July 21, 2011

Chairman Jeff Bingaman
Senate Committee on Energy
and Natural Resources
304 Dirksen Senate Office Building
Washington, DC 20510

Ranking Member Lisa Murkowski
Senate Committee on Energy
and Natural Resources
304 Dirksen Senate Office Building
Washington, DC 20510

Dear Senators Bingaman and Murkowski:

As governors of coastal states, we write to express our strong support for legislation that would allow our states to receive a fair share of the revenues from energy generation and production in the Outer Continental Shelf (OCS). Revenue sharing may arise in the context of legislation considered this week by the Energy and Natural Resources Committee or legislation later considered on the Senate floor. We do not hold identical views on offshore energy, and we make no statement here on how such development should proceed. We are firmly united, however, in our position that any legislation to facilitate any form of energy production in the OCS must return a responsible portion of the attendant revenues to the appropriate coastal states.

There is more than sufficient cause to justify energy-related revenue sharing. Ocean energy development can place heightened demands on transportation services, the environment, ports, fuel supplies, pipeline and transmission corridors, public health and safety, and other infrastructural, social and natural resources. Last year's tragic offshore oil spill also showed that such development can carry real consequences – not for the inland states that ultimately use much of the energy being produced, but for the coastal states at water's edge.

If a responsible portion of the vast revenues from offshore generation and production are returned to our states, we would be far better prepared to mitigate the resulting risks and impacts. This is an equitable bargain, wherein the states that choose to pursue development receive a deserved portion of its rewards. In the absence of revenue sharing, it is possible that some coastal states could limit their offshore energy production, or even use their powers under existing federal laws to deny the rest of the nation access to the vast resources in the OCS. The American people could then lose out on substantial new energy production, government revenues, and employment opportunities at a time when all are desperately needed.

In addition to cause, there is also sufficient precedent to justify revenue sharing for offshore energy generation and production. Under the Mineral Leasing Act, landlocked states with energy production on federal lands are rightly entitled to roughly half of the associated revenues – and these revenues are derived from resources which belong to the entire nation, not any one state. In addition, 40 percent of these revenues are returned to western states through the Reclamation Fund. Those states are also rightly entitled to "Payments in Lieu of Taxes" (PILT), a federal-state partnership expressly designed to compensate for the impact that federal lands have on state tax bases.

We appreciate that bipartisan leaders in recent Congresses have supported revenue sharing. Congress acknowledged its importance through the enactment of the Gulf of Mexico Energy Security Act of 2006, which directs 37.5 percent of federal revenues from a number of federal OCS leases to neighboring Gulf States. States received a total of less than $866,000 for production in 2010 under this act for hosting offshore production. Comparatively, states shared in over $2,000,000,000 for production on federal lands within their states. Further, both law and the current administration's programs provide for a 27.5 percent state revenue sharing provision for federally-leased offshore wind power.

Should Congress consider legislation that facilitate greater energy development in the OCS, it is important – and entirely possible – to ensure that the benefits of such development accrue to both the nation as a whole and coastal states. The best mechanism to accomplish that goal is revenue sharing, which will ensure that coastal states are both incentivized and equipped to facilitate safer, more responsible, and more efficient development of all forms of offshore energy while recognizing the historic contribution of states that fueled this nation's economy.

We thank you for considering our perspective.

Sincerely,

Robert Bentley

Governor Robert J. Bentley
Alabama

Governor Haley Barbour
Mississippi

Sean Parnell

Governor Sean Parnell
Alaska

Governor Nikki Haley
South Carolina

Governor Bobby Jindal
Louisiana

Governor Robert F. McDonnell
Virginia

cc: Members of the Senate Energy and Natural Resources Committee

Baker, Josh

From: Natalie Joubert <NJoubert@hbwresources.com>
Sent: Thursday, April 26, 2012 2:46 PM
To: Baker, Josh; Haltiwanger, Katherine
Cc: David Holt
Subject: FW: OCS Governors Coalition Proposals - Scheduling One-on-One Calls

Dear Josh and Katherine,

As Frank mentioned earlier this week, David Holt and I, in our volunteer capacity with the OCS Governors Coalition, would like to set up a call to talk with you about Governor Haley's thoughts and needs as it pertains to the Coalition and to discuss some of the agenda items that Frank has laid out below.

If you could please reply to me with your availability during the ***week of May 6th***, I can confirm a date, time and conference line for our use.

Thank you, and we look forward to speaking with you soon.

Best,

Natalie

Natalie Joubert
Consumer Energy Alliance
1666 K Street, NW Suite 500
Washington, DC 20006
(202) 429-4931 (office)
(202) [redacted] (mobile)

CONSUMERENERGYALLIANCE

www.consumerenergyalliance.org

From: Frank Collins (Coastal) [mailto:fcollins@GOV.STATE.LA.US]
Sent: Monday, April 23, 2012 12:20 PM
To: Frank Collins (Coastal)
Cc: David Holt CEA; Natalie Joubert
Subject: OCS Governors Coalition Proposals

Dear OCS Governors Coalition,

My name is Frank Collins and I'm now working with Garret Graves and Chip Kline in Louisiana. I'll be working with the OCS Governors Coalition going forward. I'd like to take this opportunity to reach out to the group and discuss strategy for the remainder of 2012 and going into 2013. There are several opportunities in which the Coalition can better convey its message and hopefully influence the direction of offshore policy.

In order to be a more effective group, I am proposing a handful of initiatives that will allow us to coordinate and communicate more effectively.

- David Holt and his volunteer team have offered to assist the Coalition to organize monthly status calls, bimonthly bulletin alerts, face-to-face meetings, and messaging opportunities, among other items. In order to start moving the ball forward, David and Natalie Joubert will be reaching out to each member state in the next few weeks to hold a status call. Please use this call to discuss any needs or ideas that you have in regards to the Coalition.

- We'd also like to propose our next F2F meeting in conjunction with the NGA meeting in Williamsburg, VA on July 13-15, 2012.

- Below are a handful of items that we have proposed for the Coalition to pursue. I'd like to propose a monthly recurring Rep Coordinating call to discuss plans and provide updates. David & Natalie will work with each of you to determine the best dates/times.

<u>Proposed 2012-2013 Action Items for OCS Governors Coalition:</u>

- **Messaging/Media:**
  - Near Term: Opportunities for op-ed in national publication discussing the importance of offshore production to local economies.
    - Volunteer staff drafting op-ed for OCSGC use. This could run in tandem with the Offshore Technology Conference in early May, marking the one-year anniversary of the Coalition.
  - Longer Term: Exploring other opportunities to amplify OCS Governors messages in media. Opportunities could include:
    - Bureau of Ocean Energy Management hearings on Atlantic OCS seismic surveying in April 2012. Good time to discuss the need for more information – one of the OCSGC's four objectives.
    - Summer driving season/high gas prices/any potential overseas conflict that affects gas prices.
    - Republican National Convention or Democrat National Convention – both occurring in coastal states with offshore potential, but not able to explore those options.

- **Expanding Coordination:**
  - Establishment of monthly OCSGC rep coordination call.
  - Development of biweekly OCSGC bulletin that includes current OCSGC action items, reminders to the Coalition, and recent OCS-related news.
    - Holt & Team could lead on drafting the bulletin for Louisiana to distribute on a regular, biweekly basis.

- **Face-to-Face Opportunities:**
  - Next meeting tentatively scheduled around National Governors Association, July 13-15 in Williamsburg, VA.
    - Need to discuss agenda, speakers and other opportunities for July face-to-face:
      - Opportunity to invite speaker from Administration (Salazar, Beaudreau, Watson), surrogates from presidential campaigns, key federal legislators (Ranking Member Murkowski (R-AK), Chairman Hastings (R-WA), Chairman Upton (R-MI), or Senator Wyden (assuming next Senate Energy & Natural Resources Chairman)) or industry representatives who can discuss safety (API Offshore Safety Center, Marine Well Containment Company).
  - Future 2012 Meeting in conjunction with RGA or NGA winter meetings in Nov-Dec 2012.

- Other needs or items for the good of the order?

Frank Collins
225-252-4327

Baker, Josh

From: Natalie Joubert <NJoubert@hbwresources.com>
Sent: Thursday, May 03, 2012 2:05 PM
To: Chip Kline (LA); Chris Champion (MS); Cindy Sims (AK); Cooper Shattuck (AL); David Holt CEA; Doug Domenech (VA); Elizabeth Bluemink (AK); Emily Domenech (TX); Frank Collins (LA); Garret Graves (LA); I'man Robinson (VA); Janie Mason (AK); Jeffrey Jones (AK); Baker, Josh; Haltiwanger, Katherine; Kip Knudson (AK); Kirk Sims (AL); Mark Robbins (AK); Maureen Matsen (VA); Natalie Joubert; Nick Tew (AL); Randall Ruaro (AK); Sara Benhauser (VA); Tucker Royall (TX)
Subject: ICYMI: Gov. McDonnell Op-Ed in WSJ Referencing OCSGC

Dear OCS Governors Coalition,

I'm passing this along in case you missed Governor McDonnell's op-ed in the *Wall Street Journal* this Tuesday. As you will read in the article, the Governor references the work of the Coalition and the many challenges that coastal states face in accessing their OCS resources.

Big thanks to the Governor McDonnell and his staff.

Best,

Natalie

Virginia Could Be an Energy Power—If Washington Would Let It

In 2010, my state was poised to become the first on the East Coast permitted to produce oil and natural gas offshore. Then politics intervened.

By BOB MCDONNELL

When President Obama endorsed an "all of the above" energy strategy in this year's State of the Union address, he gave the impression that he was finally adopting an aggressive policy. Unfortunately, the president's words are worlds apart from his actions—especially when it comes to developing our nation's abundant offshore oil and natural gas resources.

To see that disconnect in action, look at the Commonwealth of Virginia. In 2010, Virginia was poised to become the first state on the East Coast permitted to produce oil and natural gas offshore. In 2007, the federal government had designated certain offshore areas as available for oil and gas leases, raising the prospect of thousands of new jobs and significant new revenues for the state and local governments.

However, our opportunity was extinguished and the lease sale canceled after November, when the Obama administration abruptly dropped Virginia from the government's latest leasing plan, with little explanation and even less regard for the strong bipartisan and public support for the offshore initiative. At a moment when we should be looking for every opportunity to safely produce more domestic energy, the Obama administration unilaterally declared a seven-year timeout.

Three months later, the president announced federal approval of leasing plans for wind-power development off the coast of Virginia. This was a welcome development; we are strong supporters of doing all we can to maximize our offshore wind opportunities in the Commonwealth. Taken together, however, the two decisions reflect a discordant approach to energy policy. There is no reason, other than political calculation, that we couldn't have been home to the East Coast's first offshore oil and natural gas development as well.

Virginia is not alone in playing witness to the president's apparent disdain for domestic oil and natural gas production. The administration's perpetual slow-walk approach is especially noticeable in the Gulf of Mexico and off Alaska's coast.

In the Gulf, delays in permitting have resulted in dramatically reduced investments. The Energy Information Administration projects that Gulf production will decrease by over 200,000 barrels per day in 2012 compared with levels before the president assumed office. Some studies, including one published last year by the energy research firm IHS CERA, have indicated that closing this gap could provide between 110,000 to 230,000 jobs across a multitude of sectors.

Meanwhile, in Alaska's Beaufort and Chukchi Seas, Shell, for instance, has been forced to spend $4 billion over five years on plan-development costs and other expenses of dealing with repeated permitting delays. These were not the result of deficiencies in proposed operational plans. They were caused by challenges and legal actions by environmental groups to delay or invalidate the proposed permits—actions that the current administration could review but did little to oppose.

It shouldn't take a herculean effort to approve a project that the host state strongly supports and that could generate 55,000 new jobs per year for 50 years, along with $145 billion in new payroll and $193 billion in additional government revenues over the same period.

If an "all of the above" energy strategy—one that includes offshore oil and natural gas development—is what the administration seeks, there is an organization willing to work with the president. The Outer Continental Shelf Governors Coalition is comprised of the governors of seven coastal states, including Virginia, Texas and Alaska.

In a letter to the president last month, the coalition outlined a number of steps that can be taken immediately to incorporate offshore energy production into a comprehensive national energy policy. They include increasing the speed and predictability of permitting and expanding access to new reserves. The president can implement all of these recommendations with the stroke of a pen. To date, he has not acknowledged our outreach.

During my term as governor, we have focused on making Virginia the energy capital of the East Coast. In just two years our state has taken aggressive actions to harness the power of offshore wind and promote greater utilization of solar energy. Had the president not stopped Virginia's offshore oil and gas efforts, a portion of the revenue from those efforts would have gone—under a law passed during my term of office—to renewable energy research.

We remain committed to developing Virginia's offshore oil and gas. Energy is the lifeblood of our nation's economic growth. More energy means more jobs and we need to use all of our domestic energy resources.

Mr. McDonnell is governor of Virginia and chairman of the Republican Governors Association.

http://online.wsj.com/article/SB10001424052702303592404577364330063107046.html?mod=WSJ_Opinion_LEFTTopOpinion#articleTabs%3Darticle

Natalie Joubert
Consumer Energy Alliance
1666 K Street, NW Suite 500
Washington, DC 20006
(202) 429-4931 (office)
(202) [redacted] (mobile)

CONSUMERENERGYALLIANCE

www.consumerenergyalliance.org

Baker, Josh

From: Natalie Joubert <NJoubert@hbwresources.com>
Sent: Monday, May 07, 2012 4:42 PM
To: Baker, Josh; Haltiwanger, Katherine
Subject: RE: OCS Governors Coalition Proposals - Scheduling One-on-One Calls

Hi Joshua,

Does 10:30am ET on Friday work? If so, I'll send a notice with call-in info.

Thank you,
Natalie

From: Baker, Josh [mailto:JoshBaker@gov.sc.gov]
Sent: Monday, May 07, 2012 4:38 PM
To: Natalie Joubert; Haltiwanger, Katherine
Subject: RE: OCS Governors Coalition Proposals - Scheduling One-on-One Calls

Natalie –
I'm happy to do a call with you this week – tomorrow morning around 9:30 is fine or we can do Friday morning.
Best,
Joshua

From: Natalie Joubert [mailto:NJoubert@hbwresources.com]
Sent: Monday, April 30, 2012 9:34 AM
To: Baker, Josh; Haltiwanger, Katherine
Subject: RE: OCS Governors Coalition Proposals - Scheduling One-on-One Calls

Hi Josh and Katherine,

Just following up to see if you had availability next week to hold a quick conference call with David Holt and me regarding the OCS Governors Coalition. Shouldn't require more than 30 minutes.

Thank you and hope all is well,

Natalie

From: Natalie Joubert
Sent: Thursday, April 26, 2012 2:46 PM
To: Baker, Josh; Haltiwanger, Katherine
Cc: David Holt
Subject: FW: OCS Governors Coalition Proposals - Scheduling One-on-One Calls

Dear Josh and Katherine,

As Frank mentioned earlier this week, David Holt and I, in our volunteer capacity with the OCS Governors Coalition, would like to set up a call to talk with you about Governor Haley's thoughts and needs as it pertains to the Coalition and to discuss some of the agenda items that Frank has laid out below.

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Sent: Monday, April 23, 2012 12:20 PM
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  - Future 2012 Meeting in conjunction with RGA or NGA winter meetings in Nov-Dec 2012.

- Other needs or items for the good of the order?

Frank Collins
225-252-4327

Baker, Josh

From: Natalie Joubert <NJoubert@hbwresources.com>
Sent: Wednesday, May 23, 2012 11:51 AM
To: Baker, Josh
Subject: Invite to CEA Southeast Energy Strategy Session in Charlotte
Attachments: Invite to June 8th in Charlotte.pdf

Hi Josh,

It was great speaking with you earlier this month about the OCS Governors Coalition and Governor Haley's energy priorities. Given our conversation, I wanted to extend to you and Governor Haley's staff an invitation to attend the Consumer Energy Alliance Southeast Energy Strategy Session in Charlotte, NC on Friday, June 8th.

CEA has assembled an impressive panel of elected officials, industry experts and consumer organizations to discuss the role of energy policy in this November's elections and the importance of balanced energy policy for Virginia, North Carolina, South Carolina and Georgia.

From South Carolina, Senator Paul Campbell, Otis Rawl (South Carolina Chamber of Commerce), and Lewis Gossett (South Carolina Manufacturers Association) will be featured panelists. Representatives of the Southern Company and Nucor Steel will also present.

As you can see on the attached agenda, the session will focus the importance of new nuclear energy, shale resources and offshore energy to the southeast's economy & consumers.

Please call me if you have any questions, and feel free to circulate to any of your staff who may be able to attend.

Thank you,

Natalie

Natalie Joubert
Consumer Energy Alliance
1666 K Street, NW Suite 500
Washington, DC 20006
(202) 429-4931 (office)
(202)[redacted](mobile)

CONSUMERENERGYALLIANCE

www.consumerenergyalliance.org

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Southeast Energy Alliance

Invitation: Southeast Energy Forum in Charlotte June 8th

On behalf the southeastern chapter of Consumer Energy Alliance , Southeast Energy Alliance, I would like to extend to you an invitation to participate in the Southeast Energy Strategy Forum in ***Charlotte, North Carolina*** on ***Friday, June 8th***, from 8:00am to 12:30pm ET. The event will take place at the Charlotte Marriott City Center at 100 West Trade Street in downtown Charlotte.

The Southeast, particularly North Carolina and Virginia, will hold significant influence on the direction of this November's 2012 Elections. Throughout the course of the last year, CEA has been engaging stakeholders, elected officials, businesses and voters on the energy issues that are so critical to the direction of our nation. In highlighting the importance of energy policy, CEA hopes to elevate the issue and ensure energy policy remains part of the debate heading into November.

On June 8th, various business leaders, stakeholders, elected officials and thought leaders will meet in Charlotte to hear from invited guests on a range of energy topics that will be integral to the direction of our nation's energy policy, including:

- High energy costs and the impact on the Southeast economy;
- Increased energy development in the Southeast, including:
    - Outer Continental Shelf oil, gas & wind development;
    - Shale gas development in North Carolina; and
    - New nuclear facilities in Georgia and South Carolina.
- Consumer impact of new energy resources, including:
    - Expanded manufacturing;
    - Jobs & Revenue growth

A tentative agenda is below. Please RSVP to Natalie Joubert (njoubert@consumerenergyalliance.org).

Sincerely,

MDWhatley

Michael Whatley
Executive Vice President

Draft Agenda Below

Friday, June 8th:

8:00am ET: **Southeast Energy Policy Strategy Forum**
Location: Marriott Charlotte City Center, Breakfast Provided

8:00-8:15am: Welcome and Introductions

8:15-9:00am: Opening up the Atlantic OCS: Leasing and Revenue Sharing

- Luke Johnson (National Ocean Industries Association)
- Otis Rawl (South Carolina Chamber of Commerce)
- Mike Ward (Virginia Petroleum Council)

9:00-9:45am: Natural Gas & Manufacturing: Potential for Southeastern Natural Gas Production

- Jennifer Diggins (Nucor Steel)
- Lewis Ebert (North Carolina Chamber)
- Lewis Gossett (South Carolina Manufacturers Association)
- Bill Weatherspoon (North Carolina Petroleum Council)

9:45-10:00am: Break

10:00-10:45am: Nuclear Power in the Southeast: New Nuclear Plants & Nuclear Waste Management

- Marshall Cohen (Nuclear Energy Institute)
- Cheri Collins (Southern Company)
- Ruth Smith (GE Nuclear) *invited*
- Justin Maierhofter (Tennessee Valley Authority)

10:45-11:45am: The Role of Energy Issues in the 2012 Election Cycle

- VA Senator Frank Wagner
- NC Senator David Rouzer
- NC Senator Bob Rucho
- SC Senator Paul Campbell

11:45-12:30pm: Energy Policy Strategy Session

12:30pm: **Adjourn**

Baker, Josh

From: David Holt <DHolt@hbwresources.com>
Sent: Tuesday, June 05, 2012 3:57 PM
To: Chip Kline (LA); Chris Champion (MS); Cindy Sims (AK); Cooper Shattuck (AL); David Holt CEA; Doug Domenech (VA); Elizabeth Bluemink (AK); Emily Domenech (TX); Frank Collins (LA); Garret Graves (LA); I'man Robinson (VA); Janie Mason (AK); Jeffrey Jones (AK); Baker, Josh; Haltiwanger, Katherine; Kip Knudson (AK); Kirk Sims (AL); Mark Robbins (AK); Maureen Matsen (VA); Natalie Joubert; Nick Tew (AL); Randall Ruaro (AK); Sara Benhauser (VA); Toby Baker (TX)
Cc: David Holt CEA; Natalie Joubert
Subject: OCS Govs Coalition: F2F Mtg July 13, 2012
Attachments: Pete Slaiby Invite to OCSGC July 13 Mtg.docx; Marty Massey Invite to OCSGC July 13 Mtg.docx; Charlie Williams Invite to OCSGC July 13 Mtg.docx; Salazar Invite to OCSGC July 13 Mtg.docx

Dear OCS Governors Coalition Representatives,

On behalf of Chip Kline and Frank Collins with Louisiana, and after speaking with each of you over the past few weeks, the OCS Governors Coalition would like to have our next face-to-face meeting on **Friday, July 13th** in Williamsburg, Virginia to coincide with the National Governors Association and Republican Governors Association meetings. The breakfast meeting will start at **8:00am ET at the Hospitality House**, a hotel adjacent to Colonial Williamsburg.

