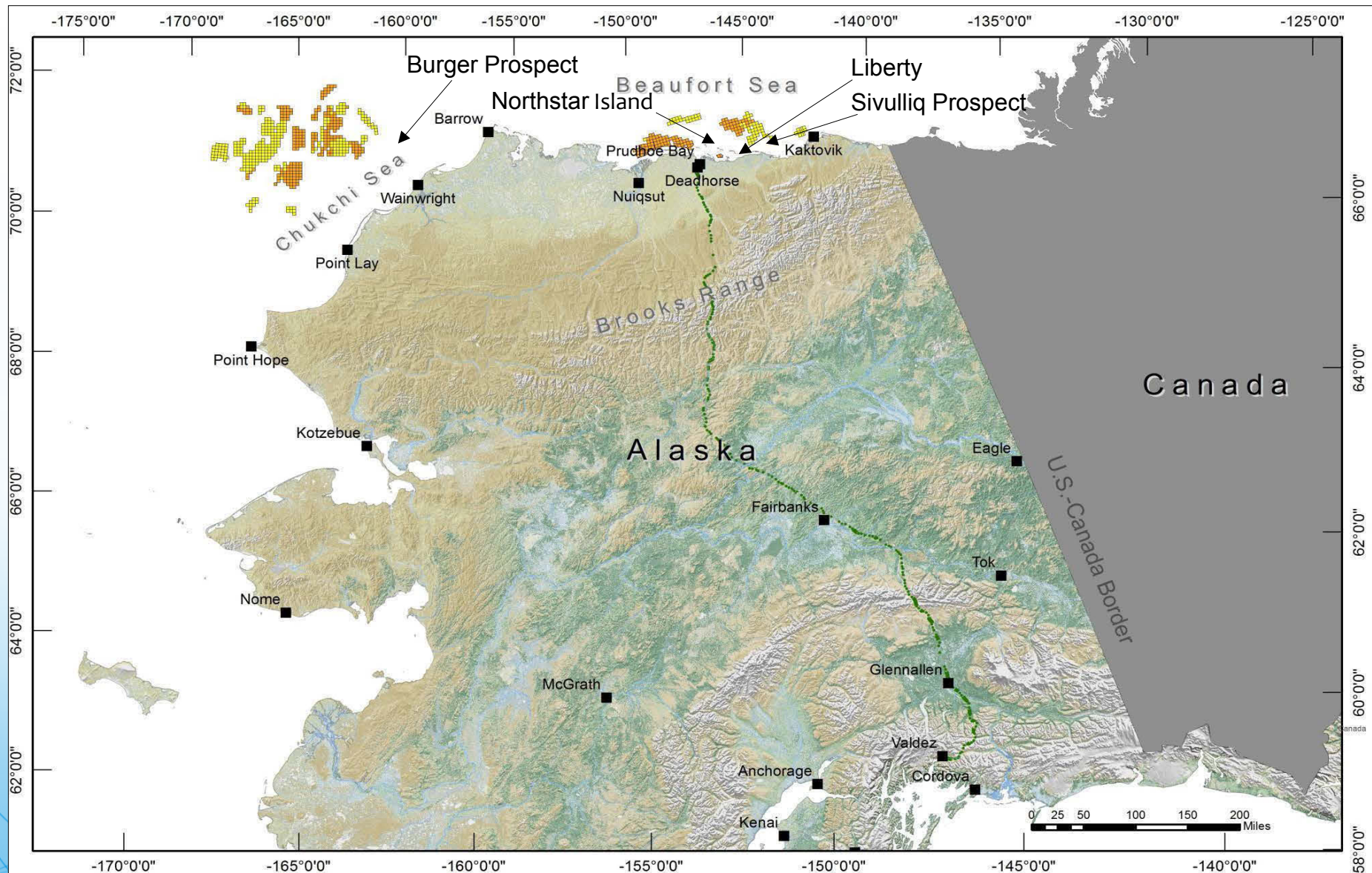


BSEE Alaska Region

Arctic Technology Conference
Houston, Texas
December 4, 2012

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Bureau of Safety and Environmental Enforcement



