December 2, 2013

Ms. Kelly Hammerle
Five Year Program Manager
Bureau of Ocean Energy Management (MS-HM 3120)
Room 3120
381 Elden Street
Herndon, Virginia 20170

Comments on the Annual Progress Report on the 2012-2017 Outer Continental Shelf (OCS) Oil and Gas Leasing Program
Via electronic submission to: http://www.regulations.gov/

Dear Ms. Hammerle,

The National Ocean Industries Association (NOIA), the American Petroleum Institute (API), and the Independent Petroleum Association of America (IPAA) offer the following comments on the Annual Progress Report on the 2012-2017 Outer Continental Shelf (OCS) Oil and Gas Leasing Program (Five Year Program) issued in October 2013.

NOIA is a national trade association representing all facets of the domestic offshore energy and related industries. Our over 300 member companies are dedicated to the safe development of offshore energy for the continued growth and security of the United States. Our membership also includes companies involved in or branching out to pursue offshore renewable and alternative energy opportunities. NOIA members are engaged in many business activities, including exploration and production, drilling, construction and manufacturing, geophysical, transportation and logistics, engineering and consulting, diving, and professional services.

API is a national trade association representing over 570 member companies involved in all aspects of the oil and natural gas industry. API's members include explorers, producers, refiners, suppliers, pipeline operators, and marine transporters, as well as service and supply companies that support all segments of the industry and provide most of the nation's energy. API and its members are dedicated to meeting environmental requirements, while economically developing and supplying energy resources to meet consumer demands.

The Independent Petroleum Association of America is a national trade association representing 9,000 independent crude oil and natural gas producers in the United States. Independent producers develop 95 percent of domestic oil and gas wells, produce 54 percent of domestic oil and produce 85 percent of domestic natural gas. IPAA is dedicated to ensuring a strong, viable domestic oil and natural gas industry, recognizing that an adequate and secure supply of energy is essential to the national economy.

We believe a Five Year Program is the most definitive policy action an Administration can take regarding our country's offshore energy development. Because the federal government completely controls the vast resources of the outer continental shelf, the Five Year Program is a greater measurement of an administration's policy decisions than current energy development seen in abundance on state and private lands elsewhere in this country, which are largely outside the scope of federal decision making.

As such, we commented previously as to our profound disappointment in the current Five Year Program's failure to include any new acreage for leasing. Per BOEM's request in the Federal Register notice "that respondents focus on new information that has come to light since final approval of the Five Year Program in August 2012, and information that was not provided during previous comment periods related to the development of the Five Year Program" we will not go into great detail in this regard, but nonetheless feel compelled to briefly reiterate key points from those previous comments that still hold true today:

- The current Program keeps over 85 percent of the OCS off limits to exploration and production, leaving less than 15 percent of the OCS available for leasing in the same areas industry has been restricted to for generations. This does little to increase our energy security, develop new homegrown energy, create new jobs, and generate new revenues to federal and state coffers at a time when they are all so desperately needed.

- The Program omits a lease sale offshore Virginia, despite widespread, bipartisan support from the Governor, both U.S. Senators, a majority of Virginia's congressional delegation, the state legislature, and strong public support within the state. Meanwhile, new land-based natural gas and oil operations in states like North Dakota, Pennsylvania and Texas are supporting tens of thousands of new jobs in each state, while providing much-needed new revenue to local and state governments.

- Despite this limited offshore access, the U.S. still produces 600 million barrels of oil and 4.5 trillion cubic feet of natural gas from the OCS each year. If new areas are opened for exploration and development, it is anticipated we could produce an additional 101 billion barrels of oil and 480 trillion cubic feet of natural gas.

- A 2011 study by Wood Mackenzie[1] estimated that exploring for and developing oil and natural gas currently off limits could result in increased production in the amount of 4.2 million barrels of oil equivalent per day, support 420,000 jobs, and generate $313 billion for state and federal governments.

We also remain concerned about the impact the National Ocean Policy (NOP) will have on our industry, specifically the lack of adequate stakeholder representation on the regional planning bodies and the interaction between the NOP and existing laws and statutes. While the Executive Order establishing the NOP asserts that regional plans are meant to be flexible and built upon existing plans, we believe they will be unnecessary, duplicative, burdensome, and limit producers' ability to operate in certain areas. Most concerning to us is Coastal and Marine Spatial Planning (CMSP) which has been defined as "identifying areas most suitable for various types or classes of activities" in the ocean and coastal areas, as identified by regional planning bodies. Having CMSP pre-determine OCS uses based on data solely

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[1] *U.S. Supply Forecast and Potential Jobs and Economic Impacts (2012-2030),* Released – September 7, 2011

limited to existing users' interests locks the oil and gas industry out of vast areas. Existing law provides for thorough and comprehensive coordination between the Federal government, states and communities and the current public process allows ample input from the general public and industry officials. As such, we discourage further NOP implementation. Despite these shortcomings, we are very pleased that after years of delay, permits were finally granted for exploratory wells to begin being drilled in the Beaufort and Chukchi Seas. As we await the pending regulations on Arctic activities going forward, industry is eager to continue our close collaboration with the agency to ensure the continuation of safe, environmentally sound operations in the Arctic.