At this time, however, it appears that representatives from the State of Louisiana will not be able to attend. In our recent discussions, there was agreement that the Coalition wanted to have a short Briefing from Interior Secretary Salazar and offshore safety & technology experts. To that effect, I have attached the invitation letters that the Coalition needs to send to Sect. Salazar as well as industry representatives who collectively can speak proficiently on safety measures in the Gulf of Mexico, Arctic and the Atlantic. I will be reaching out to some of you shortly about these invitations.

If possible, please confirm that you and/or your respective state Governor will be able to attend a face-to-face meeting of the OCS Governors Coalition on July 13th in Williamsburg. Once we have a firm head-count we will work to finalize the meeting program.

Finally, we will be reaching out soon with tentative dates for monthly update calls with the Coalition representatives. We would like these calls to begin next month in advance of the Williamsburg, VA meeting.

Thank you,
David Holt

2211 Norfolk Street
Suite 614
Houston, Texas 77098
PH: 713-524-2622
CELL: 832-[redacted]
FAX: 866-273-8998
EMAIL: dholt@hbwresources.com
EMAIL: dholt@consumerenergyalliance.org

The Honorable Bobby Jindal, Governor of Louisiana (Chair)
The Honorable Sean Parnell, Governor of Alaska
The Honorable Rick Perry, Governor of Texas
The Honorable Phil Bryant, Governor of Mississippi
The Honorable Robert Bentley, Governor of Alabama
The Honorable Nikki Haley, Governor of South Carolina
The Honorable Robert McDonnell, Governor of the Commonwealth of Virginia

May XX, 2012

Pete Slaiby
Vice President, Alaska
Shell Offshore, Inc.
3601 C Street, Suite 1000
Anchorage, AK 99503

Dear Mr. Slaiby:

On behalf of all the Governors who are participating in the Outer Continental Shelf (OCS) Governors Coalition, we would like to extend an invitation for your offices to address the Governors and their staff on offshore safety and technology capabilities in the Arctic. The meeting is scheduled for Friday, July 13th in Williamsburg, Virginia, beginning at 8:00am local time at the Hospitality House, 415 Richmond Road.

Since its inception in May 2011, the mission of the Coalition has been to improve dialogue and understanding about the Outer Continental Shelf. Specifically, the Coalition is dedicated to:

- Improved communication between federal and state officials on Outer Continental Shelf energy issues;
- Improved understanding of the potential resources and opportunities adjacent to the various coastal states;
- Improved understanding of the impact those resources could have on local, state and federal revenues; and
- Improved management and stewardship of coastal resources related to coastal and ocean activities.

The Coalition believes a briefing on offshore safety advancements will help better inform the Governors and their staffs of how offshore energy development can proceed in safe, environmentally friendly manner. As Shell proceeds with its plan for Arctic OCS exploration, your expertise and insight will be a valuable contribution as the Coalition seeks to improve our understanding of OCS energy exploration and production.

The Coalition appreciates your consideration of this request, and we look forward to following up with your offices in the near future.

Sincerely,

The Honorable Bobby Jindal, Governor of Louisiana (Chair)
The Honorable Sean Parnell, Governor of Alaska
The Honorable Rick Perry, Governor of Texas
The Honorable Phil Bryant, Governor of Mississippi
The Honorable Robert Bentley, Governor of Alabama
The Honorable Nikki Haley, Governor of South Carolina
The Honorable Robert McDonnell, Governor of the Commonwealth of Virginia

OUTER CONTINENTAL SHELF ★ GOVERNORS COALITION ★

May XX, 2012

Marty Massey
Chief Executive Officer
Marine Well Containment Company
400 North Sam Houston Parkway East
Houston, TX 77060

Dear Mr. Massey:

On behalf of all the Governors who are participating in the Outer Continental Shelf (OCS) Governors Coalition, we would like to extend an invitation for you to address the Governors and their staff on advances in offshore safety and technology following the *Deepwater Horizon* spill. The meeting is scheduled for Friday, July 13th in Williamsburg, Virginia, beginning at 8:00am local time at the Hospitality House, 415 Richmond Road.

Since its inception in May 2011, the mission of the Coalition has been to improve dialogue and understanding about the Outer Continental Shelf. Specifically, the Coalition is dedicated to:

- Improved communication between federal and state officials on Outer Continental Shelf energy issues;
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- Improved management and stewardship of coastal resources related to coastal and ocean activities.

The Coalition believes a briefing on offshore safety advancements will help better inform the Governors and their staffs of how offshore energy development can proceed in safe, environmentally friendly manner. As CEO of the Marine Well Containment Company, your expertise and insight will be a valuable contribution as the Coalition seeks to improve our understanding of OCS energy exploration and production.

The Coalition appreciates your consideration of this request, and we look forward to following up with your offices in the near future.

Sincerely,

The Honorable Bobby Jindal, Governor of Louisiana (Chair)
The Honorable Sean Parnell, Governor of Alaska
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The Honorable Phil Bryant, Governor of Mississippi
The Honorable Robert Bentley, Governor of Alabama
The Honorable Nikki Haley, Governor of South Carolina
The Honorable Robert McDonnell, Governor of the Commonwealth of Virginia

May XX, 2012

Charlie Williams
Chairman
Center for Offshore Safety
1990 Post Oak Boulevard
Suite 1370
Houston, TX 77056

Dear Mr. Williams:

On behalf of all the Governors who are participating in the Outer Continental Shelf (OCS) Governors Coalition, we would like to extend an invitation for you to address the Governors and their staff on advances in offshore safety and technology following the *Deepwater Horizon* spill. The meeting is scheduled for Friday, July 13th in Williamsburg, Virginia, beginning at 8:00am local time at the Hospitality House, 415 Richmond Road.

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- Improved understanding of the potential resources and opportunities adjacent to the various coastal states;
- Improved understanding of the impact those resources could have on local, state and federal revenues; and
- Improved management and stewardship of coastal resources related to coastal and ocean activities.

The Coalition believes a briefing on offshore safety advancements will help better inform the Governors and their staffs of how offshore energy development can proceed in safe, environmentally friendly manner. As Executive Director of the Center for Offshore Safety, your expertise and insight will be a valuable contribution as the Coalition seeks to improve our understanding of OCS energy exploration and production.

The Coalition appreciates your consideration of this request, and we look forward to following up with your offices in the near future.

Sincerely,

The Honorable Bobby Jindal, Governor of Louisiana (Chair)
The Honorable Sean Parnell, Governor of Alaska
The Honorable Rick Perry, Governor of Texas
The Honorable Phil Bryant, Governor of Mississippi
The Honorable Robert Bentley, Governor of Alabama
The Honorable Nikki Haley, Governor of South Carolina
The Honorable Robert McDonnell, Governor of the Commonwealth of Virginia

May XX, 2012

The Honorable Ken Salazar
Secretary
United States Department of the Interior
1849 C Street, NW
Washington, DC 20240

Dear Secretary Salazar:

On behalf of all the Governors who are participating in the Outer Continental Shelf (OCS) Governors Coalition, we would like to extend an invitation for you to address the Governors and their staff at the Coalition's meeting on Friday, July 13th in Williamsburg, Virginia. The meeting will begin at 8:00am local time at the Hospitality House, 415 Richmond Road.

Since its inception in May 2011, the mission of the Coalition has been to improve dialogue and understanding about the Outer Continental Shelf. Specifically, the Coalition is dedicated to:

- Improved communication between federal and state officials on Outer Continental Shelf energy issues;
- Improved understanding of the potential resources and opportunities adjacent to the various coastal states;
- Improved understanding of the impact those resources could have on local, state and federal revenues; and
- Improved management and stewardship of coastal resources related to coastal and ocean activities.

On March 13, 2012, the Coalition sent a letter to President Obama outlining some concerns that members of Coalition have in regard to permitting and leasing levels in the OCS as well as ongoing matters of expanded revenue-sharing to all coastal states and improved communication with federal officials. The Coalition has yet to receive a response to the letter. We have attached this letter for your review.

The Coalition would appreciate the opportunity to have a productive dialogue with you on July 13th and looks forward to working with the Department of the Interior to develop a commonsense, balanced plan for U.S. energy development.

Sincerely,

Enclosed: Outer Continental Shelf Governors Coalition letter to President Barack Obama, dated March 13, 2012

Baker, Josh

From: Natalie Joubert <NJoubert@hbwresources.com>
Sent: Friday, June 22, 2012 9:42 AM
To: Chip Kline (LA); Chris Champion (MS); Cindy Sims (AK); Cooper Shattuck (AL); David Holt CEA; Doug Domenech (VA); Elizabeth Bluemink (AK); Emily Domenech (TX); Frank Collins (LA); Garret Graves (LA); I'man Robinson (VA); Janie Mason (AK); Jeffrey Jones (AK); Baker, Josh; Haltiwanger, Katherine; Kip Knudson (AK); Kirk Sims (AL); Mark Robbins (AK); Maureen Matsen (VA); Natalie Joubert; Nick Tew (AL); Randall Ruaro (AK); Sara Benhauser (VA); Tucker Royall (TX)
Subject: OCSGC Reps. Call on Thurs, June 28th - Materials for Review
Attachments: Follow-up to POTUS on March 13 Letter.docx; OCSGC Letter to President_March 2012 _Final.pdf

Dear OCS Governors Reps,

As a reminder, we will hold our first monthly call next **Thursday, June 28th at 4pm ET/3pm CT/12pm AK**. If you did not receive a calendar notice and call-in information from me, please let me know.

For the call, we would like to review the attached letter to President Obama inquiring about the lack of response on the Coalition's March 13th letter (also attached).

The agenda for the call is below:

- Introductions
- Review of one-on-one state calls:
    - Opportunities for media engagement
    - Follow-up on March 13th letter to President Obama
    - Work towards a charter or other official organizational structure
- Discussion of agenda for July 13th meeting in Williamsburg, Virginia
- Recruitment strategy: bringing additional states to the Coalition
- Open discussion for state updates

Look forward to speaking with you next week, and have a nice weekend,

Natalie

Natalie Joubert
Consumer Energy Alliance
1666 K Street, NW Suite 500
Washington, DC 20006
(202) 429-4931 (office)
(202) [redacted] (mobile)

CONSUMERENERGYALLIANCE

www.consumerenergyalliance.org

The Honorable Bobby Jindal, Governor of Louisiana (Chair)
The Honorable Sean Parnell, Governor of Alaska
The Honorable Rick Perry, Governor of Texas
The Honorable Phil Bryant, Governor of Mississippi
The Honorable Robert Bentley, Governor of Alabama
The Honorable Nikki Haley, Governor of South Carolina
The Honorable Robert McDonnell, Governor of the Commonwealth of Virginia

OUTER CONTINENTAL SHELF ★ GOVERNORS COALITION ★

June XX, 2012

President Barack Obama
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

On behalf of all the Governors who are participating in the Outer Continental Shelf (OCS) Governors Coalition, we would like to follow-up on the enclosed letter, dated March 13, 2012, regarding some concerns that we have on the status of offshore energy development.

One of the principal objectives of the Coalition is to advance the dialogue between federal and state officials. Unfortunately, to date no member of the Coalition has received a response from your Administration on the March 13th letter.

The Coalition would appreciate a prompt response from your Administration. We look forward to communicating with you soon.

Sincerely,

Enclosed: Letter to President Obama dated March 13, 2012

The Honorable Bobby Jindal, Governor of Louisiana (Chair)
The Honorable Sean Parnell, Governor of Alaska
The Honorable Rick Perry, Governor of Texas
The Honorable Phil Bryant, Governor of Mississippi
The Honorable Robert Bentley, Governor of Alabama
The Honorable Nikki Haley, Governor of South Carolina
The Honorable Robert McDonnell, Governor of the Commonwealth of Virginia

March 13, 2012

President Barack Obama
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

On behalf of all of the Governors participating in the Outer Continental Shelf (OCS) Governors Coalition, we are writing to inform you of the status of our coalition and to express some concerns we have regarding the status of offshore energy development.

In May 2011, the Governors of Alaska, Louisiana, Mississippi, Texas and Virginia formed the OCS Governors Coalition with the goal of better understanding the promise and potential of offshore energy development. Since its inception, the Governors of Alabama and South Carolina have joined the Coalition.

Specifically, the mission of the Coalition is to improve the potential role of offshore energy production in a comprehensive national energy policy. In addition, the Coalition seeks improved communication with federal officials on offshore resource development and improved overall management and stewardship of coastal resources. We believe these resources could play an important role in job creation, increasing economic activity, mitigating national, state and local government deficits, reducing our foreign trade deficit and putting America on a path to energy independence.

Similar to your recent endorsement of an "all-of-the-above" energy policy, our Coalition embraces the understanding that the United States should develop all of our energy resources – both traditional and renewable sources – to provide our nation with a stable, secure supply of affordable American energy. The soaring cost of fuel further underscores how imperative a comprehensive domestic energy policy is for American families and businesses, particularly at a time of economic recovery.

As we begin a New Year, the Coalition has identified four priorities for 2012 and would like to begin a better dialogue with your Administration in order to address these concerns.

First, the Coalition recognizes that the pace and level of permitting for offshore exploration and production in the Gulf of Mexico and off Alaska must accelerate. We appreciate the safety and regulatory measures implemented by industry and regulators following the *Deepwater Horizon* tragedy in April 2010. Since the incident, delays in permitting, a lack of new permits issued and, in some cases, overly burdensome permit conditions have resulted in dramatically lower investment in U.S. offshore energy – both in comparison to historic levels and to current global norms. While some progress has been made to decrease the average wait time for approvals, we would urge stronger, swifter action. In order to resolve these delays and put our states back to work, the Administration must examine ways to streamline the permitting process and to ensure operators receive permits in a predictable and sustainable way that do not impose onerous, arbitrary conditions that may limit the economic viability of OCS development. This is critical to allow companies to plan their activities and make investment decisions.

Second, the Coalition urges the Administration to expand access to new offshore areas for traditional and renewable energy development. Principally, we remain disappointed by the Administration's failure to include new leasing areas in the Proposed Draft Five-Year Plan for Oil and Gas Leasing for 2012-2017. Despite strong bipartisan support from Virginia, the Administration did not reinstate a lease sale off Virginia. Areas of the Mid- and South-Atlantic and the Eastern Gulf of Mexico contain abundant reserves of oil and natural gas. But with the decision to exclude these areas from consideration where supported by adjacent states, exploration of these frontier areas will not proceed until at least 2018. We urge the Administration to consider more thoroughly the wishes of the affected states when considering offshore leasing plans.

Meanwhile, the Coalition is pleased to see progress on leasing for offshore wind development, including off Virginia's coasts. Other members in the Coalition look forward to similarly exploring the opportunities for offshore wind and tidal energy, and we would appreciate similar cooperation with the Administration on these potential initiatives in the future.

However, we do have concerns that the National Ocean Council (NOC) and its proposed coastal and marine spatial planning will have unintended consequences for all types of energy development, including offshore wind leasing. Before the Council proceeds with its planning program, we urge the Administration to allow for a better understanding of the bureaucratic hurdles that will be erected through this process and for our coalition states to play a more substantial role in NOC recommendations.

Third, the Coalition believes all states that host OCS development off its shores should participate in revenue-sharing associated with offshore energy production. Revenue-sharing provides states with resources to fund coastal restoration and conservation, helping to protect and preserve their coastlines. As an example, Governor Jindal recently released the Louisiana Comprehensive Master Plan for a Sustainable Coast. Funding from future OCS development received by Louisiana through the Gulf of Mexico Energy Security Act of 2006 is critical to protecting citizens from hurricanes and saving Louisiana's coast. As federal and state governments examine opportunities for expanded energy development, we hope the Administration supports efforts to extend revenue-sharing.

Finally, the Coalition seeks updated evaluations on OCS resources. In order to make sound decisions about OCS development, policymakers need current assessments of U.S. offshore energy reserves. Due to advances in technology, the Department of the Interior's estimates for OCS reserves has increased dramatically over the past decade. We believe expanded assessment of offshore resources – particularly in those areas not currently available for leasing – will allow the federal government and the states to reach more informed policies on the role of the OCS in a comprehensive national energy policy. As you know, the National Petroleum Council (NPC) report "Prudent Development" highlighted the vast oil and natural gas resources in the United States, including the OCS, and described how these resources can be developed safely without harming the environment.

The Coalition seeks to establish mechanisms for consistent dialogue with the Administration on these vital issues, and ways for states to have additional input into these determinations. In addition to improving communication via this Coalition, we would recommend that your Administration reestablish the OCS Policy Committee within the Department of the Interior. The previous Committee, whose charter expired in 2010, allowed participation from all coastal state governors, as well as several federal agencies, the business community, the environmental community and other local constituencies. This type of inclusive, consistent communication will help drive a sound OCS policy.

Improving our collective understanding of domestic offshore energy prospects and finding solutions that benefit all Americans through reduced dependence on overseas energy sources, increased domestic energy production, decreased foreign trade deficit and more domestic employment opportunities will help to ensure a bright future for generations of Americans.

We appreciate your attention to these matters, and the Coalition looks forward to working with your Administration more closely to advance these objectives.

Sincerely,

Governor Bobby Jindal
State of Louisiana

Governor Sean Parnell
State of Alaska

Governor Nikki R. Haley
State of South Carolina

Governor Robert Bentley
State of Alabama

Governor Robert McDonnell
State of Virginia

Governor Rick Perry
State of Texas

Governor Phil Bryant
State of Mississippi

Cc: Secretary of the Interior Kenneth Salazar
Bureau of Safety and Environmental Enforcement Director James Watson
Bureau of Ocean Energy Management Director Tommy Beaudreau
National Oceanic and Atmospheric Administration Director Jane Lubchenco

The Honorable Sean Parnell, Governor of Alaska (Chair)
The Honorable Bobby Jindal, Governor of Louisiana
The Honorable Rick Perry, Governor of Texas
The Honorable Phil Bryant, Governor of Mississippi
The Honorable Robert Bentley, Governor of Alabama
The Honorable Nikki Haley, Governor of South Carolina
The Honorable Robert McDonnell, Governor of Virginia
The Honorable Pat McCrory, Governor of North Carolina

September 20, 2013

Mr. Josh Baker
Office of Governor Nikki Haley
State of South Carolina
1205 Pendleton Street
Columbia, SC 29201

Dear Mr. Baker:

Pursuant to Article V of the Outer Continental Shelf (OCS) Governors Coalition's bylaws (attached and highlighted), I am writing to request payment of 2013 dues for your state's membership in the coalition. Annual dues are $1,000.

As a reminder, these modest funds will underwrite the coalition's meeting space and refreshment expenses incurred at our meetings, as well as website hosting and maintenance.

At your earliest convenience, please send a check for $1,000 made out to "OCS Governors Coalition" to me at the following address:

Office of Alaska Governor Sean Parnell
444 N. Capitol Street, NW
Suite 336
Washington, DC 20001

Please call me at 202-624-5859 with any questions.