▪ Barrow to Burger prospect	140 miles	Prudhoe Bay to Sivulliq	50 miles
▪ Barrow to Sivulliq Prospect	250 miles	Prudhoe Bay to Burger	340 Miles
▪ Barrow to Anchorage	725 miles	Prudhoe Bay to Anch. (855 road miles)	624 miles
▪ Barrow to Prudhoe Bay	200 miles		

2012 BSEE ALASKA REGULATORY ACTIONS

1. Approved 3 APD's in the Chukchi Sea to the second casing point.
2. Approved 2 APD's in the Beaufort Sea to the second casing point.
3. Have 3 APD's pending in the Chukchi Sea.
4. Have 2 APD's pending in the Beaufort Sea.

The approval to TD and the pending APD's are awaiting the successful deployment test of the required containment system.

EXTENT OF PERMITTED LIMITED PREPATORY WORK

- * 1. Mudline cellars
 - * 2. First Casing string (30")
 - * 3. Second Casing String (20")
- * No drilling was allowed into zones with any potential to contain liquid hydrocarbons.

CONTAINMENT SYSTEM

- * 1. Shell has committed to have and is required by their Exploration and Oil Spill Response Plan to have a spill containment system operational and in theater prior to drilling into any liquid hydrocarbon bearing formations.
- * 2. Shell was unable to successfully complete a deployment test on the containment system for the 2012 drilling season.

LIMITED PERMITS

- * 1. Decision made after exhaustive reviews and inspections of the rigs, oil spill response equipment, Shells capping stack and an initial inspection of the containment system.
- * 2. Consistent with a step by step approach grounded in the best available science.
- * 3. Closest oversight and most rigorous safety standards ever implemented in the history of the United States.

LIMITED PERMITS (cont.)

- * 4. Essential safety steps that allow for the installation and protection of the blowout preventer.
- * 5. This limited preparatory work was conducted under the watchful eyes of BSEE inspectors who were on the rigs 24/7 providing continuous oversight and monitoring of approved activities.
- * 6. “Shakedown” and “low risk” aspects of testing preparedness and procedures after decade-long Arctic Drilling hiatus. Eased into it with extremely low risk operations.

BSEE 2012 INSPECTIONS

- * 1. 24/7 Presence on the rigs.
- * 2. Pre and post spud oil spill response inspections and drills (Oil Spill Response Division).
- * 3. Table top Oil Spill Response exercises.
- * 4. Pre-drilling inspections in Seattle and on location.
- * 5. SEMs audit in Dutch Harbor.

ADVANTAGES OF 24/7 INSPECTION PRESENCE

- * 1. Arctic Logistics.
- * 2. Real time information to regulators and specific point of contact.
- * 3. Expanded awareness of actual events and broader sense of events. Reports not limited to information supplied by the operator.
- * 4. SEMs compliance insight gained from watching decisions being made and the implementation of those decisions.
- * 5. BSEE inspectors did not make decisions for Shell, but were immediately able to respond to deviations.

CONCLUSIONS

- * BSEE, BOEM AND SHELL HAVE ESTABLISHED A VERY HIGH PERFORMANCE LEVEL FOR OPERATIONS IN THE ARCTIC.
- * SHELL ADHERED TO THEIR COMMITMENTS.
- * BSEE WILL SEE THAT THIS STANDARD IS MAINTAINED FOR ALL OPERATIONS.
- * WE ARE ALL IN THE ARCTIC TOGETHER, ANY FAILURE BY ANY PARTY IN THE ARCTIC WILL RESULT IN AN INABILITY TO DEVELOP THIS RESOURCE FOR THE BENEFIT OF THE NATION, ALASKA AND THE OPERATOR.