Because of the missed opportunities inherent in the current Program, however, we feel it is imperative to maximize what opportunities do exist and hold all remaining lease sales as scheduled. This includes maintaining sales in the Chukchi and Beaufort Seas of Alaska in 2016 and 2017, respectively. After repeated delays, even by holding these sales as currently scheduled there will have been a 10 year gap in sales for the Beaufort and an eight year gap in sales for the Chukchi. Past Alaska sales clearly demonstrate the revenue and economic benefit foregone by past delays. Holding these sales as scheduled, and also including additional sales in the upcoming Program, would ensure increased revenue during a time of continued budget difficulties, and also continue to establish the U.S.'s seat at the Arctic table while other Arctic nations aggressively move forward with development of their respective resources.

All Gulf of Mexico lease sales should also proceed as scheduled. The economic impact of Gulf production cannot be overstated, whether measured in federal revenue or energy security. The Department recently announced the collection and disbursement of more than $14.2 billion in revenue generated by energy production on public lands and offshore waters in Fiscal Year 2013 – a $2 billion or 17% increase over the previous year. The FY 2013 increase in disbursements is attributed primarily to $2.77 billion in bonus bids received for new oil and gas leases in federal waters of the Gulf of Mexico, and benefits programs such as the Land & Water Conservation Fund, the Reclamation Fund, the Historic Preservation Fund, as well as coastal states and communities.

The Department of Energy recently announced that domestic oil production exceeded oil imports for the first time in nearly two decades. With the Gulf accounting for roughly 20% of this domestic production, and improving technology allowing for new discoveries in deeper water and more challenging environments, the Gulf's contributions to the nation's energy security must be allowed to continue.

Looking further ahead, the Report's "Significant New Activities" section ultimately points to the 2017-2022 Five Year Program. Scoping for the next Program is set to begin next year and provides renewed opportunity to better utilize our vast offshore resources in the Atlantic, eastern Gulf of Mexico, and the Arctic as discussed previously.

With respect to the eastern Gulf of Mexico, recent sales in this planning area under the current Program will ultimately place infrastructure further east than has previously occurred. This in turn will enhance and accelerate the ability to support greater potential access going forward in the eastern Gulf of Mexico.

Given the ever-increasing support amongst various local, state and federal stakeholders in mid and south Atlantic states for developing offshore oil and gas resources, we were anticipating the Report to include a more robust discussion on the agency's Atlantic activities. Most curious was the lack of any discussion whatsoever on abandoned Sale 220 offshore Virginia and any plans to schedule a similar sale in the future. Support in Virginia has grown further since the current Program was released and failed to reinstate Sale 220, revealing itself in Congress in the form of several legislative actions. These include legislation introduced by both of Virginia's U.S. Senators to hold a sale, House-passed legislation spurring completion of the pending PEIS for Atlantic G&G activities and instituting a sale offshore Virginia, and a recent letter from Virginia's U.S. Senators to the Secretary questioning the status of the G&G PEIS.

These legislative pleadings for increased access are not limited to Virginia. The House-passed legislation also calls for a sale offshore South Carolina as requested by a majority of their delegation – indicative of the strong support from within the Palmetto state. In fact several Governors from the mid and south Atlantic such as Virginia, North Carolina, South Carolina, and Georgia all support swiftly moving forward with the acquisition of new seismic data in the Atlantic while also working to schedule lease sales for these areas in the next Five Year Program.

We are encouraged by recent indications that the agency and Department are open to this notion of moving forward on Atlantic seismic activity while concurrently developing the 2017-2022 Program in a manner that allows for this new data to support new Atlantic leasing. We feel this objective is absolutely essential in meeting the shared goal of industry, regulators, and other stakeholders that these leasing and related decision processes are driven by sound science.

Even with extremely limited and outdated data upon which to rely, industry sees great geological potential in the Atlantic. Newer seismic acquisition techniques, such as 3-D wide azimuth or 3-D rich azimuth, allow for better imaging quality of geologically complex areas. Controlled source electromagnetic (CSEM) data, used in conjunction with newer seismic data could also further define areas of potential hydrocarbon resources. These technologies were not available when the existing Atlantic OCS data were acquired 25 or more years ago.

We therefore once again, in the strongest terms possible, encourage the agency to swiftly move forward on Atlantic seismic activity while concurrently developing the 2017-2022 Program in a manner that allows for this new data to support new Atlantic leasing.

We thank you for this opportunity to comment.

Sincerely,

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Daniel Naatz, IPAA