Regards,

Kip Knudson

Kip Knudson
Director of State/Federal Relations
Office of Alaska Governor Sean Parnell (Chair of OCS Governors Coalition)

Baker, Josh

From: Domenech, Doug (GOV) <Doug.Domenech@governor.virginia.gov>
Sent: Thursday, June 28, 2012 4:25 PM
To: David Holt; Michael Whatley
Subject: FW: Statement of Governor McDonnell After Interior Department Announces Virginia Not Included in the Final 5-Year Program for Outer Continental Shelf Oil and Gas Development

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From: Logan, Paul (GOV)
Sent: Thursday, June 28, 2012 4:02 PM
To: Logan, Paul (GOV)
Subject: Statement of Governor McDonnell After Interior Department Announces Virginia Not Included in the Final 5-Year Program for Outer Continental Shelf Oil and Gas Development

Commonwealth of Virginia
Office of Governor Bob McDonnell

FOR IMMEDIATE RELEASE
June 28, 2012

Contact: Jeff Caldwell
Phone: (804) 225-4260
Email: Jeff.Caldwell@Governor.Virginia.Gov

Statement of Governor McDonnell After Interior Department Announces Virginia Not Included in the Final 5-Year Program for Outer Continental Shelf Oil and Gas Development

RICHMOND – Governor Bob McDonnell made the following statement today after the Department of the Interior announced that Virginia was not included in the Final 5-Year Program for Outer Continental Shelf Oil and Gas Development. This is the proposed final offshore oil and gas leasing program for 2012-2017, which covers leasing strategy and sales on the Outer Continental Shelf (OCS).

Speaking about the announcement, Governor McDonnell said, "Once again, the Obama Administration has demonstrated that they will not allow the safe and responsible development of oil and gas energy resources off of Virginia's coast. Overwhelmingly, and on a bi-partisan basis, Virginia local, state and federal elected officials have supported the development of energy resources off of Virginia's coast. Offshore energy exploration and development would mean thousands of new jobs and millions in new revenue here in the Commonwealth. Virginians need the jobs and America needs the energy. Unfortunately, the plan announced today postpones any future energy development off the coast of Virginia until at least 2017. This delay is unacceptable the vast majority of the citizens of the Commonwealth. It does not help our nation move towards energy independence and it certainly does not help Virginia's workers and economy. Decisions like today's demonstrate that this Administration does not understand what our economy needs to grow and has no vision or plan for using all of America's God-given natural resources. This Administration shows no confidence in the creative and ingenious American private-sector to innovate and overcome obstacles in pursuit of energy development and job creation, nor any confidence that his own administration can safely regulate offshore drilling, which has been done for 40 years in the Gulf of Mexico. This is giving up on a job-creating industry, which is not the American way.

"I call on the administration to immediately reconsider its 2012-2017 OCS plan. And, I encourage Congress to pass legislation to compel the Interior Department to immediately move to offer oil and gas lease blocks off of Virginia."

"The President claims to have an 'all-of-the-above' energy strategy, which is now exposed as a ruse. In reality, this administration's repeated actions have been to attack the production of oil from federal lands, prevent the mining of America's vast coal reserves, and inhibit the extraction of newly discovered expansive deposits of natural gas. Together these resources offer energy security to our country and jobs to our citizens. It's time to say yes to new energy resources for our nation and good jobs for our citizens."

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Baker, Josh

From: Michael Whatley <MWhatley@hbwresources.com>
Sent: Thursday, June 28, 2012 4:32 PM
To: Natalie Joubert; Chip Kline (LA); Chris Champion (MS); Cindy Sims (AK); Cooper Shattuck (AL); David Holt CEA; Doug Domenech (VA); Elizabeth Bluemink (AK); Emily Domenech (TX); Frank Collins (LA); Garret Graves (LA); I'man Robinson (VA); Janie Mason (AK); Jeffrey Jones (AK); Baker, Josh; Haltiwanger, Katherine; Kip Knudson (AK); Kirk Sims (AL); Mark Robbins (AK); Maureen Matsen (VA); Nick Tew (AL); Randall Ruaro (AK); Sara Benhauser (VA); Tucker Royall (TX)
Cc: David Holt
Subject: Emailing: PFP%2012-17
Attachments: PFP%2012-17.pdf

All –

The Final 2012-17 Five Year OCS Oil and Gas Leasing Plan that was released this afternoon by the Department of the Interior is attached for your review.

The plan includes 15 lease sales in 6 OCS regions, including 3 in Alaska (2016 and 2017) and 12 in the GOM. There are no lease sales planned for either the Mid-Atlantic or South Atlantic regions.

Please let me know if you have any questions or would like additional information.

Michael

Michael Whatley
Executive Vice President
Consumer Energy Alliance

Proposed Final Outer Continental Shelf Oil & Gas Leasing Program 2012-2017

June 2012

U.S. Department of the Interior
Bureau of Ocean Energy Management

www.boem.gov

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Tables

Appendix

Abbreviations

Act	Outer Continental Shelf Lands Act
AEO	Annual Energy Outlook
ANWR	Arctic National Wildlife Refuge
ARRA	American Recovery and Reinvestment Act
AWL	Areawide Leasing
AWLH	Areawide Leasing Half
Bbl	barrel
Bbbl	billion barrels
BBO	billion barrels of oil
BBOE	billion barrels of oil equivalent
BEA	Bureau of Economic Analysis
BOE	barrels of oil equivalent
BOEM	Bureau of Ocean Energy Management
BOEMRE	Bureau of Ocean Energy Management, Regulation and Enforcement
BOP	Blowout preventer
BSEE	Bureau of Safety and Environmental Enforcement
Btu	British thermal unit
CDE	Catastrophic Discharge Event
CO_2	carbon dioxide
CZMA	Coastal Zone Management Act
DEP	Department of Environmental Protection
DOD	Department of Defense
DOE	Department of Energy
DOI	Department of the Interior
DPP	Draft Proposed Program
E&D	Exploration and Development
EFH	Essential Fish Habitat
EIA	Energy Information Administration
EIS	Environmental Impact Statement
EP	Exploration Plan
ESA	Endangered Species Act
ESI	Environmental Sensitivity Index
ESP	Environmental Studies Program
ESPIS	Environmental Studies Program Information System
FMP	Fishery Management Plan
FMV	Fair Market Value
FR	Federal Register
G&G	Geological and Geophysical
GDP	gross domestic product
GHG	greenhouse gases
GOM	Gulf of Mexico
GOMESA	Gulf of Mexico Energy Security Act
HAPC	Habitat of Particular Concern

IARPC	Interagency Arctic Research Policy Committee
IEA	International Energy Agency
IPCC	Intergovernmental Panel on Climate Change
LADNR	Louisiana Department of Natural Resources
LNG	liquefied natural gas
Mbbl	thousand barrels
MBOE	thousand barrels of oil equivalent
Mcf	thousand cubic feet
MMbbl	million barrels
MMBOE	million barrels of oil equivalent
MMPA	Marine Mammal Protection Act
MMS	Minerals Management Service
MSFCMA	Magnuson-Stevens Fishery Conservation and Management Act
NAA	No Action Alternative
NAAQS	National Ambient Air Quality Standards
NAB	North Aleutian Basin
NEPA	National Environmental Policy Act
NEV	Net economic value
NMFS	National Marine Fisheries Service
NOAA	National Oceanic and Atmospheric Administration
NO_2	nitrogen dioxide
NOI	Notice of Intent
NPDES	National Pollutant Discharge Elimination System
NSV	Net Social Value
NTL	Notice to Lessees and Operators
N/TS	Nomination/Tract Selection
NWR	National Wildlife Refuge
OCS	Outer Continental Shelf
OECM	Offshore Environmental Cost Model
ONRR	Office of Natural Resources Revenue
OPEC	Organization of Petroleum Exporting Countries
PADD	Petroleum Administration for Defense Districts
PEIS	Programmatic Environmental Impact Statement
PFP	Proposed Final Program
PM_{10}	particulate matter up to 10 micrometers
PP	Proposed Program
PSD	Prevention of Significant Deterioration
RFI	Request for Interest
SEMS	Safety and Environmental Management System
SO_2	sulfur dioxide
TAPS	Trans Alaska Pipeline System
Tcf	trillion cubic feet
TVD SS	True Vertical Depth Subsea
UERR	Undiscovered Economically Recoverable Resources
U.S.	United States

USCG	U.S. Coast Guard
USDOC	U.S. Department of Commerce
USFWS	U.S. Fish & Wildlife Service
USGS	U.S. Geological Survey

Overview

Management of the oil and gas resources of the Outer Continental Shelf (OCS) is governed by the OCS Lands Act (Act), which sets forth procedures for leasing, exploration, and development and production of those resources. Section 18 of the Act calls for the preparation of an oil and gas leasing program indicating a five year schedule of lease sales designed to best meet the Nation's energy needs. The Bureau of Ocean Energy Management (BOEM) is the bureau within the Department of the Interior (DOI) that is responsible for implementing these requirements of the Act related to preparing the leasing program.

BOEM is in the process of preparing a Five Year Program for 2012-2017. This document constitutes the Proposed Final Program (PFP), which is the third in a series of mandated leasing proposals developed for public review before the Secretary of the Interior may take final action to approve the new Five Year Program for 2012-2017. The document consists of the parts described below.

- Part I presents a summary of the PFP as decided by the Secretary. It briefly describes the location and timing of potential OCS oil and gas lease sales proposed for 2012-2017, discusses procedures for ensuring the receipt of fair market value (FMV) for leases as required by section 18, and provides additional information related to the preparation of this PFP.

- Part II describes the framework for developing the new program. It discusses the substantive and procedural requirements that are in place for preparing a program under section 18 and describes BOEM's approach to meeting those requirements. This includes a discussion of the criteria relating to OCS oil and natural gas resources and environmental and social considerations that section 18 requires to be taken into account in deciding where and when to propose lease sales. Also included is a summary of the judicial history and guidance received from the courts concerning the Five Year Program.

- Part III presents the options that BOEM prepared based on its analysis of the section 18 criteria. The options form the basis from which the Secretary chooses the PFP for 2012-2017. Each set of options is prefaced with a brief summary of the relevant results of the section 18 analysis, including consideration of the Final Environmental Impact Statement (EIS) prepared pursuant to the National Environmental Policy Act (NEPA), and consideration of comments that BOEM received from interested and affected parties on the November 2011 Proposed Program (PP).

- Part IV presents the detailed section 18 analysis prepared by BOEM to develop the options presented to the Secretary.

- Appendix A is a summary of the comments received by BOEM in response to its public request for comments on the 2011 PP.

I. SUMMARY OF DECISION—PROPOSED FINAL PROGRAM FOR 2012-2017

Introduction

This is DOI's Proposed Final Outer Continental Shelf Oil and Gas Leasing Program for 2012-2017, which BOEM[1] has prepared pursuant to the Act. Under section 18 of the Act, the Secretary of the Interior is responsible for preparing and maintaining a schedule of proposed OCS oil and gas lease sales determined to "best meet national energy needs for the 5-year period following its approval or reapproval," while also taking into account a range of important principles and considerations specified by the Act.[2]

Accordingly, the PFP presents the careful balancing necessary to ensure that "[m]anagement of the outer Continental Shelf shall be conducted in a manner which considers economic, social, and environmental values of the renewable and nonrenewable resources contained in the outer Continental Shelf, and the potential impact of oil and gas exploration on other resource values of the outer Continental Shelf and the marine, coastal, and human environments."[3] The PFP is central to advancing the President's commitment to expanding safe and responsible domestic oil and natural gas production as part of a comprehensive, all-of-the-above strategy to meet the Nation's energy needs.

This PFP, which follows the January 2009 Draft Proposed Program (DPP) and the November 2011 PP, is the third and final proposed document that the DOI will issue in connection with establishing the new Five Year OCS Oil and Gas Leasing Program (Five Year Program) for 2012 through 2017.[4] As required by section 18 of the Act, the PFP has been submitted to the President and Congress along with copies of the comments received on the PP, transmittal letters to Federal agencies and state governors, and responses to recommendations from the governors. The PFP must be submitted to the President and Congress for a minimum of 60 days before the Secretary can approve the Five Year Program. Assuming the new Five Year Program is approved, the first lease sale under the program is scheduled for November of 2012.

Overview of the Proposed Final Program

This PFP includes fifteen potential lease sales in six planning areas – the Western and Central Gulf of Mexico (GOM), the portion of the Eastern GOM not currently under Congressional moratorium, and the Chukchi Sea, Beaufort Sea and Cook Inlet planning areas offshore Alaska. That portion of the individual planning area that is being considered for leasing in a Five Year Program is referred to as the program area. A

[1] With the exception of publications whose title includes the agency name or as otherwise noted, all references in the document to BOEM include its predecessor agencies, the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) and the Minerals Management Service (MMS).
[2] 43 U.S.C. 1344
[3] 43 U.S.C. 1344(a)(1)
[4] The complete Five Year Program development process is described below in part II of this document.

program area can be the entire planning area as in the Cook Inlet offshore Alaska; a small portion as in the Eastern GOM; or any size in between. The program also provides for the number and timing of sales within and among areas. Maps A and B show the areas proposed for leasing (Proposed Final Program Areas). These include the richest and most promising areas for oil and gas exploration and development on the U.S. OCS and together they include more than 75 percent of the total undiscovered, technically recoverable oil and natural gas resources estimated for the entire OCS The PFP, therefore, advances the Administration's *Blueprint for a Secure Energy Future,* which aims to promote the Nation's energy security and reduce oil imports by a third by 2025 through a comprehensive national energy policy that includes a focus on expanding safe and responsible domestic oil and natural gas production.

Table A below describes the estimated undiscovered, technically recoverable oil and gas resource potential of each of the program areas included for leasing in the PFP.

Table A: Resource Estimates for the 2012-2017 Proposed Final Program[5]

Program Area	**Estimated Undiscovered Technically Recoverable Resources**		
	Oil (Bbbl)	Gas (Tcf)	BOE (Bbbl)
Central Gulf[6]	30.47	130.91	53.76
Chukchi Sea	15.38	76.77	29.04
Western Gulf	12.38	69.45	24.74
Beaufort Sea	8.22	27.64	13.14
Cook Inlet	1.01	1.20	1.23
Eastern Gulf (area not under Congressional moratorium)	0.25	0.65	0.36
Total Proposed Final Program	**67.71**	**306.62**	**122.27**
Total OCS	88.59	398.37	159.49

This PFP also is informed by the experience of the *Deepwater Horizon* event which caused the deaths of 11 workers and resulted in the release of nearly five million barrels of oil into the GOM. Since the *Deepwater Horizon* event, the DOI has raised standards for offshore drilling safety and environmental protection in order to both reduce the risk

[5] *Assessment of Undiscovered Technically Recoverable Oil and Gas Resources of the Nation's Outer Continental Shelf,* 2011. (2011 Assessment). Resource estimates for oil and barrels of oil equivalent (BOE) are expressed in billions of barrels of oil (Bbbl) and estimates for natural gas are expressed in trillions of cubic feet (Tcf).

[6] A portion of the Central Gulf of Mexico Planning Area (CPA) and most of the Eastern Gulf of Mexico were place under moratoria by the Gulf of Mexico Energy Security Act of 2006 and restricted from leasing until 2022. The area restricted is that portion of the Eastern Planning Area within 125 miles of Florida, all areas in the Gulf of Mexico east of the Military Mission Line (86° 41' west longitude), and the area within the CPA that is within 100 miles of Florida.

of another loss of well control in our oceans and to improve the Federal government's and industry's ability to respond in the unlikely event of another deepwater blowout and major oil spill. While offshore oil and natural gas exploration and development cannot be made risk free, these activities can be conducted safely and responsibly, with strong regulatory oversight and appropriate measures to protect human safety and the environment.

To best achieve the goals of making areas containing the vast majority of offshore oil and natural gas resources available for development and ensuring that such development occurs safely and in a manner that protects the environment and other ocean resources, BOEM has developed a regionally tailored approach to offshore oil and gas leasing. This regionally tailored strategy, described in detail below, recognizes that a one-size-fits-all approach to offshore leasing is not appropriate. Decisions about the OCS planning areas to be considered for potential leasing, as well as decisions about the configuration of individual lease sales within a planning area, must be based on the unique combination of resource potential, and environmental and social factors specific to individual OCS areas.

As detailed throughout the PFP, BOEM carefully analyzed and weighed the individual factors specified under section 18 of the Act to develop this regionally tailored leasing program. Based on this analysis, BOEM has developed the schedule of offshore oil and gas lease sales described below.

In sum, the PFP schedules a total of fifteen potential offshore oil and gas lease sales in six OCS planning areas. Twelve of these sales are planned for the Western and Central GOM and the portion of the Eastern GOM planning area that was made available for leasing under the GOM Energy Security Act (GOMESA) in 2006. Oil and natural gas resource potential in the GOM is well-understood and the infrastructure to bring oil and natural gas resources to market and to respond in the event of a spill or other emergency is mature.

The PFP also schedules three potential lease sales in planning areas off of the coast of Alaska – one each in the Chukchi Sea and Beaufort Sea planning areas that span the Alaskan Arctic and one in the Cook Inlet planning area offshore southcentral Alaska. As discussed below, these potential lease sales off Alaska are deliberately scheduled late in the program to allow for the further development of scientific information regarding the oil and gas resource potential in these areas, as well as the sensitive habitats, unique conditions and important other uses, including subsistence hunting and fishing, that are present in Alaskan waters and must be reconciled with energy resource development. North Aleutian Basin, which includes the rich and vital fishing resources of Bristol Bay, was withdrawn from leasing consideration by the President in a statement on March 31, 2010.

Table B below lists the location and timing of the proposed lease sales under the PFP.

Table B: Proposed Final Program for 2012-2017–Lease Sale Schedule

Sale No.*	Area	Year
229	Western Gulf of Mexico	2012
227	Central Gulf of Mexico	2013
233	Western Gulf of Mexico	2013
225	Eastern Gulf of Mexico**	2014
231	Central Gulf of Mexico	2014
238	Western Gulf of Mexico	2014
235	Central Gulf of Mexico	2015
246	Western Gulf of Mexico	2015
226	Eastern Gulf of Mexico	2016
241	Central Gulf of Mexico	2016
237	Chukchi Sea	2016
248	Western Gulf of Mexico	2016
244	Cook Inlet***	2016
247	Central Gulf of Mexico	2017
242	Beaufort Sea****	2017

*As in the PP, the sales are not in numerical order for various reasons. As the 2009 DPP encompassed the 2010-2015 time period, many of the sales listed in that document were carryovers from the latter part of the Five Year Program for 2007-2012 announced in June 2007. These sales were either held, deleted in the December 2010 Revised Program for 2007-2012, or cancelled under the pre-sale process. Those numbers are no longer available for use in this program. Other sales included in the 2009 DPP are no longer being considered for leasing in this PFP and those sale numbers also are not available.
**Sales in the Eastern GOM would only include those areas that are not currently subject to moratorium under GOMESA.
***The Cook Inlet sale is listed as a special interest sale. On March 27, 2012, BOEM issued a Request for Interest, with respect to the Cook Inlet planning area. In light of responses to the Request, BOEM decided to proceed with the pre-sale process for the Cook Inlet and to place the date for a potential lease sale in 2016 to allow time to complete the necessary steps under the Act, develop additional resource and environmental information, and conduct analysis under NEPA.
****Beaufort Sea Sale 242 has been postponed from 2015 to 2017 in recognition of the significant overlapping of subsistence use, resource distribution, species habitat, and to allow more time to analyze and implement our focused leasing strategy in this area.

Regionally Tailored Leasing

The PFP is based on section 18 factors that resulted in leasing strategies that are tailored to specific planning areas in order to best achieve the dual goals of promoting prompt development of the Nation's oil and natural gas resources and providing the necessary protections for the marine, coastal and human environments. The region-specific strategies reflected in the PFP's approach to offshore areas across the OCS are designed to take into account current and developing information about resource potential, the status of resource development and emergency response infrastructure to support oil and gas activities, recognition of regional interest and concerns, and the need for a balanced approach to our use of the Nation's shared natural resources.

This innovative approach best fulfills DOI's responsibility under the Act to balance the various uses of the ocean resources when making leasing decisions, and advances BOEM's commitment to analyzing each potential action in light of the cumulative effects of related activities. Among other things, this Five Year Program establishes and defines parameters for application of this region-specific approach throughout the offshore leasing cycle prescribed under the Act.

Below is a discussion regarding the leasing strategy that BOEM has developed with respect to each of the planning areas that is included in the PFP, as well as the forward-looking strategy for potential oil and gas leasing in areas, such as the Mid- and South Atlantic planning areas, in which lease sales are not scheduled under the PFP but potential future activity is under active evaluation.

<u>The Gulf of Mexico</u>

The oil and natural gas resource potential of the Western and Central GOM, as well as that of the portion of the Eastern GOM not subject to the Congressional moratorium and made available for leasing by GOMESA, are the best understood of the OCS planning areas. The GOM currently supplies more than a quarter of the U.S. domestic oil production. Seismic data and other resource evaluations covering the GOM are extremely sophisticated, providing industry and BOEM with unparalleled detailed geological and geophysical information about the scope and location of oil and natural gas prospects in the GOM. Moreover, the existing infrastructure in the GOM to support offshore oil and natural gas activity, in terms of developing resources, as well as the systems and equipment necessary to respond in the event of an emergency, is mature and well developed.

Therefore, in the Central and Western GOM planning areas, which are the two OCS planning areas that combine the most abundant proven and estimated oil and natural gas resources as well as broad industry interest and mature infrastructure, the PFP includes annual areawide sales of all available, unleased acreage, as has been the traditional leasing model in the GOM.[7]

The PFP also schedules two lease sales in the Eastern GOM planning area. This program area encompasses the Sale 224 area, a sale that was mandated by GOMESA and held in 2008, and a triangular-shaped region to the southeast that is not otherwise restricted. The majority of the Eastern GOM, including all acreage east of 86°41'W longitude and areas west of that longitude that are within 125 miles of Florida, and a small portion of the Central GOM within 100 miles of Florida are subject to Congressional moratorium until mid-2022 pursuant to GOMESA. These areas under moratorium are not included in this Five Year Program.

In summary, the PFP provides the following schedule for planning areas in the GOM:

Western GOM: A total of five annual areawide lease sales beginning in the fall of 2012 that make available all legally available unleased acreage.

Central GOM: A total of five annual areawide lease sales beginning in the spring of 2013 that make available all legally available unleased acreage.

Eastern GOM: A total of two sales, in 2014 and 2016, in areas of the Eastern GOM not currently under congressional moratorium.

Maps 3, 4, and 5 in part III of this document depict the specific GOM program areas proposed for lease sales.

Offshore Alaska

In this PFP, DOI is taking a balanced and careful approach to oil and natural gas leasing offshore Alaska. The PFP schedules one potential lease sale in the Chukchi Sea and Beaufort Sea planning areas, set late in the schedule established under the Five Year Program,[8] as well as one special interest sale in the Cook Inlet planning area if industry interest in that planning area remains sufficient to justify consideration of the sale.[9]

In light of both the significant resource potential that exists in the Alaskan Arctic and the substantial environmental challenges and the social and ecological concerns that are

[7] In response to comments, particularly from the State of Louisiana, a discussion of possible alternatives to areawide leasing is included in the fair market value section in part III.B of this document. These alternatives may be considered for implementation at the lease sale phase, in the GOM as well as Alaska planning areas.

[8] Although the State of Alaska disagrees, as indicated in its letter dated February 8, 2012, with scheduling lease sales offshore of Alaska later in the Five Year Program, the Governor of Alaska has consistently supported sales in the OCS offshore Alaska. Moreover, scheduling oil and natural gas lease sales in the Beaufort Sea and Chukchi Sea is consistent with the State's administration of its offshore oil and gas program.

[9] On March 27, 2012, BOEM issued a Request for Interest with respect to the Cook Inlet planning area. In light of responses to the Request, BOEM decided to proceed with the pre-sale process.

present as well, BOEM's regionally tailored strategy for any future offshore oil and gas leasing in the Arctic is markedly different from the traditional areawide leasing model applied in the GOM, in which all unleased acreage in the area is typically offered for sale, with the exception of limited areas that may be set aside for exclusion; for example, the Flower Garden Banks National Marine Sanctuary.

While this Program begins from the starting point that certain subsets of Arctic areas will be excluded because environmental and subsistence conditions strongly weigh in favor of keeping them off the table for exploration and development, BOEM's goal is to reorient the process for designing Arctic lease sales away from a model where the full area is included, except for specific exclusions. Rather, BOEM is developing a process in which it will continue to use incoming scientific information and stakeholder feedback to proactively determine, in advance of any potential sale, which specific areas offer the greatest resource potential while minimizing potential conflicts with environmental and subsistence considerations. This approach is guided by internal best practices from developing and implementing a "Smart from the Start" strategy for offshore wind, as well as recommendations from the U.S. Geological Survey (USGS) and the National Commission on the BP *Deepwater Horizon* Oil Spill and Offshore Drilling that BOEM consider alternatives to areawide leasing, particularly for frontier areas like the Arctic.

To facilitate this approach, BOEM will carefully consider specific subsets of the broader planning area that have the most promising oil and natural gas resource potential, based on analysis of geological and geophysical (G&G) data as well as information developed through any exploration under existing leases from previous sales. BOEM will further refine those areas in order to exclude or protect through mitigation environmentally sensitive habitats and subsistence uses based on ongoing scientific study and the incorporation of traditional knowledge supplied by Alaskan Natives.

Significant work must be done in the coming years to further develop and aggregate the scientific information and traditional knowledge that will be used to identify areas that may be made available for oil and gas leasing in the Chukchi Sea and Beaufort Sea planning areas under this targeted leasing model.

First, further scientific study and environmental assessment of the Arctic is necessary. In June 2011, USGS issued its *Evaluation of the Science Needs to Inform Decisions on Outer Continental Shelf Energy Development in the Chukchi and Beaufort Seas, Alaska*, requested by the Secretary. The report recognizes that a substantial body of scientific work and knowledge exists with respect to the Arctic and recommends areas of focus for ongoing and future study, as well as further synthesis of existing scientific information from various sources within and outside of the government. Moreover, this approach is consistent with Executive Order 13580, which was issued by President Obama in July 2011 and established a high-level Interagency Working Group on Coordination of Domestic Energy Development and Permitting in Alaska (Working Group). This working group is chaired by the Deputy Secretary of the Interior and is focused on facilitating coordinated and orderly decision-making in Alaska, including development and sharing of scientific information in support of regulatory processes. The Working

Group's efforts are coordinated with scientific work across the Federal government – including through the Interagency Arctic Research Policy Committee (IARPC). Notably, BOEM currently has ongoing studies that are evaluating, for example, the Hanna Shoals habitat in the Chukchi Sea and the subsistence hunting and fishing patterns of Native Alaskans from the North Slope communities of Point Hope, Point Lay and Wainwright.[10]

Second, planning and designing lease sales in the Beaufort Sea and Chukchi Sea planning areas will take into account any information about geology and resource potential that may be developed as a result of G&G surveys and exploration under current leases in those areas.[11] Exploration may provide valuable data for defining the best areas for potential development and for assessing reservoir characteristics such as volumes and pressures that are central to ensuring that appropriate safety measures and spill response resources are in place. Ongoing government, academia, and industry research will contribute valuable information and aid in our understanding of sea-ice dynamics, marine mammal activity, and a variety of other issues pertaining to the Arctic. Important collaborations such as the recent agreement between an oil and gas company and National Oceanic and Atmospheric Administration (NOAA) to share industry data with that Federal Agency opens the door to new collaborations and data access that will further contribute to our collective knowledge.

Further, as offshore oil and natural gas exploration under existing leases moves forward, so too must near- and long-term planning with respect to infrastructure, including spill response preparedness. Current spill response planning is focused on certain, limited near-term proposed drilling operations in the Arctic OCS. Longer term planning and infrastructure development are also necessary, particularly if major oil resources are found and producers seek to engage in year-round production activities. Longer term planning is another major focus of the Working Group. This PFP provides time for contingency planning and infrastructure development that is needed to address these issues.

Defining the Targeted Leasing Model for the Alaskan Arctic

This PFP presents BOEM's current evaluation of a number of different factors that must be considered in the design of potential Arctic sales, which include resource potential, subsistence use, and environmental conditions. For example, Maps C and D for the

[10] Map C regarding the Chukchi Sea planning area illustrates the Hanna Shoal regional and core study areas and describes the current information regarding subsistence use patterns in the Chukchi Sea, which includes primarily existing information for Barrow. BOEM's Environmental Studies Program (ESP) is planning a study (to begin in 2013) to provide updated baseline information concerning subsistence use by Native Alaskan communities in the Chukchi Sea, including among other things, resource harvest locations, areas of specific harvest intensity, and variation in duration of use.

[11] On August 4, 2011, BOEM issued a conditional approval of Shell's revised exploration plan (EP) for the Beaufort Sea to drill up to four exploration wells starting in summer 2012. On December 16, 2011, BOEM issued conditional approval of Shell's revised EP in the Chukchi Sea to drill up to six exploration wells beginning in the 2012 drilling season. On March 1, 2012, ConocoPhillips submitted an EP to drill up to 6 exploration wells, beginning in the summer of 2014, in the Chukchi Sea. BOEM must deem the EP complete and then approve the ConocoPhillips EP among approvals from other agencies necessary before the company may conduct any operations under the EP.

Chukchi Sea and Beaufort Sea planning areas respectively, depict a geospatial analysis of several data sources that is being used to assess these various factors and the interplay among them. The ultimate goal of using this analytical method is to design potential lease sales in the Chukchi Sea and Beaufort Sea planning areas that make significant oil and gas resources in defined areas available while minimizing conflicts with other uses of the OCS, consistent with BOEM's mandate under the Act to balance social, economic, and environmental considerations.

With respect to the oil and natural gas resources, the maps differentiate between areas of high, medium, and low hydrocarbon potential.[12] This data incorporates current geophysical, geological, technological, and economic information and employs a probabilistic methodology to estimate the undiscovered technically recoverable resources of oil and natural gas. Nearly all current and historical leases in these planning areas are located in areas defined as having high petroleum potential.

The maps overlay this resource information with subsistence data obtained through a series of socio-economic studies conducted over the past three decades in order to assess areas of high, medium, and low subsistence use.[13] Further, the maps display important environmental information about the Arctic. These include, for example, the critical habitat area for the Spectacled Eider. They also include regional and core study areas concerning the Hanna Shoal habitat in the northeast Chukchi Sea, where scientific studies have documented sustained benthic productivity, accompanied by high concentration of water birds, walruses, and whales. BOEM's ESP is conducting an ongoing study of this Hanna Shoal area[14] and is initiating a subsistence mapping study focused on the communities of Wainwright, Point Lay, and Point Hope that will inform future decisions.

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[12] *Assessment of Undiscovered Technically Recoverable Oil and Gas Resources of the Nation's Outer Continental Shelf*, 2011. (2011 Assessment).

[13] BOEM's ESP sponsored a study, published in 2009 and entitled "Study Report No. 2009-006 Synthesis: Three Decades of Research on Socio-Economic Effect Related to Offshore Petroleum Development in Coastal Alaska" which includes an extensive presentation of data regarding subsistence use patterns of Beaufort Sea communities and other issues, collected through a series of community-specific technical studies conducted over the course of three decades preceding publication of the report. BOEM is initiating a similar study to map subsistence use patterns of Chukchi Sea communities. MMS – now BOEM – originally designed its template for subsistence research in the 1980s to provide baseline profiles of communities and areas, covering a wide range of topics that collectively described and explained subsistence patterns. These early reports compiled information from the literature, augmented with materials from key respondent interviews and the expertise of investigators. They provide the baseline and starting point for subsequent, community-specific studies of North Slope communities which ESP has continued to support throughout the three-decade period covered by the 2009 report. BOEM OCS Study 2009-003, "Subsistence Mapping of Nuiqsut, Kaktovik, and Barrow" analyzed social science survey data that collected variables of subsistence use such as species harvested, the location and frequency of harvest, and areas commonly used by individual hunters. The report aggregated this information to present it geospatially as a range of intensity of use. Areas at the higher end of the spectrum are defined for the purposes of this map as "high use", while areas with less intensity but some indication of use are defined as "medium use." BOEM recognizes that these data evolve, and will continue to incorporate new information as it becomes available.

[14] The main objectives of the current study are to identify and measure important physical and biological processes that contribute to the high concentration of marine life in the Hanna Shoal area. BOEM will integrate data gained from this study with other relevant Chukchi Sea studies to provide a more complete understanding of environmental considerations such as food web dynamics and potential contaminant bioaccumulations.

BOEM will continue to expand and refine its analysis over the course of the implementation period for this Five Year Program, drawing on a range of information sources, including but not limited to:

- Information gained through any activity on existing leases;
- Ongoing scientific analysis – including science conducted through BOEM's ESP and drawing from the range of available scientific information – and incorporation of traditional knowledge;
- Information gathered over the course of the pre-lease planning process -- as discussed below; BOEM is implementing a number of measures to enhance the effectiveness and transparency of the pre-lease planning process; and
- Information gained through consultations and collaborations with other federal agencies such as the NOAA and the U.S. Fish and Wildlife Service (USFWS) as well as with Alaska Native groups and communities with traditional knowledge of the use of the OCS, the scientific community; industry; and state and local governments.
- Information gained through collaboration and coordination with other entities such as the North Pacific Research Board and the Arctic Research Council who are involved in directing, conducting, or prioritizing science in the Arctic. Two specific examples include: BOEM is coordinating closely with IARPC and has had a role in developing the IARPRC Arctic Research Plan for FY2013-2017 that was recently put out for public comment; BOEM scientists are working with the National Science Foundation initiative Arctic Science, Engineering, and Education for Sustainability to ensure our science efforts are closely integrated and complimentary.

Building on broad-based analysis at the Five Year Program stage, ongoing analysis will support more focused decision-making in the context of defining and planning each of the specific lease sales in the Chukchi Sea and Beaufort Sea planning areas. Should the Secretary decide to move forward with lease sales, the sale planning stage would include a more definitive set of decisions about which blocks to offer, the terms of the sale, and specific lease stipulations and conditions.

In working to finalize this PFP, BOEM has prioritized the development of tools that will facilitate the identification and design of this targeted lease sale strategy for areas offshore Alaska. As described in greater detail in the Enhancements to the Leasing Process section below, a series of new tools will facilitate this ongoing analysis and provide increased transparency to the public throughout the implementation of the Program.

The Chukchi Sea Planning Area

As mentioned above, the PFP schedules one potential oil and natural gas lease sale in the Chukchi Sea planning area in 2016. The PFP maintains a 25-mile nearshore buffer area that was excluded in the 2009 DPP. This area was an alternative analyzed in the 2007-2012 EIS. This area in the Chukchi Sea is excluded in this PFP for the same reasons it was excluded in the 2007-2012 Program, and those reasons are incorporated here by reference.[15] As BOEM moves forward to define potential areas in the Chukchi Sea planning area that may be offered for oil and natural gas leasing, no acreage within this 25-mile exclusion area may be considered for leasing.

Moreover, based on current information regarding both resource potential and areas of significant subsistence use, the Secretary has decided to remove an additional area north of Barrow shall from consideration in defining any future oil and natural gas lease sale area in the Chukchi Sea planning area. As delineated in Map C of the Chukchi Sea planning area, this additional deferral area is located north of Barrow and covers approximately 1,163,409 acres and 208 OCS lease blocks beyond the northern edge of the 25-mile exclusion area.

After evaluating current information regarding resource potential and subsistence use in the Chukchi Sea planning area, the Secretary determined that it is appropriate at the PFP stage to exclude areas in the Chukchi Sea planning area that (1) involve at least medium intensity subsistence use or higher; (2) allow for unencumbered subsistence use; (3) are contiguous with and extend the boundary of an existing deferral area[16], and (4) do not include significant acreage identified as offering high resource potential. Analysis of the Chukchi and Beaufort Sea[17] planning areas shows that this portion of the Chukchi Sea area described above meets those criteria, and is appropriate for exclusion at the PFP. This area does not include any blocks that are currently leased or have been leased in the past. While there is a sliver of acreage in this exclusion area that is identified as having high resource potential, the sliver does not include significant acreage, and including this sliver in the program area would not allow for unencumbered use of the entire medium subsistence use area.

Finally, it is important to note that the study that identified the subsistence use data focused on the communities of Barrow, Nuiqsut, and Kaktovik, which accounts for the areas of high and medium subsistence use being focused on in areas around those communities. At this point, we do not have similarly relevant data around the communities of Wainwright, Point Lay, and Point Hope; which necessitates the study referenced above that will map subsistence use data in these areas. The additional subsistence data made available by this study, along with other analysis, will be considered when making future decisions about the size and scope of potential lease sales.

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[15] As discussed in "Chapter II: Alternatives Including the Proposed Action" of the 2007-2012 Programmatic EIS.

[16] Contiguous, unencumbered subsistence use areas are logistically essential to allow the small vessels used by native communities uninterrupted access to the areas for which their livelihood depends.

[17] The existing Barrow subsistence whaling deferral described later covers all full lease blocks that meet the criteria listed for exclusion.

The Beaufort Sea Planning Area

The PFP schedules one oil and gas lease sale in the Beaufort Sea planning area in 2017. As reflected in Map D of the Beaufort Sea planning area, the PFP excludes two subsistence whaling deferral areas near Barrow and Kaktovik from leasing. These areas in the Beaufort Sea are excluded in this PFP for the same reasons they were excluded in the 2007-2012 Program, and those reasons are incorporated here by reference.[18] As demonstrated in the map, the Beaufort Sea planning area is complex, with significant overlap between areas that may offer significant hydrocarbon resource potential and other uses, including subsistence hunting and fishing. Therefore, it is necessary to take the time available prior to the scheduled potential sale to further analyze the resource potential in the area, including consideration of any exploration activity in the Beaufort Sea planning area under existing leases, and further develop scientific information and incorporate traditional knowledge regarding environmental factors and subsistence uses. This ongoing analysis will inform decisions about the configuration of the Beaufort Sea planning area lease sale, as well as any specific mitigation measures that may be appropriate.

The Cook Inlet Planning Area

The PFP schedules one special interest sale in the Cook Inlet planning area in 2016. This sale was initially scheduled in the PP for 2013, but in light of broad industry interest in the planning area, as expressed in response to the RFI that BOEM issued on March 27, 2012, BOEM has moved this sale to later in the program to accommodate appropriate NEPA analysis and planning. At this point, industry has expressed sufficient interest in oil and natural gas leasing in the Cook Inlet planning area for BOEM to proceed with planning for a potential sale, including conducting an EIS evaluating the potential effects on the entire planning area of an oil and natural gas lease sale in the area.

The Atlantic

This PFP does not schedule lease sales in the North Atlantic, Mid-Atlantic, South Atlantic or Straits of Florida planning areas, consistent with the principles of regionally tailored leasing that underlie the entire program. While certain Atlantic states are supportive of offshore oil and natural gas leasing in the Mid- and South Atlantic planning areas, many other Atlantic states expressed concerns about oil and natural gas development off their coasts and in neighboring areas. While the DPP issued in January 2009 included the North, Mid- and South Atlantic planning areas as under consideration for potential inclusion in the program, a number of specific considerations, discussed below, support the Secretary's decision in the PP and PFP not to schedule lease sales in these areas at this time. Accordingly, BOEM is proceeding with a region-specific strategy to address these considerations and support future decision making regarding whether, and if so where, potential offshore oil and gas lease sales in the Mid- and South Atlantic planning areas would be appropriate.

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[18] As discussed in "Chapter II: Alternatives Including the Proposed Action" of the 2007-2012 Programmatic EIS.

First, current G&G information regarding oil and natural gas resource potential in the Mid- and South Atlantic is based on older data collected in the 1970s and 1980s. Tremendous advances in instrumentation and technology for the acquisition and analysis of G&G data have been made in the intervening decades. Modern G&G data, including seismic surveys and other scientific information, is needed to evaluate the resource potential in these areas and to inform decisions about whether and where any leasing should take place. Accordingly, BOEM has assigned a high priority to moving forward to facilitate resource evaluation in these areas, including conducting a Programmatic EIS relating to G&G surveys in the Mid- and South Atlantic planning areas. BOEM issued this draft EIS for public comment in March 2012 and expects to complete the EIS in late 2012 or early 2013, which could mean G&G surveys in the Mid- and South Atlantic may move forward as early as 2013.

Second, there are complex issues relating to potentially conflicting uses, including but not limited to those of the Department of Defense (DOD), which must be addressed so that any potential future leasing activity in these areas is configured appropriately. For example, in response to the 2009 DPP, DOD identified significant conflicts in the proposed Sale 220 area offshore of Virginia such that it believed that "no oil and gas activity" should be conducted in 72 percent of the proposed sale area and that no permanent oil and gas facilities should be located in an additional 5 percent of the proposed Sale 220 area.[19] DOI respects the military's mission in protecting the United States and will continue to work closely with DOD to understand and deconflict the military's needs in these areas as we consider future energy development in the Mid- and South Atlantic planning areas.

Finally, as DOI moves forward in these areas with facilitating the evaluation of the resource potential and deconflicting potential oil and gas activity from other uses, so too should longer-term analysis and planning be completed for the infrastructure and resources that would be necessary to prepare for such activity. Currently, the Mid and South Atlantic planning areas lack the infrastructure necessary to support oil and gas exploration and development, including infrastructure necessary to support exploration and development activity and for responding to emergencies such as a spill.

Taken together, these factors supported the Secretary's decision not to include the Mid- and South Atlantic planning areas for evaluation at the PP and PFP stage of development of this Five Year Program. Thus, they may not be considered at this PFP stage, under the section 18 winnowing process. However, as summarized above, BOEM is currently pursuing a specific strategy to develop modern, robust scientific information about the scope and location of potential oil and gas resources in the Mid- and South Atlantic and to resolve significant potential conflicts between oil and gas activity and other important OCS uses in these areas, including military, fishing, and vessel traffic uses as well as environmental and infrastructure concerns.

The Pacific

[19] September 18, 2009, letter to MMS Director from the Office of the Under Secretary of Defense

The four planning areas off the Pacific coast were not included for potential oil and natural gas leasing in the PP, therefore are not available for consideration in this PFP under the section 18 winnowing process. This determination was consistent with the requirements of section 18 of the Act, which gives priority leasing consideration to areas where the combination of previous experience; local, state, and national laws and policies; and expressions of industry interest indicate that potential leasing and development activities could be expected to proceed in an orderly manner. Consistent with the principles of section 18 and the resulting regionally tailored leasing strategy, this Five Year Program specifically seeks to provide appropriate weight to the recommendations of governors of coastal states and of state and local agencies. The exclusion of the Pacific Coast is consistent with the long-standing interests of Pacific coast states, as framed in an agreement that the governors of California, Washington, and Oregon signed in 2006.[20] This agreement expressed the governors' opposition to oil and gas development off their coasts, and these states continued to voice these concerns, including in formal comments on the 2009 DPP.

Enhancements to the Leasing Process

BOEM finalized this PFP in a manner that addresses the substantial public input the agency received following issuance of the PP in November 2011. BOEM received over 280,000 written comments, and heard from a range of stakeholders in public hearings that were held in the GOM region, Washington D.C., and in Alaska, including in communities across the North Slope. Many of the comments focused on BOEM's approach to leasing and generally requested additional spatial deferrals, temporal deferrals and mitigations for specific areas in the Arctic and the GOM. As discussed above, while DOI has taken action in this PFP with respect to adjusting the subsistence deferral area in the Chukchi Sea planning area, the regionally tailored approach to leasing underlying the PFP, as well as the multi-staged process under the Act, specifically contemplate further decision-making regarding the location and configuration of offshore oil and natural gas lease sales, including with respect to potential deferrals and mitigation measures, at later stages in the process.

In light of the many comments requesting deferrals and mitigations and BOEM's own review of its leasing process under the Act, BOEM has developed a range of enhancements designed to increase public engagement and transparency with respect to leasing decisions to be made after publication of this PFP. These enhancements also address numerous comments that focused on the importance of developing a strategic approach to leasing on the OCS. Specifically, BOEM has developed tools to increase transparency and public dialogue throughout the stages of the leasing process defined by the Act in order to ensure that each step in the leasing process provides a meaningful opportunity to incorporate feedback and new information. This approach highlights and strengthens many important decision points that exist in the leasing process established by the Act, which begins with the Five Year Program, continues through the planning and

[20] West Coast Governors Agreement on Ocean Health, September 18, 2006

execution of each individual lease sale, and follows with post-lease planning and oversight of operations.

The multi-staged process under the Act provides many opportunities for BOEM to take into account public input and developing scientific information in making determinations regarding the timing, geographic location, configuration and specific conditions, including mitigation measures, of each lease sale. The tools described below are designed to enhance each stage of the process.

Annual Progress Reports

Beginning with this PFP, BOEM is committing to publish an annual progress report on the Five Year Program that includes an opportunity for stakeholders and the public to comment on the program's implementation. Under section 18(e) of the Act, the Secretary must review an approved program each year. Historically, this review has been an internal process with BOEM reporting to the Secretary any information or events that might result in the Secretary's consideration of a revision to the program.

This new annual progress report will provide the public an overview of the activities that have occurred during the previous year, including but not limited to:

- Statistics of sales that have occurred in the previous year including the number and location of lease blocks and the dollars collected on high bids;
- An aggregate collection of all newly enacted deferrals and mitigations;
- A summary of completed and ongoing safety and environmental studies;
- Regulatory updates;
- A discussion of any significant new drilling activities; and
- A summary of any significant incidents.

The findings of this annual progress report may lead the Secretary to revise the program by delaying, cancelling, or reducing the size of scheduled lease sales, which generally does not require revision of the Five Year Program under the Act. If any revisions -- such as including new areas for consideration or adding more sales in areas already included in the program – are considered significant under the Act, then the full section 18 process must be followed with respect to those changes, which may result in the preparation of a new Five Year Program.

Mitigation Tracking Table

As described above, BOEM may incorporate additional spatial deferrals, temporal deferrals, and mitigation measures at a number of different points in the leasing process under the Act. BOEM will continue to use new information, including developing scientific information, to inform decisions at each successive stage. In some cases, BOEM may determine that a certain decision is best suited for a later stage in the process once additional information or analysis becomes available. For example, BOEM has a number of ongoing studies concerning the Chukchi Sea and Beaufort Sea planning areas that will be used to help determine the configuration, including potentially area exclusions in light of environmental concerns or subsistence use, of any lease sales in those areas.

Many comments on the PP requested specific deferrals and mitigation measures. Accordingly, BOEM is establishing a tracking table to provide increased visibility into the consideration of these recommendations at each stage of the leasing process. Beginning with the Five Year Final EIS, this tool will track the lineage and treatment of suggestions for spatial exclusions, temporal deferrals, and mitigation from the Five Year Program to the lease sale phase and on to the plan phase. The tracking table will allow the public to see how and at what stage of the process their concerns are being considered. Thus, the tracking table will increase the public visibility of the iterative and progressive nature of the leasing process under the Act. In addition, the tracking table is a vehicle for BOEM to provide the public with information about the consideration of comments and proposals at multiple decision points in the offshore oil and gas leasing process.

The Pre-Lease Sale Process

BOEM is taking a number of steps to enhance opportunities for the public to comment and provide new information in the pre-lease sale planning process. The first step of the pre-lease sale process is the Call for Information (Call) and the Notice of Intent (NOI) to prepare an environmental analysis. Historically, the Call has generally asked for industry to nominate specific blocks or descriptions of areas within the program area for which they have the most interest, while the NOI requests comments on issues that should be addressed and alternatives that should be considered. To enhance this step in the pre-lease sale process and to make it more robust and inclusive, BOEM will implement a number of enhancements.

BOEM will use both the Call and the NOI as vehicles to ask for specific recommendations about areas of concern that could warrant consideration for mitigation measures or removal from the sale. In the areas of the GOM where BOEM proposes to continue with areawide leasing, this information will help to identify specific concerns that may demand particularized mitigation measures such as additional lease stipulations. In the Arctic, BOEM will use the information gained through this process, in combination with resource estimates, information from potential exploratory drilling, environmental reviews, and other data, to focus leasing on the most promising tracts, while protecting important Arctic habitats and critical subsistence activities.

This approach to the pre-lease process will complement the tracking table, which BOEM will update to indicate where feedback is considered and instances where it has led to a specific mitigation measure, or to removal of an area. Within the Call and NOI themselves, BOEM will provide a link to a tailored map identifying areas in which specific mitigation measures or exclusions have been determined to apply or are under consideration. This tailored map will allow the public to view multiple data layers of existing data and afford the opportunity to provide new data to better inform decisionmakers. See Figure 1 and the more detailed discussion of the lease sale process in part III of this document.

Assurance of Fair Market Value

Section 18 requires that the government receive FMV for OCS oil and gas leases. A series of decisions related to the timing of a lease sale, the leasing framework, sale terms, and bid adequacy provide the foundation for ensuring receipt of FMV. BOEM intends to use a two-phase post-sale bid evaluation process that has been in effect since 1983 to meet the FMV requirement and will continue to study and evaluate refinements and alternative approaches throughout the next Five Year Program. Further, the PFP allows BOEM to evaluate alternatives with respect to delaying a sale area, choosing a leasing framework, and setting the fiscal terms and conditions by individual lease sale, based on the Bureau's timely assessment of market and resource conditions. Part III.B of this document discusses in detail the considerations that go into these decisions. For example, certain lease sales conducted during the latter years of the current 2007-2012 program have incorporated a number of enhanced approaches to ensure FMV and provide incentives for diligent development. Examples from the previous program included adjusting initial lease periods and raising minimum bid requirements based on rigorous economic and historical analysis of activity under leases sold at various prices per acre.

Additional Background Concerning Preparation of the 2012-2017 Program

Preparation of a new Five Year Program usually takes two and a half to three years. BOEM began the preparation process for the Five Year Program by publishing a Request for Information on August 1, 2008 (73 FR 45065). BOEM then published the 2009 DPP for a 2010-2015 program and an NOI to prepare an EIS on January 21, 2009 (74 FR 3631) with the statutory minimum 60-day comment period. On February 10, 2009, the Secretary extended the 2009 DPP comment period for an additional 180 days to September 21, 2009, and personally hosted four public meetings in April 2009, in order to provide additional time for input from states, affected communities, and other stakeholders. The comments received during the comment period and at the meetings were summarized in Appendix A of the PP document. Scoping meetings for the Five Year EIS, scheduled to be held during the initial 60-day comment period, were postponed.

In light of the comment period extension and BOEM's evaluation of existing policies and regulations in light of lessons learned from the *Deepwater Horizon* event on April 20, 2010, the time period to be covered by the new program shifted from 2010-2015 to 2012-2017. The 2009 DPP remains as the first of three decision proposals for the 2012-2017 program; the PP as the second proposal for the 2012-2017 program; and this PFP as the third and, assuming final approval by the Secretary, the last proposal for the 2012-2017 program. If unchanged, this PFP will succeed the current 2007-2012 program, following that program's expiration on June 30, 2012. The 2012-2017 program will be effective on the day that the Secretary approves the program, and that date will be no sooner than 60 days following submission of this PFP to the President and Congress.

The 2009 DPP proposed 31 OCS lease sales in 12 of the 26 OCS planning areas, including the three Atlantic planning areas, two of the planning areas offshore Pacific, four offshore Alaska, including the North Aleutian Basin (NAB) – which includes Bristol Bay – in addition to the three areas in the Gulf of Mexico included in the PP and PFP. The 2009 DPP contained the section 18 analysis on all 26 planning areas. At the PP step, BOEM analyzed six areas, pursuant the Act, in the decision document, and, pursuant to NEPA, in the Five Year Draft EIS. At this PFP step, there is further analysis of the same six areas in this decision document and the accompanying Five Year Final EIS.

On March 31, 2010, President Obama and Secretary Salazar announced a Comprehensive Strategy for Offshore Oil and Gas Exploration and Development to strengthen the Nation's energy security and reduce dependence on foreign oil, while protecting fisheries, tourism, and areas off U.S. coasts that are not appropriate for development. The Secretary announced that scoping for a Five Year EIS would proceed for eight of the twelve areas included in the 2009 DPP, including the Beaufort Sea, Chukchi Sea, and Cook Inlet off the coast of Alaska; Western, Central, and Eastern GOM; and the Mid- and South Atlantic. This comprehensive strategy document excluded the North Atlantic, the two areas offshore California, and the NAB. At the same time, President Obama withdrew the NAB from leasing consideration through June 30, 2017, pursuant to section 12 of the Act and therefore was not available for inclusion in the Five Year Program under section 18. The decision to exclude the North Atlantic and offshore California was made with consideration of comments concerning these areas received on the 2009 DPP. The States of Delaware and New Jersey, states adjacent to the North Atlantic, voiced their opposition to oil and natural gas activities off their coasts and pointed to state policies and initiatives to encourage development of renewable energy sources. In his comments on the 2009 DPP, the Governor of California reiterated the state's long-standing opposition by governors of both parties to new leasing off its coast. That position was also presented by the California Coastal Commission, the state agency which has regulatory authority, pursuant to the Coastal Zone Management Act (CZMA), over Federal activities on the OCS that affect the state's coastal resources.

After the President's March 31, 2010, announcement and in light of the *Deepwater Horizon* event on April 20, 2010, the President and Secretary stressed the need to heighten the standards for the safety and environmental responsibility of oil and gas operations on the OCS. Recognizing that existing regulations had not kept up with the advancements in technology used in deepwater drilling, BOEMRE – now separated into two bureaus, BOEM and the Bureau of Safety and Environmental Enforcement (BSEE) – quickly issued new, rigorous prescriptive regulations that bolstered offshore drilling safety and heightened efforts to evaluate and mitigate environmental risks.

BOEMRE, introduced performance-based workplace safety standards (described below) similar to those used by regulators in the North Sea, to make operators responsible for identifying and minimizing the risks associated with drilling operations. This included the development and implementation of two new rules that raised standards for the oil and gas industry's operations on the OCS.

The Drilling Safety rule, issued in October 2010, heightened standards for well design, casing and cementing, and well control procedures and equipment, including blowout preventers (BOP). This rule requires operators to have a professional engineer certify the adequacy of the proposed drilling program. In addition, the new Drilling Safety rule requires an engineer to certify that the BOP to be used in a drilling operation meets new standards for testing, maintenance, and performance.

The Workplace Safety rule, also issued in October 2010, requires operators to systematically identify risks and establish barriers to those risks in order to reduce the human and organizational errors that cause many accidents and oil spills. Under the rule, operators had to develop a comprehensive Safety and Environmental Management System (SEMS) program by November 2011, which identifies the potential hazards and risk-reduction strategies for all stages of activity, from well design and construction through the decommissioning of platforms. Many companies had developed such SEMS programs on a voluntary basis in the past, but many had not.

In September 2011, BOEMRE published a follow-up proposed rule, "Oil and Gas and Sulphur Operations in the Outer Continental Shelf—Revisions to Safety and Environmental Management Systems" (SEMS II). The proposed rule includes procedures that authorize any employee on a facility to cause work to stop– frequently called Stop Work Authority – in the face of an activity or event that poses a threat to an individual, to property or to the environment. The proposed rule also establishes requirements relating to the clear delineation of who possesses ultimate authority on each facility for operational safety; establishes guidelines for reporting unsafe work conditions that give all employees the right to report a possible safety or environmental violation and to request a BSEE investigation of the facility; and requires third-party, independent audits of operators' SEMS programs. A final rule is expected to publish in 2012. In the meantime, in response to several requests, BSEE issued Notices to Lessees (NTL) 2011-N09 in October 2011, to provide lessees and operators guidance on the development and implementation of a SEMS program.

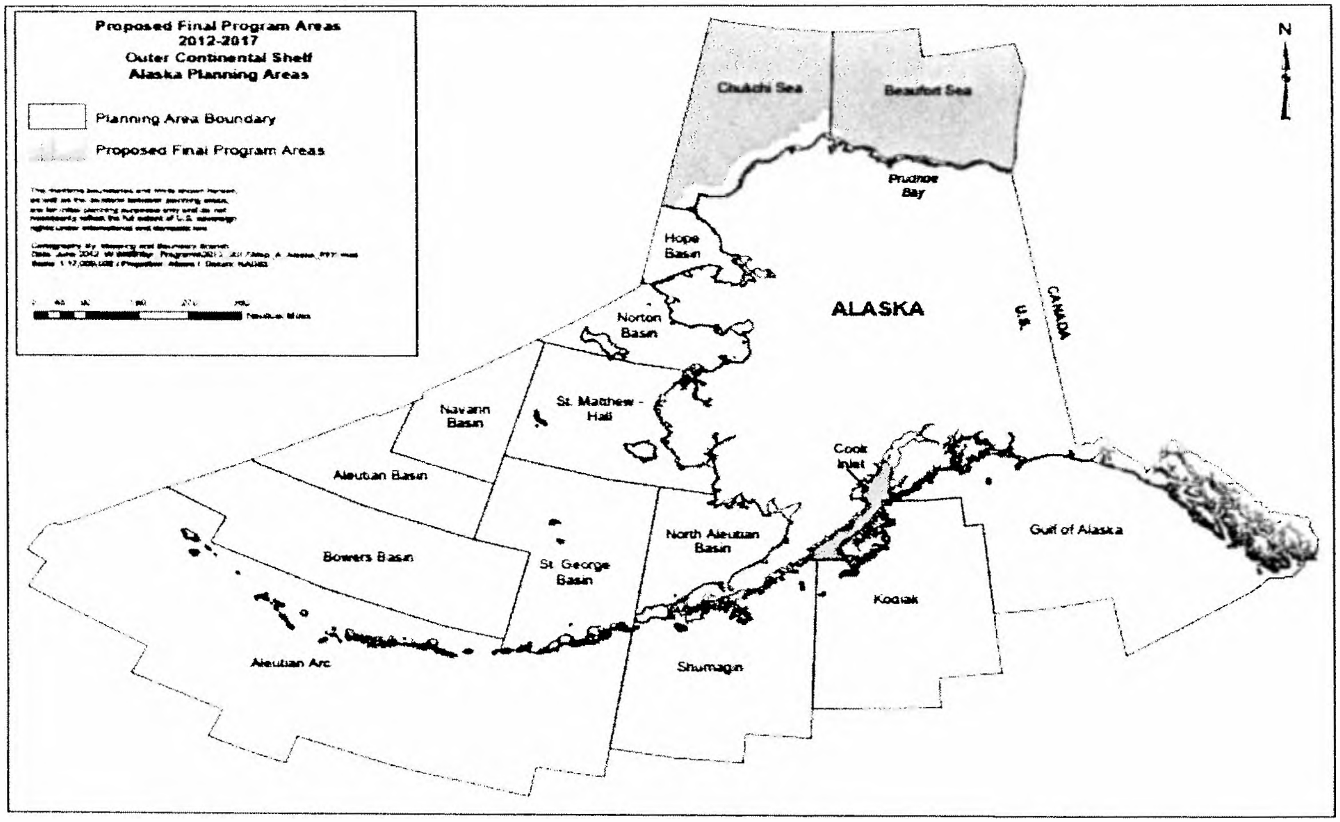
In addition to these important new rules, BOEMRE issued additional guidance to operators on complying with existing regulations. NTL 2010-N06 outlines the information that must be provided in an operator's exploration or development plan, including a well-specific blowout scenario, a worst-case discharge scenario, and the assumptions and calculations behind these scenarios. Operators are required, as described in NTL 2010-N06, to revise their oil spill response plans, if necessary, to address revised calculation of the worst case discharge potential of proposed wells.

BOEMRE's NTL 2010-N10 describes the requirement for a corporate compliance statement and review of subsea blowout containment resources for drilling operations using a subsea BOP or a surface BOP on a floating facility. To obtain a permit to conduct such a drilling operation, operators must demonstrate that they have access to, and can deploy, subsea containment resources that would be sufficient to respond promptly to a deepwater blowout or other loss of well control.

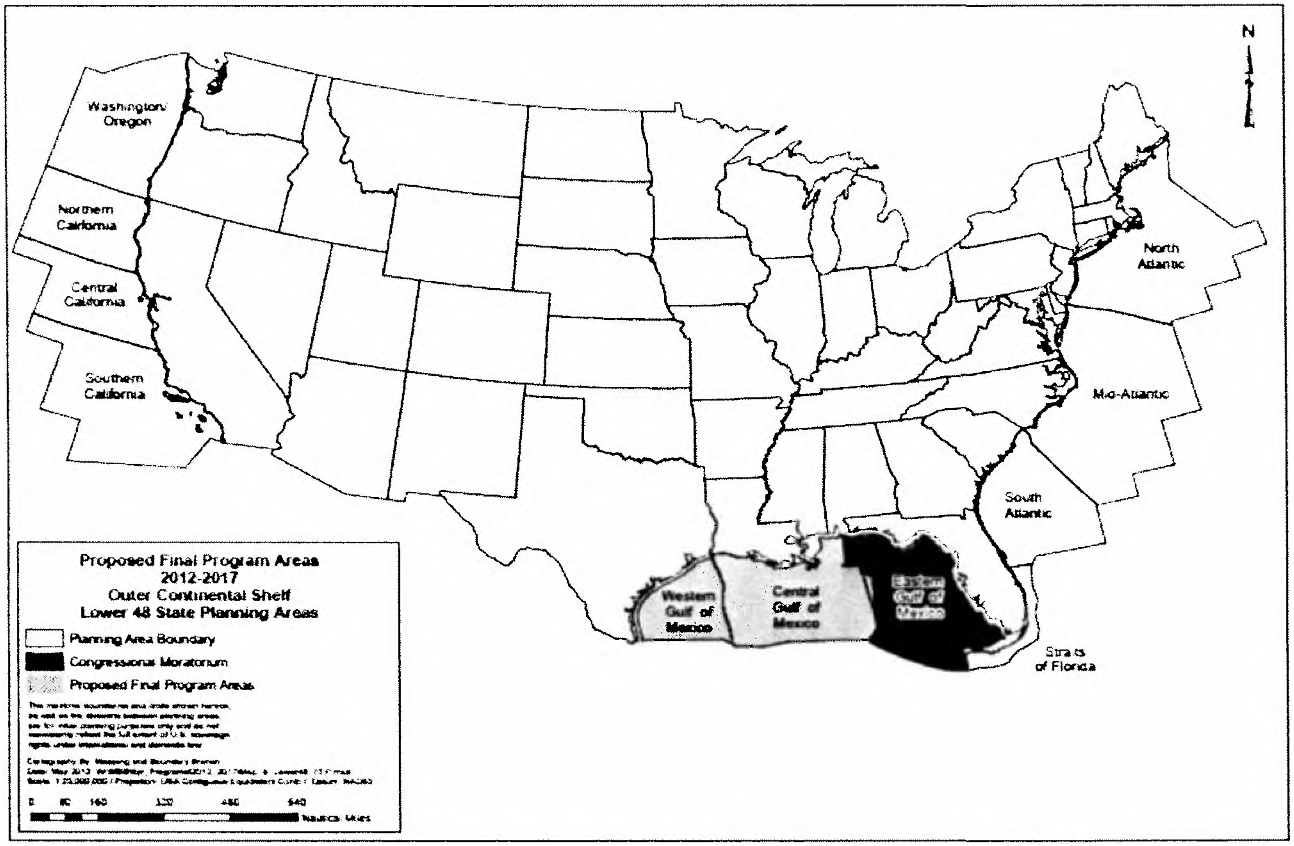
The *Deepwater Horizon* event and subsequent requirements described in NTL 2010-N10 also created new impetus for industry-driven containment technology. For example, the offshore oil and natural gas industry has formed two consortia – the Marine Well Containment Company and the Helix Well Containment Group – to develop and make available to operators subsea containment systems, including capping stacks and systems for the capture of flow from a well. BSEE requires all operations covered by NTL-2010-N10 to demonstrate the ability – in advance of obtaining a drilling permit for each individual well – to deploy the systems necessary to respond to a loss of well control.

Reform efforts also have focused on strengthening the institutions responsible for managing offshore resources and enforcing compliance with safety standards. On May 19, 2010, the Secretary signed a Secretarial Order that directed the division of MMS into three separate organizations – BOEM, BSEE, and the Office of Natural Resources Revenue (ONRR), each with separate and clearly defined missions. Following the completion of that reorganization on October 1, 2011, BOEM manages the environmentally and economically responsible development of the Nation's offshore resources, including preparation and maintenance of the Five Year Program. BSEE is responsible for safety and environmental enforcement of offshore oil and gas operations, including permitting and inspections, and ONRR handles revenue collection and disbursement.

In developing the PP and now this PFP, BOEM carefully considered the risks associated with oil spills and the measures needed to reduce the likelihood of spill occurrence and to mitigate damage in the unlikely event of a blowout. BOEM also considered the significant safety and environmental improvements and reforms implemented by BOEM and BSEE since the *Deepwater Horizon* event; as well as improved industry capabilities such as the development of subsea containment systems. The Five Year Final EIS includes extensive consideration of these reforms, as well as a detailed comparison of current standards with previous regulatory requirements. It concludes that the new measures create a more robust regulatory system that strikes the right balance so that energy development is conducted safely and in an environmentally responsible manner, while also being more efficient, transparent, and responsive. For a more detailed description of the regulatory, policy, and procedural actions taken since the *Deepwater Horizon* event in order to mitigate risks, see Section IV.A of the Five Year Final EIS for the 2012-2017 Program.

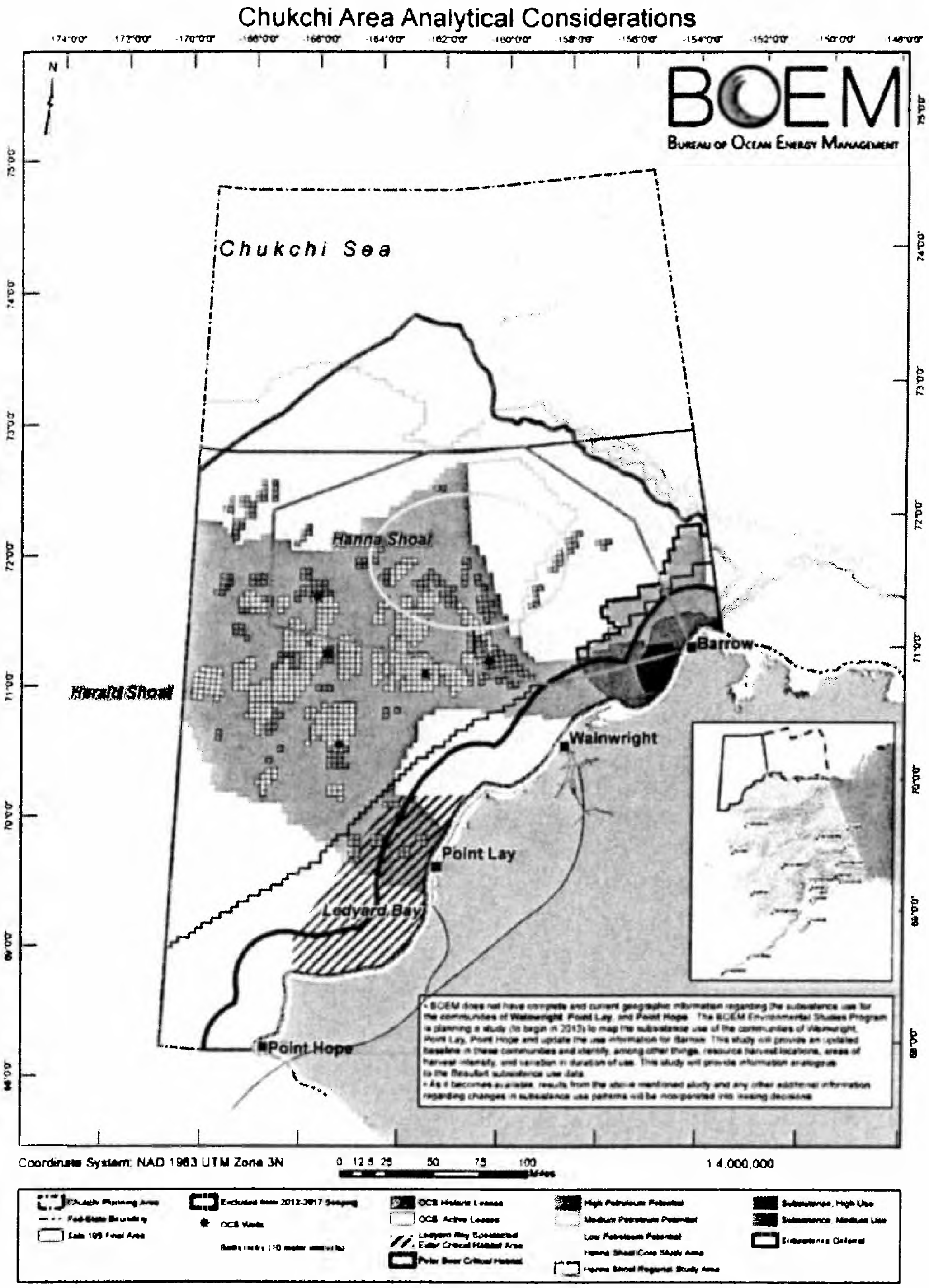


Map A: Shows the Alaska Program Areas

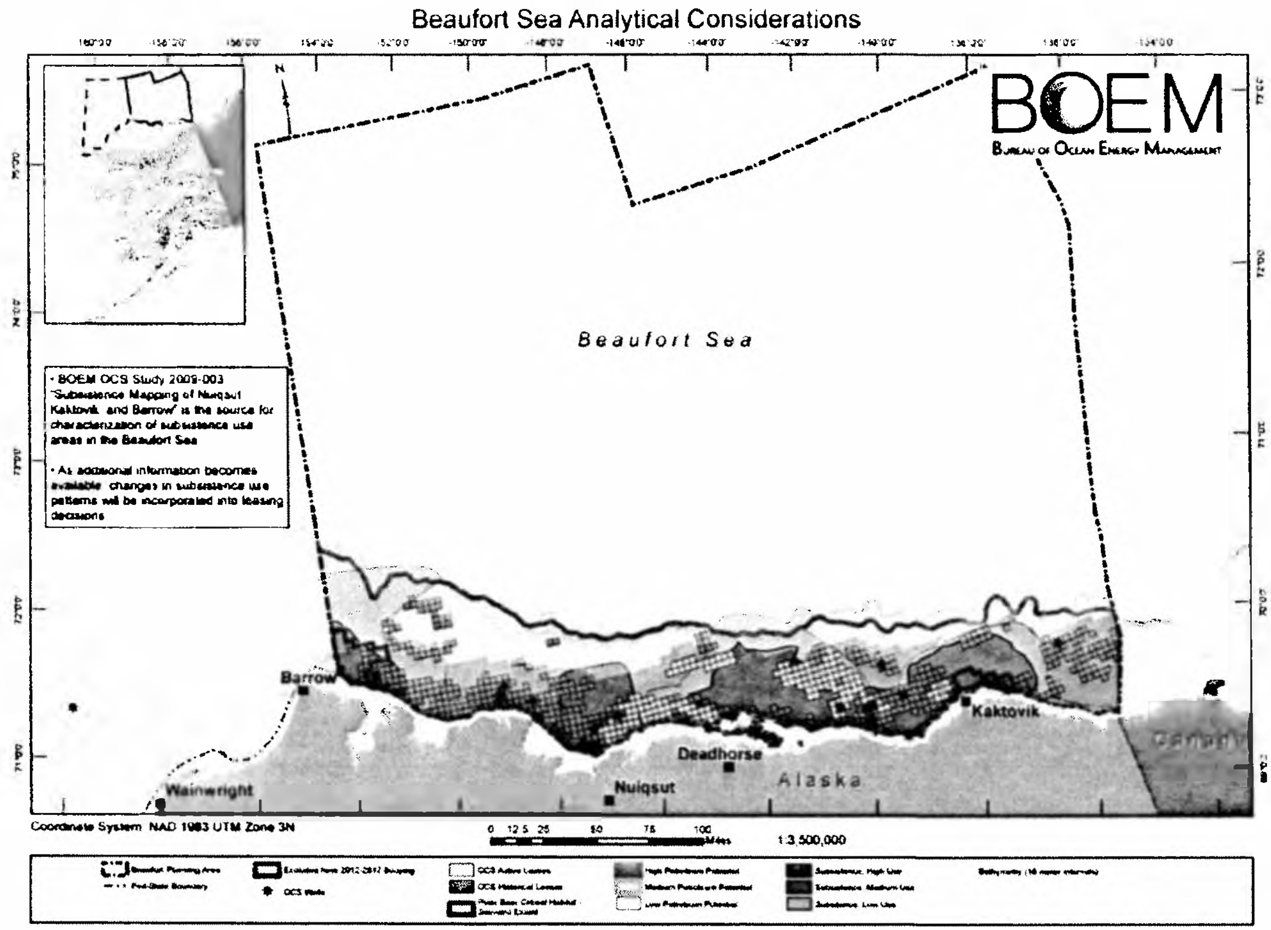


Map B: Shows the Lower 48 State Program Areas

An interactive version of the data depicted here can be found by referencing the "BOEM MMC Mapping Tool - Arctic" map on the Map Gallery Page on MarineCadastre.gov. Or go direct to: http://www.marinecadastre.gov/MMC%20Pages/gallery.aspx



Map C: Shows Chukchi Sea Analytical Considerations



An interactive version of the data depicted here can be found by referencing the "BOEM MMC Mapping Tool - Arctic" map on the Map Gallery Page on MarineCadastre.gov
Or go direct to: http://www.marinecadastre.gov/MMC%20Pages/gallery.aspx

Map D: Shows Beaufort Sea Analytical Considerations

II. FRAMEWORK FOR FORMULATING THE PROPOSED FINAL PROGRAM FOR 2012-2017

A. Procedural Requirements

The development of the PFP is one of several steps in the process of preparing the new Five Year Program. This document is the third and, the last proposal of OCS lease sales for the 2012-2017 timeframe. Before a new Five Year Program may be approved and implemented, BOEM must solicit and consider comments received on a draft proposed program, proposed program, and Five Year Draft EIS, and issue a Five Year Final EIS and a proposed final program to submit to the President and the Congress for a minimum of 60 days. The key steps in preparing a new Five Year Program under section 18 of the Act and section 102(2)(C) of NEPA are described below.

Request for Comments and Suggestions

On August 1, 2008, BOEM published in the *Federal Register* (73 FR 45065) a request for comments and information regarding the preparation of a new Five Year Program for 2010-2015, to commence two years before the expiration of the Five Year Program for 2007-2012, and announced the start of scoping for the associated EIS. BOEM also sent letters to the governors and the heads of interested Federal agencies requesting their input by September 15, 2008.

Draft Proposed Program

The 2009 DPP included various analyses of the section 18 factors (see parts IV and V of the 2009 DPP) and was offered as the initial proposal for the Five Year Program for 2010-2015. BOEM announced the 2009 DPP and NOI to Prepare an EIS in the *Federal Register* on January 21, 2009, (74 FR 3631) and distributed it to governors, heads of interested Federal agencies, and interested and affected parties for a statutorily-mandated minimum 60-day comment period. The Secretary later extended the comment period to 240 days and it closed on September 21, 2009. Extension of the comment period and other intervening events precluded an approved program from covering the originally-proposed 2010-2015 time frame. Nonetheless, comments received at the four public meetings that the Secretary convened in April 2009 are included in Appendix A of the PP decision document.

Proposed Program

The PP was based on further section 18 analyses and consideration of the comments received during the extended comment period on the 2009 DPP. On November 8, 2011, BOEM announced the PP, which was published in the *Federal Register* and submitted, along with supporting analyses and a Five Year Draft EIS, to the governors, heads of interested Federal agencies, Congress, and other interested and affected parties, on November 10, 2011. The 90-day comment period ended on February 8, 2012, during which time BOEM received over 280,000 comments. These comments are summarized in Appendix A of this document.

Proposed Final Program

The PFP is the third and, absent important Presidential or Congressional input during the 60 day period, the last of the Secretary's three proposals and is based on further section 18 analyses and consideration of the comments received by BOEM concerning the PP. BOEM announces the PFP in the *Federal Register* and submits it to the President and the Congress, along with supporting analyses, summaries of any comments received, and an explanation of the responses to any recommendations received from state and local governments and Federal agencies. BOEM issues a Five Year Final EIS concurrently with the PFP.

Program Approval

Sixty days after the PFP is submitted to the President and the Congress, the Secretary may approve the new Five Year Program for 2012-2017.

B. Substantive Requirements

Section 18 of the Act sets forth specific principles and factors that guide Five Year Program formulation by providing the foundation for BOEM analysis that is used in the development of reasonable options for a schedule of proposed lease sales. The Secretary may select from these options indicating, as precisely as possible, the size, timing, and location of leasing activity determined to best meet national energy needs. A brief overview of those section 18 requirements is presented below.

Energy Needs

Section 18(a) states that the purpose of the Five Year Program is to help meet the Nation's future energy needs. Part IV.A of this document presents an analysis of the Nation's anticipated energy needs. The analysis includes discussions of the U.S. Department of Energy's (DOE) projections of national energy needs in the *Annual Energy Outlook*, the potential contribution of OCS oil and natural gas production to meeting those needs, alternatives to OCS production, and considerations relating to regional energy needs.

Environmental Considerations, Social and Economic Value

Section 18(a)(1) requires that the Secretary manage the OCS "in a manner that considers the economic, social and environmental values of the renewable and nonrenewable resources." The program analyses summarized in part IV of this document are conducted to ensure that economic, social and environmental values of the OCS are incorporated as important parts of the program's development. The Act also requires the Secretary to consider potential impacts that oil and gas activities could have on other resource values of the OCS and on the marine, coastal, and human environments. Part IV.B presents the environmental information, including issues and concerns that have been raised by commenters, and presents information relating to safe and environmentally sound operations, as well as pertinent findings of the Final EIS for the Five Year Program for 2012-2017 and other relevant NEPA documents.

Economic Value

Economic value is realized from decades of oil and natural gas activity and production that results from activity on leases awarded during the program. There are several metrics used to calculate economic value, such as net economic value of the extracted oil and natural gas resources, employment, wages and income from oil and natural gas activity, government receipts of cash bonuses, rentals, royalties and taxes, as well as consumer surplus[21] related to potentially lower domestic oil and natural gas prices resulting from OCS production. Economic values are primarily discussed in the Assurance of Fair Market Value Options section in part III and the Comparative Analysis of OCS Planning Areas section in part IV of this document.

Social Value

Social value is realized when OCS resources are combined with inputs or processes to generate improvements in the lives of people or benefits to society. When OCS resources produce the greatest social value, the program is being efficiently managed. Social value is negatively impacted (a social welfare loss) when OCS resources are not developed in the interest of conservation or when program activities result in costs to society, as from the results of air pollution or from a damaging event like an oil spill. Energy substitutes for foregone OCS oil and gas production can also cause social welfare losses, resulting from such things as spills of imported oil or air pollution from increased onshore production. Social values include both economic and environmental values and are components of all the substantive requirements analyses prepared for this PFP, but are especially relevant in the Comparative Analysis of OCS Planning Areas and Assurance of Fair Market Value sections in part IV of this document, as well as in the Five Year Final EIS.

Environmental Value

Environmental value is the worth society places on the intrinsic natural capital in the OCS's renewable and non-renewable resources. Natural capital, the essential goods and services that nature provides, includes marine productivity, quality of aesthetic resources, human-ecological connectivity, and air and water quality. The Final EIS for the 2012-2017 Program considers environmental value in describing the potential impact of oil and gas activity on natural capital in the marine, coastal and human environments. In addition, the substantive requirements analyses presented herein discuss environmental sensitivity, marine productivity, predictive information, and relevant environmental impacts and their importance on environmental value. When monetized for the benefit-cost analysis in the Comparative Analysis of OCS Planning Areas in part IV of this document, by the nature of the unit of measurement, environmental value is expressed in terms of social value, but BOEM attempts to capture the full value both by the nature of the valuation and by the assessment of environmental value in the other analyses.

[21] As explained under the Net Benefits heading in part IV of this document, consumer surplus, a standard term in economics, represents the difference between the price actually charged for a service or product and the higher price consumers would be willing to pay for this service or product if they had to. In this context, an action or event that lowers the price of a good or service will increase consumer surplus by the change in price times the quantity purchased at that lower price.

BOEM is supporting ongoing research to consider options and potential new approaches to defining and measuring environmental value including innovative ways to assess relative environmental sensitivity as called for in section 18 (a)(2)(G) of the Act. Findings from new research are not yet available for use in the PFP analysis, but current approaches are adequate, and may be enhanced by the use of such findings in the preparation of future Five Year Programs.

Factors for Determining Timing and Location of Leasing

Section 18(a)(2) lists eight factors to be considered in deciding the timing and location of oil and gas activities among the different areas of the OCS. While some of these factors lend themselves to quantification to facilitate comparison among planning areas, others do not and need to be considered qualitatively. Each of the eight factors provided in 18(a)(2)(A) through (H) is listed below along with references to the parts of the PFP analysis and the Five Year Final EIS that address them, as appropriate.

(A) Geographical, Geological, and Ecological Characteristics

The main source of information on geographical, geological, and ecological characteristics of the OCS planning areas considered in preparing the PFP is the Final EIS for the Five Year Program for 2012-2017. Other sources include recent NEPA documents prepared for leasing and operational activities; the BOEM 2011 resource assessment and associated reports; the MMS cumulative effects report; the 1994 National Research Council report concerning information for Alaska OCS decisions; scientific study results, which are reported in the ESP information system (database; and any information submitted or cited by commenters.

(B) Equitable Sharing of Developmental Benefits and Environmental Risks

Part IV.C briefly analyzes the equitable sharing factor. It discusses the analyses and findings of previous Five Year Programs and briefly cites new developments and their potential influence on the nature and distribution of benefits and risks associated with the size, timing, and location options available for consideration.

Equitable sharing is and has been affected by the long-term withdrawal of and moratoria on leasing certain areas. The only existing congressional moratorium is pursuant to GOMESA and the executive withdrawals are for the NAB, offshore Alaska through June 30, 2017; and National Marine Sanctuaries that are withdrawn indefinitely.

(C) Location with Respect to Regional and National Energy Markets and Needs

Part IV.A analyzes regional and national energy needs. Chapter III of the Five Year Final EIS describes the socioeconomic environment for each OCS region, including the existing oil and natural gas infrastructure and its relationship to new leasing. Recent lease sale EISs and other NEPA documents cited at the end of this part also provide relevant information relating to regional distribution and processing of OCS oil and natural gas.

(D) Location with Respect to Other Uses of the Sea and Seabed

Part IV.C discusses competing uses of the OCS. This summary is based on information provided in the Final EIS for the 2012-2017 Program. Other sources include the 1997 MMS cumulative effects report, recent lease sale EISs and other NEPA documents cited above in paragraph (A), ESPIS results, and any information submitted or cited by commenters.

(E) Interest of Potential Oil and Gas Producers

Part IV.C describes industry interest as indicated in response to the PP. The discussions of size, timing, and location options in part III also include summaries of industry interest. Appendix A summarizes all comments received from the oil and natural gas companies and associations.

(F) Laws, Goals, and Policies of Affected States

The discussions of size, timing, and location options in part III include summaries of the relevant laws, goals, and policies – including federally approved coastal zone management programs and policies – that any state governments may have identified in responding to BOEM requests for comments on the PP. Appendix A summarizes all comments received from state governors and Federal and State government agencies.

(G) Environmental Sensitivity and Marine Productivity

Part IV.C analyzes environmental sensitivity and marine productivity for the six areas included in the PFP, following the process and format used in the Revised Program for 2007-2012, in response to the U.S. Court of Appeals for the District of Columbia Circuit's remand decision of April 17, 2009, (Center for Biological Diversity, et al. v. Department of the Interior, 563 F.3d 466 (D.C. Cir. 2009)). This expanded analysis includes information from NOAA's Environmental Sensitivity Index (ESI) for shoreline/coastal habitats, plus additional information regarding the sensitivity of offshore and marine resources. The expanded analysis divides into three components the different areas of the OCS that may be affected by oil and natural gas activities – marine habitats, marine productivity, and marine fauna (i.e., birds, fish, marine mammals, and sea turtles). The expanded analysis also considers sensitivity to oil spills and other impacting factors, such as sound and physical disturbance, and increased sensitivity due to climate change and ocean acidification.

"Sensitivity" is not a well-defined term in ecology or environmental science. Sensitivity can be considered from at least two perspectives: 1) the vulnerability of ecological components (such as species) to potential impacts (such as harm to individual animals) and 2) an ecosystem's ability to resist fundamental change and recover from an impact.

Both approaches are valid and provide the information required by section 18 (a)(2)(G), but they each focus on different aspects of an ecosystem. While the former vulnerability approach or "component response" approach provides a relatively straightforward and quantifiable measure of potential impacts, it does not consider the cumulative effect that the impacts have on an ecosystem's ability to resist fundamental, or "state," change, a characteristic known as "resilience", which is captured in the second approach and would focus more on a "system response." In past analyses, BOEM has focused on a vulnerability or component response approach to evaluating sensitivity. The same approach is used in the analysis presented in this PFP, but BOEM is also aware of the "system response" approach. In an effort to constantly improve the basis for decision making, BOEM is supporting ongoing research to consider options and potential new approaches to defining and measuring environmental value including assessments of relative environmental sensitivity as called for in section 18 (a)(2)(A) of the Act. Findings from the new research and analysis are not yet available for use in the PFP analysis, but after appropriate vetting and further consideration, will be considered for use in the preparation of future Five Year Programs.

As used in this PFP and the earlier PP, the term "sensitivity," refers to "sensitivity, as measured by indicators of vulnerability to impact." Hereafter "sensitivity, as measured by indicators of vulnerability to impact," will be indicated by use of the term "sensitivity."

(H) Environmental and Predictive Information

Part IV.B presents an analysis of environmental concerns that references relevant information and findings from the Final EIS for the Five Year Program for 2012-2017, the most recent lease sale EISs and other NEPA documents, as well as other BOEM reports and studies. Part III.A presents selected information and findings from the Five Year Final EIS relevant to each PFP area.

Balancing Potential Environmental Damage, Discovery of Oil and Gas, and Adverse Impact on the Coastal Zone

Section 18(a)(3) requires the Secretary to render decisions on the timing and location of OCS leasing that strike a balance among the potential for environmental damage, the potential for discovery of oil and gas, and the adverse impact on the coastal zone. Part V.C of the 2009 DPP addressed the balancing requirement by presenting a comparative analysis of all 26 planning areas. The PP and this PFP document compare the six areas being considered for leasing, which are referred to as "program areas."

An important element of the comparative analysis is an estimation of societal net benefits for each program area. These are derived by first calculating the value of oil and natural gas resources minus the cost to industry and the net environmental and social costs of developing those resources. BOEM refers to the results of this analysis as "net social value." Consumer surplus benefits are then added to net social value to produce an estimate of net benefits for each program alternative. See the descriptions of the various types of "value" set out previously in this part. The comparative analysis also ranks the program areas according to quantified information relating to environmental sensitivity and marine productivity and according to the interest of potential oil and natural gas producers. Other section 18(a)(2) factors do not lend themselves as readily to quantification and are treated qualitatively. The comparative analysis also examines additional qualitative information pertaining to the findings and purposes of the Act, the comments and recommendations of interested and affected parties, and other information relevant to striking a proper balance under section 18(a)(3).

The Act does not specify what the balance should be or how the factors should be weighed to achieve that balance, leaving to the Secretary the discretion to reach a reasonable determination under existing circumstances.

Assurance of Fair Market Value

Section 18(a)(4) requires that leasing activities be conducted "to assure receipt of fair market value for the lands leased and the rights conveyed by the Federal Government." Part III.B of this document discusses the different mechanisms BOEM has in place to ensure receipt of FMV.

C. Judicial Guidance

The new Five Year Program will be the eighth prepared by DOI. The first three programs prepared and approved under section 18 were challenged in court, in 1980, 1982, and 1987, as was the current 2007-2012 program. The U.S. Court of Appeals for the District of Columbia Circuit decided all of those lawsuits. The new Five Year Program is being prepared in accordance with guidance provided in those decisions, which are cited below.

> *California I* [California *v.* Watt, 688 F.2d 1290 (D.C. Cir. 1981)];
>
> *California II* [California *v.* Watt, 712 F.2d 584 (D.C. Cir. 1983)];
>
> *NRDC* [Natural Resources Defense Council], *et al. v.* Hodel, 865 F.2d 288 (D.C. Cir. 1988)]; and
>
> *CBD* [Center for Biological Diversity, *et al. v.* Department of the Interior, 563 F.3d 466 (D.C. Cir. 2009)].

No lawsuits were filed with respect to the Five Year Programs approved for 1992-1997, 1997-2002, and 2002-2007.

D. Analytic Approach

The analysis underlying development of the PFP for 2012-2017 considers the size, timing, and location of leasing and the provisions for assuring FMV from six program areas. The 2009 DPP identified program areas for further leasing consideration, consisting of all or parts of 12 of the 26 OCS planning areas. See Maps 1 and 2 in part III of this document for the OCS planning areas. The PP and this PFP analyses, examines and compares six selected areas in light of the criteria of section 18 of the Act. These six areas also are analyzed in the EIS for the 2012-2017 Program, prepared pursuant to NEPA to assess the effects of the PFP.

Section 18 factors require balancing by the Secretary. As part of his balancing, the Secretary focused on and applied the following guiding principles when according weight to section 18 factors and in selecting options for the size, timing, and location of areas proposed for leasing in this PFP:

- Give priority leasing consideration to areas where the combination of previous experience; local, state, and national laws and policies; and expressions of industry interest indicate that potential leasing and development activities could be expected to proceed in an orderly and productive manner.

- For areas with known or anticipated estimated hydrocarbon resources, consider leasing if, from a national and regional perspective, anticipated benefits from development substantially outweigh estimated environmental risks.

- Use best available data when committing additional acreage to leasing, especially where there is insufficient confidence in the ability to avoid or mitigate harm to valuable resources and human uses, and enhanced information will allow for better decision making in the next Five Year Program.

- Seek to accommodate the recommendations of governors of coastal states and of state and local agencies.

- Tailor a leasing strategy to specific regions in order to best achieve the dual goals of promoting prompt development of the Nation's oil and natural gas resources and ensuring that this development occurs safely and with the necessary protections for the marine, coastal and human environments. This region-specific approach accounts for such issues as current knowledge of resource potential, adequacy of infrastructure including oil spill response capabilities, accommodation of regional interest and concerns, and the need for a balanced approach to the use of natural resources.

Development of a new Five Year Program for 2012-2017 is based on analysis of information relating to the criteria of section 18 of the Act, which governs preparation and maintenance of the Federal offshore oil and natural gas leasing program. The options presented in this document have been formulated and selected in light of these principles and the factors and elements to be considered and balanced under section 18(a) of the Act Parts III and IV of this document discuss in detail the sources of information and the methodologies applied in the PFP analyses. Also, much information is incorporated by reference. This information is listed below.

Final EIS for the Proposed Program for 2012-2017 (expected July 2012)

Decision Document for the Proposed Program for 2012-2017 (November 2011)

Decision Document for the Revised Final Program for 2007-2012 (December 2010)

Decision Document for the Draft Proposed Program for 2010-2015 (January 2009)

Final EIS for the Proposed Final Program for 2007-2012 (April 2007)

Cook Inlet Planning Area Oil and Gas Lease Sales 191 and 199, Final Environmental Impact Statement, OCS EIS/EA, MMS 2003-055, Volumes 1-3, 2003

Structure-Removal Operations on the Gulf of Mexico Outer Continental Shelf, Programmatic Environmental Assessment, OCS EIS/EA, MMS 2005-013, 2005

Gulf of Mexico Oil and Gas Lease Sales: 2012-2017; Western Planning Area Lease Sales 229, 233, 238, 246 and 248; Central Planning Area Lease Sales 227, 231, 235, 241, and 247; Draft Environmental Impact Statement, 2011.

Gulf of Mexico Oil and Gas Lease Sales: 2007-2012; Western Planning Area Sales 204, 207, 210, 215, and 218; Central Planning Area Sales 205, 206, 208, 213, 216, and 222; Final Environmental Impact Statement, MMS 2007-018, 2007

Gulf of Mexico OCS Oil and Gas Lease Sale 216/222; Central Planning Area; Final Supplemental Environmental Impact Statement; 2012

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III. PROPOSED FINAL PROGRAM OPTIONS

A. Size, Timing, and Location Options

Introduction

This part presents the options from which the Secretary may choose the size, timing, and location of leasing activity for 2012-2017. BOEM has formulated these options based on its consideration of information relating to the section 18 criteria and based on the results of comments and consultation with interested and affected parties.

The OCS is divided into 26 planning areas, as was addressed in previous proposals. NAB, offshore Alaska, is subject to Presidential withdrawal from disposition by leasing until after June 30, 2017. Most of the Eastern GOM Planning Area, including areas east of 86°41'W longitude or located within 125 miles of Florida and a portion of the Central GOM Planning Area within 100 miles of Florida are unavailable for leasing consideration until after June 30, 2022, pursuant to GOMESA. These restricted areas are not proposed for consideration.

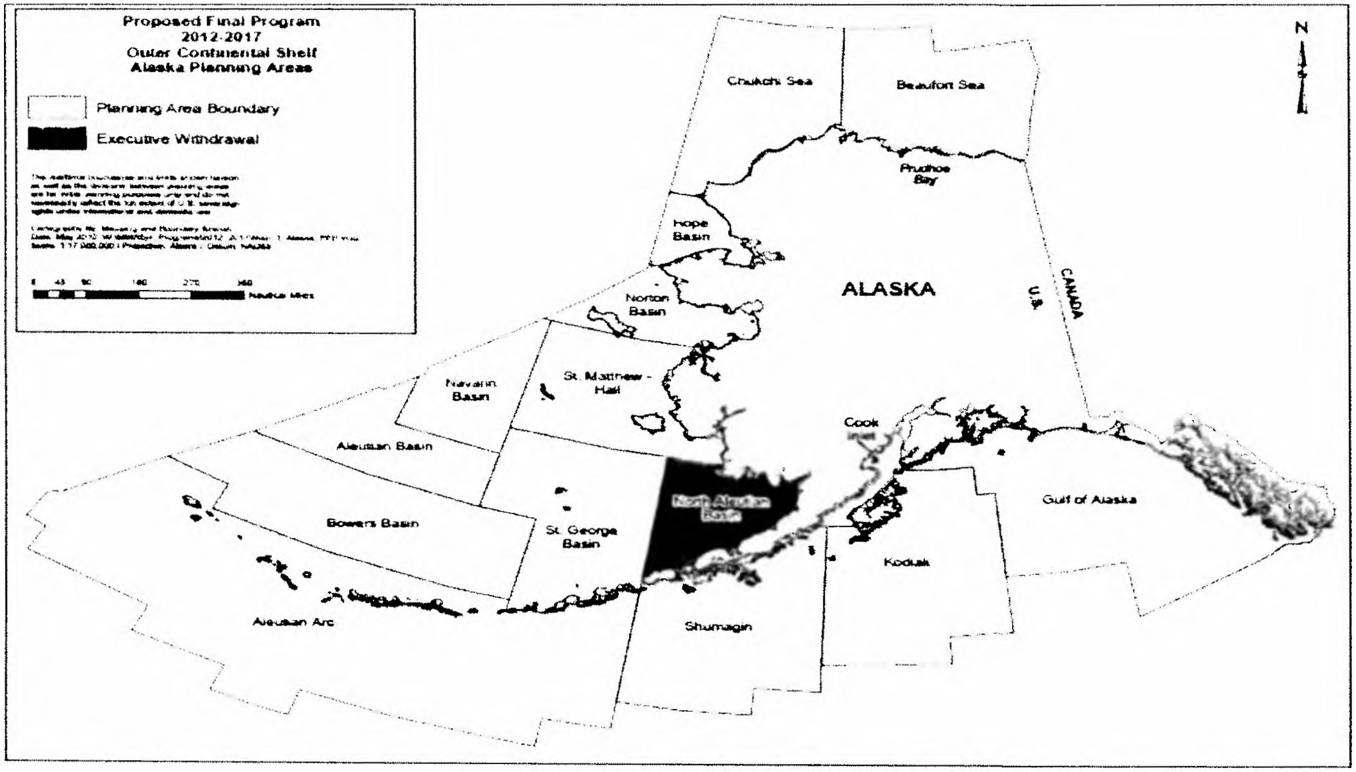
The 2009 DPP proposed for consideration the NAB (which has since become subject to Presidential withdrawal, as discussed above), as well as two areas offshore California and three areas in the Atlantic OCS. See the discussion in part I of this document concerning those six planning areas, which were not considered for leasing in the PP. Those areas, therefore, are not included in this PFP and not analyzed in this document. Under the section 18 process, the Secretary winnows the areas for detailed consideration in the PP and the PFP. This approach also is consistent with *California II*, which found that "[i]f the Secretary has already determined that no leasing activity will occur in a particular area [sic] there is no need to fully evaluate that area." Maps 1 and 2 show the 26 planning areas, identifying those areas currently unavailable for leasing.

The section 18 objectives of formulating a program to "best meet national energy needs" and to assure the receipt of FMV for leases and the rights they convey are significant determinants of the size, timing, and location options. The analyses of net social benefits and the factors specified by section 18(a) (2) provide a sound basis for developing options. Those analyses, which are presented in part IV of this document, examine economic, social, and environmental values; oil and natural gas resource potential and industry interest; distribution of benefits and risks; competing uses of the OCS; regional energy needs; and the laws, goals, and policies of affected states. By considering that information for each area of the OCS available for leasing consideration in the next Five Year Program, BOEM is able to weigh different resources, values, and policies in formulating reasonable options that can be selected by the Secretary to achieve the balance required by section 18(a)(3).

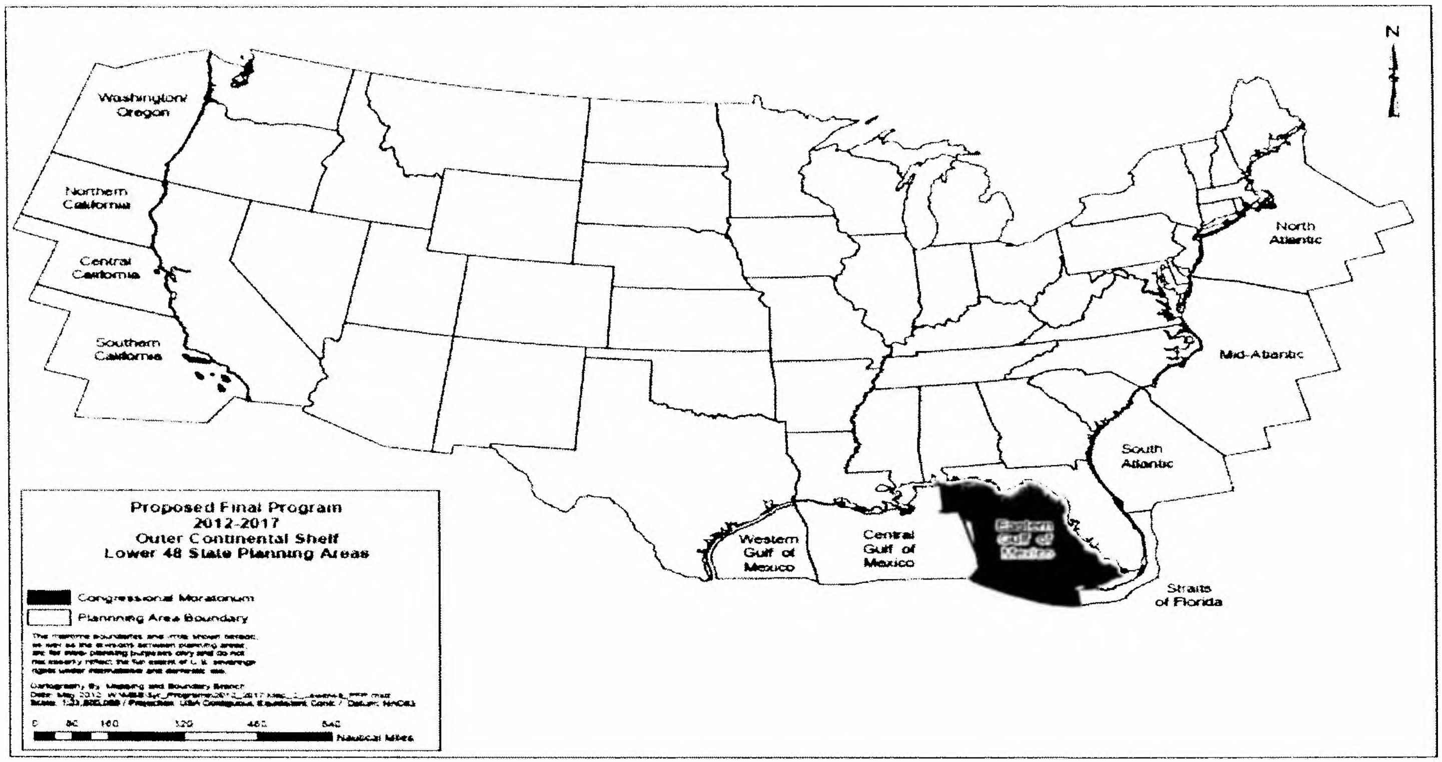
To ensure adequate oversight to limit potential environmental damage and adverse impacts on the coastal zone, the Secretary decided to continue with his decision in the PP to focus on offshore areas that currently have leases and/or exploration, some level of support from the adjacent state and local governments, and/or known or anticipated hydrocarbon presence. This decision was made for the PP and confirmed in this PFP after consideration of the various section 18 factors; such as law, goals, and policies of adjacent states, as well as the level of knowledge concerning the potential for recoverable oil and gas resources and the environmental and other relevant information needed to make informed decisions.

The removal of the Mid- and South Atlantic planning areas from the scoping process was done for a number of reasons. The potential amount and location of oil and natural gas resources in the Mid- and South Atlantic planning areas are not known, and the existing G&G information is outdated. Modern G&G data, including seismic surveys and other scientific information, is needed to evaluate the resource potential in these areas and to inform decisions about whether and where any leasing should take place. Accordingly, the Secretary is moving forward with an environmental analysis related to potential G&G studies to support the evaluation of the oil and natural gas resource potential in these areas. This NEPA work will facilitate the studies which potential bidders and the government need in order to intelligently engage in lease sale planning. Also relevant to the Secretary's decision not to include the Mid- and South Atlantic Planning Areas in scoping for the Draft EIS and consideration in the Five Year Program was the need to resolve conflicts, including those related to national defense. Further, as DOI moves forward in these areas with facilitating the evaluation of the resource potential and deconflicting potential oil and gas activities from other uses, so too should longer-term analysis and planning be completed for the infrastructure and resources that would be necessary to prepare for such activity.

As noted in part I, the 2009 DPP encompassed the 2010-2015 timeframe, while the PP and PFP encompass 2012-2017. For that reason, the presentation of the 2009 DPP options in this document do not list the sale year, only the total number of sales in the 2009 DPP for the particular area. The selected comments summarized for each PFP area were received during the 90-day comment period on the PP, which closed on February 8, 2012. In an attempt to be more transparent as to the Secretary's consideration of comments received in making his decision, responses to noteworthy comments also are included in this part.



Map 1 – Alaska Planning Areas with restrictions



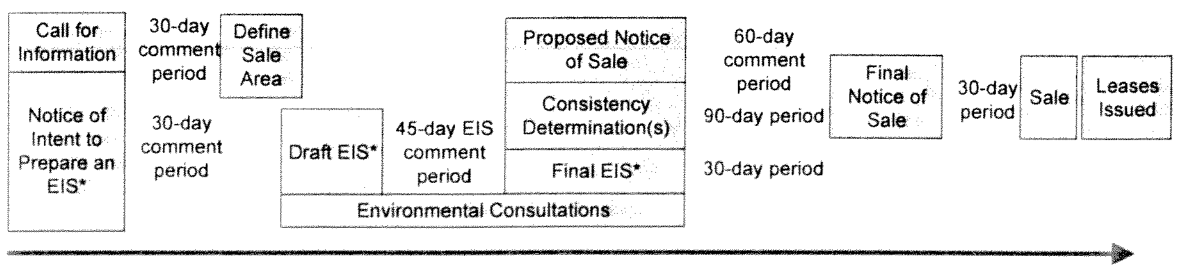
Map 2 – Lower 48 State Planning Areas with restrictions

Additional Considerations

An important element underlying the determination of the location and size of lease sales in a Five Year Program is the configuration of planning areas and program areas for leasing consideration. The OCS planning areas initially were established pursuant to the Act Amendments of 1978 and have been reconfigured several times over the past 30 years, most recently to correspond to administrative lines announced in the *Federal Register* in January 2006 and announced in the Draft Proposed Program for 2007-2012 (February 2006). That portion of the individual planning area that is being considered for leasing in a Five Year Program is referred to as the program area. A program area can be the entire planning area as in the Cook Inlet offshore Alaska; a small portion as in the Eastern GOM; or any size in between. The program also provides for the number and timing of sales within and among areas.

The PFP options provide for scheduling lease sales in the Western, Central, and Eastern GOM Planning Areas and the Chukchi Sea, Beaufort Sea, and Cook Inlet Planning Areas off Alaska. Each lease sale that is scheduled in the approved Five Year Program for 2012-2017 will be subject to an established prelease evaluation and decision process in which interested and affected parties may participate. That process examines the proposed lease sale, starting with the area identified as available for leasing consideration in the Five Year Program, and considers reasonable alternative lease sale configurations, reductions, and/or restrictions within that area. No sale area may be larger than the Five Year Program area. The prelease process leads to the final decision on the terms and conditions of each OCS lease sale. Figure 1 provides a schematic rendering of the process used for a typical lease sale in any area of the OCS. In some cases, steps may be in a different order or even repeated, based on the particular needs of the sale and area. Figure 1 is followed by a brief textual description of the process's multiple steps and decision points.

Figure 1: Lease Sale Process



- Call for Information and Nominations – Requests comments from the public on areas of special concern that should be analyzed. Invites potential bidders to nominate areas of interest within program areas identified for leasing consideration in the Five Year Program and requests information on environmental and other aspects of the program area.

- NOI to Prepare an EIS – Alerts the public that an EIS will be prepared, provides description of the proposed action and possible alternatives, and of the scoping process including any scheduled meetings for scoping of the NEPA document/EIS. Note that sometimes the NOI is published after the Area Identification step below.

- Area Identification – Identifies area for proposed action to be analyzed in NEPA/EIS document based on information gathered from the Call and the Notice of Intent (if preceding the Area Identification). Decisions at this step will be made public, particularly if there is a change to the area included in the Call and Notice of Intent.

- Draft EIS – Evaluates the potential environmental impacts of proposed action and alternatives and the potential effectiveness of mitigating measures.

- Public Review and Comment – Draft EIS is made available for public review for at least 45 days.

- Environmental Consultations – Consultations will occur with agencies such as USFWS and National Marine Fisheries Service (NMFS). This also includes Government-to-Government consultations that are of particular importance in the Alaska OCS.

- Final EIS – Incorporates responses to public comments on the Draft EIS and presents evaluation of environmental impacts analysis as updated from the Draft EIS.

- Consistency Determination – Documents Federal determination on whether the proposed sale is consistent to the maximum extent practicable with federally approved state coastal zone management plan.

- Proposed Notice of Sale – Provides information to the states and the public on the proposed area to be offered and the proposed lease terms and conditions.

- Letters to the Governors – Governors of the affected states are sent copies of the Proposed Notice for their review as required under section 19 of the Act.

- Final Notice of Sale – Published a minimum of 30 days before the sale is held. Includes date, time and location of the bid opening, blocks offered, and terms and conditions of the sale.

- Record of Decision – Records the final decision for the NEPA process regarding the selected action, alternatives, environmentally preferable alternatives and environmental mitigation, adopted or not. Published a minimum of 30 days before the sale is held.

- Sale – Sealed bids submitted by qualified bidders are opened and read publicly on the day of the sale. Bids are checked for technical and legal adequacy to determine the high bid that is then subject to further evaluation before a lease may be issued.

- Lease Issuance – Follows completion of FMV analysis and review by the Department of Justice and Federal Trade Commission.

At the Program stage, size, timing, and location options are designed also to mitigate drainage to Federal oil and natural gas resources on unleased lands and associated revenue losses that could occur as a result of existing or anticipated development activity on adjacent state leases. At the lease sale stage, terms and conditions are designed to mitigate potential adverse effects of lease activities. Acquisition of new G&G data is also a relevant consideration. Finally, the scheduling of lease sales must allow time for orderly and deliberate preparation for each sale, including the acquisition and analysis of relevant scientific information, and the completion of the prelease and NEPA evaluation and decision processes.

Proposed Final Program Options for Scheduling Lease Sales

This decision document offers options for scheduling lease sales for the six program areas. Background information on the history of leasing and related activities in each area was included in the 2009 DPP and is not repeated in this document. Summaries of the key results of the comparative analysis and the selected comments of interested and affected parties with responses to some of the comments as discussed above precede each set of lease sale options. The comparative analysis summaries are condensed from part IV.C and the comment summaries are adapted from Appendix A.

A discussion of the individual options follows each set of options. Each leasing option is discussed in terms of the anticipated benefits of the proposed leasing and ensuing production, as well as the potential environmental impacts that could be expected. As explained in part IV.C, the valuation of anticipated production differs from the total net benefits analysis in the 2009 DPP. The latter compared the value of all the economically recoverable resources available for leasing in each area while the former compares the value of only those resources that would reasonably be expected to be discovered and produced given the size and timing of the lease sale(s) specified in each option.

Relationship of Proposed Final Program Options to the Final EIS Alternatives

The Five Year Final EIS analyzes eight alternatives that correspond to individual lease sale options as follows:

- Alternative 1—The Proposed Action (Option 1 for all areas; Option 2 for Eastern GOM)
- Alternative 2—Exclude the Eastern GOM from the 2012-2017 program (Option 3)
- Alternative 3—Exclude the Western GOM the 2012-2017 program (Option 2)
- Alternative 4—Exclude the Central GOM from the 2012-2017 program (Option 2)
- Alternative 5—Exclude the Beaufort Sea from the 2012-2017 program (Option 2)
- Alternative 6—Exclude the Chukchi Sea from the 2012-2017 program (Option 2)
- Alternative 7—Exclude the Cook Inlet from the 2012-2017 program (Option 2)
- Alternative 8—No Action (Option 3 for Eastern GOM; Option 2 for all other program areas)

GULF OF MEXICO REGION

Draft Proposed Program Decision

The 2009 DPP proposed annual areawide lease sales in the Western and Central GOM and three sales in the Eastern GOM, offering all available blocks not covered by leasing restrictions and including a 75-mile no-permanent surface structures buffer for a portion of the Eastern GOM Planning Area[22].

Proposed Program Decision

The PP proposed annual areawide lease sales in the Western and Central GOM and two sales in the Eastern GOM of all available, unleased acreage in all three areas. The majority of the Eastern GOM and a small portion of the Central GOM are unavailable for leasing consideration until mid-2022 pursuant to GOMESA.

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[22] Much of the 2009 DPP area in the Eastern GOM was and is under leasing restriction pursuant to GOMESA. A restricted area may be included on a five year schedule but may not be offered for further leasing consideration as long as the restriction remains in effect. The PP and this PFP does not include any area in the Eastern or Central GOM that is currently under leasing restriction.

Proposed Final Program Options

Western Gulf of Mexico

Key Comparative Results. The net benefits of anticipated production in this PFP area are estimated at about $16.81 billion in the low-price case, $49.57 billion in the mid-price case, and $82.37 billion in the high-price case. This area ranks as "More Sensitive to Impact" as a component of environmental sensitivity, and 4th of 6 for marine productivity.

Selected Comments. The Louisiana Department of Natural Resources (LADNR) supports OCS leasing, but thinks that more areas should be considered for leasing than the GOM and offshore Alaska. LADNR strongly urges expanded revenue sharing, not just for new leasing in the GOM, but also to take into account historical impacts, and not just for GOM but also other areas of the OCS. DOE and DOD support the OCS program. Several environmental public interest groups opposed any OCS drilling, particularly in deep water. Others requested that no sales be held until at least 2014 to allow time for BOEM to reconsider its analysis and that there be no drilling until post-*Deepwater Horizon* recommendations have been met. Five companies in the oil and gas industry supported the PP which included this area.

Responses. The PFP focuses on areas where there are currently active leases, exploration, and/or known or anticipated hydrocarbon potential, like the GOM and offshore Alaska. This strategy makes available for development more than 75 percent of undiscovered technically recoverable oil and gas resources estimated on the OCS. This is part of the Administration's plan to reduce dependence on imports by a third by 2025. While the Secretary appreciates the benefits that could be realized by more expansive sharing of OCS revenues, the authority and formulas for such must be provided in legislation by Congress. Additionally, DOI has made significant progress in accelerating reforms that have improved the safety and environmental protection of the OCS since the *Deepwater Horizon* event, improving both the safety of offshore drilling to reduce the risk of another loss of well control in the oceans, and the collective ability to respond to a blowout and spill.

(1) Five areawide sales starting in 2012 of all legally available, unleased acreage in the area depicted in Map 3

(2) No sale

Discussion

Option 1 (5 Sales)

Valuation. The net benefits of anticipated production in this PFP area are estimated at$16.81 billion in the low-price case, $49.57 billion in the mid-price case, and $82.37 billion in the high-price case.

Environmental Impacts. This option is analyzed in the Final EIS under Alternative 1. A summary of the Final EIS findings follows.

Water Quality—Routine operations that could result in minor to moderate, localized, short-term impacts include structure placement and construction (pipelines, platforms) and operational discharges (produced water, bilge water, and drill cuttings) and sanitary and domestic wastes. Structure placement and removal could increase suspended sediment loads, while operational discharges, sanitary and domestic wastes, and deck drainage could affect chemical water quality. Compliance with National Pollutant Discharge Elimination System (NPDES) permits and U.S. Coast Guard (USCG) regulations would reduce most impacts of routine operations. The effects of accidental oil spills will depend upon material, spill size, location, and remediation activities. Small spills would likely result in short-term, localized impacts. Impacts from a large oil spill, including those from a very large spill associated with an unlikely Catastrophic Discharge Event (CDE), defined as a discharge of a volume of oil into the environment that could result in catastrophic effects, could persist for an extended period of time if oil were deposited in wetland and beach sediments or low-energy environments because of potential remobilization.

Air Quality—Routine operations are expected to result in only minor impacts to air quality. Sources of air pollutants such as nitrogen dioxide (NO_2), sulfur dioxide (SO_2), particulate matter of up to 10 micrometers (PM_{10}), and carbon dioxide (CO_2),associated with OCS oil and gas development include diesel and gas engines, turbines, and support vessels. Routine operations would not result in exceeding the National Ambient Air Quality Standards (NAAQS) or impact visibility. Increases of ozone, if they occur, would be less than 1 percent of total concentrations. Small accidental oil spills could have localized and temporary impacts. Pollutant levels from very large spills, including accidental spills associated with an unlikely CDE, and associated *in situ* burning if used, would generally be small. Plumes from *in situ* burning could temporarily degrade visibility in Prevention of Significant Deterioration (PSD) Class I areas.

Acoustic Environment—Routine operations could affect ambient noise conditions, and impacts to ambient noise levels are expected to be minor to moderate. Noise generating sources associated with routine operations include seismic surveys, drilling and production, infrastructure placement and removal, and vessel traffic. Depending on the source and activity, changes in ambient noise levels could be short-term and localized (e.g., from vessel traffic), long-term and localized (from production), or short-term and less localized (from seismic surveys). Seismic surveys could result in short-term changes in ambient noise levels, but the changes could extend well beyond the survey boundary.

Coastal and Estuarine Habitats—Routine operations would result in minor to moderate localized impacts primarily due to facility construction, pipeline trenching and landfalls, channel dredging, and vessel traffic. The effects of accidental oil spills will depend on the specific habitat affected; the size, location, duration, and timing of the spill; and on the effectiveness of spill containment and cleanup activities. Small spills would likely result in short-term impacts while large spills, including a CDE-level spill, could cause both short-term and long-term impacts depending on habitat type and location and effectiveness of spill containment and cleanup activities.

Marine Habitats—Routine operations could result in moderate short and long-term impacts to benthic and pelagic habitats. Benthic habitat could be disturbed by platform and pipeline placement, dredging, and operational discharges, including produced water and cuttings. Soft sediment habitats can recover within a few years from most disturbances. Existing mitigation measures should eliminate most direct impacts to sensitive and protected benthic habitats. Marine benthic habitat could be affected by a large oil spill, including a CDE-level spill. Impacts could be long-term and range from small to medium, depending on the habitat affected; the size, duration, timing, and location of the spill; and the effectiveness of spill containment and cleanup activities. Impacts to high density deepwater communities from routine operations and accidental spills are unlikely, but may be permanent if they do occur. Major impacts to coral reef habitats could occur if the Flower Gardens Banks are heavily oiled and high mortality occurs.

Essential Fish Habitat—Routine operations could result in no more than moderate, short- and long-term impacts to essential fish habitat (EFH) and managed species. Existing mitigation measures should eliminate most direct impacts to coral EFH. Impacts from accidental oil spills, including a CDE-level spill, could be long-term, depending on the size, duration, timing, and location of the spill; the habitats affected; and the effectiveness of spill containment and cleanup activities.

Marine Mammals—Impacts to marine mammals from routine operations include noise disturbance from seismic surveys, vessels, helicopters, construction and operation of platforms, and removal of platforms with explosives; potential collision with vessels; and exposures to discharges and wastes. Impacts to cetaceans could range from negligible to moderate, with species or stocks inhabiting continental shelf or shelf slope waters most likely to be affected. The West Indian manatee and rare or extralimital whale species, i.e., those from outside the area, are not likely to be affected. A large accidental oil spill, including a CDE-level spill, would have minor to moderate impacts to marine mammals. Impacts from spill response activities are expected to be minor.

Terrestrial Mammals—In the Western GOM, there are no endangered terrestrial mammals that would be impacted by the proposed action.

Marine and Coastal Birds—Routine operations may result in negligible to moderate localized short-term impacts associated primarily with infrastructure construction, and ship and helicopter traffic. Impacts of routine operations to important coastal habitats such as nesting areas and overwintering sites could result in greater, more long-term impacts should normal breeding and nesting activities be disrupted. Small accidental oil spills are expected to have largely local, small effects. Large spills, including a CDE-level spill, may result in long-term, and possibly population-level effects. The magnitude of the effects will depend on the size, duration, and timing of the spill; the species and habitats affected; and the effectiveness of spill containment and cleanup activities.

Fish Resources—Negligible to minor impacts to fish, and negligible impacts to threatened or endangered fish species are expected from routine operations. A large accidental oil spill, including a CDE-level spill, is not likely to result in population-level impacts except potentially for spills that significantly affect overfished species and their spawning grounds. Oil contacting shoreline areas could result in large-scale lethal and long-term sublethal effects on early life stages of some species, but no permanent population level effects are expected.

Reptiles—Routine operations would result in minor to moderate localized impacts to marine turtles primarily from seismic exploration, facility construction, pipeline landfalls, channel dredging, and vessel traffic. Accidental oil spills could result in large impacts depending on the size, location, duration and timing of the spill, and on the effectiveness of spill containment and cleanup activities. Small spills would likely result in short-term impacts while large spills, including a CDE-level spill, could incur both short-term and long-term potentially population level impacts depending on the species and habitat type affected, and on the size and duration of the spill.

Invertebrates and Lower Trophic Levels—Routine operations could result in negligible to moderate impacts to primarily benthic invertebrates, primarily from habitat disturbance associated with infrastructure placement, and from routine discharges. Recovery could be short-term to long-term. Large accidental oil spills, including a CDE-level spill, could measurably depress invertebrate populations especially in intertidal areas, but no permanent impacts are expected.

Areas of Special Concern—Impacts resulting from routine activities are expected to be negligible to moderate because of existing protections and use restrictions. Large accidental oil spills, including a CDE-level spill reaching such areas, could negatively affect fauna and habitats, individuals fishing for food, commercial or recreational fisheries, recreation and tourism, and other uses of these areas.

Population, Employment and Income—Direct expenditures associated with routine operations would result in negligible impacts from small increases in population, employment and income in the region over the duration of the leasing period, corresponding to less than 1 percent of the baseline. Given existing levels of leasing activity, impacts on property values would be negligible. In areas where tourism and recreation provide significant employment, accidental oil spills, including a CDE-level spill, could result in the short-term loss of employment, income and property values. Expenditures associated with spill cleanup activities would create short-term employment and income in some parts of the affected coastal region(s).

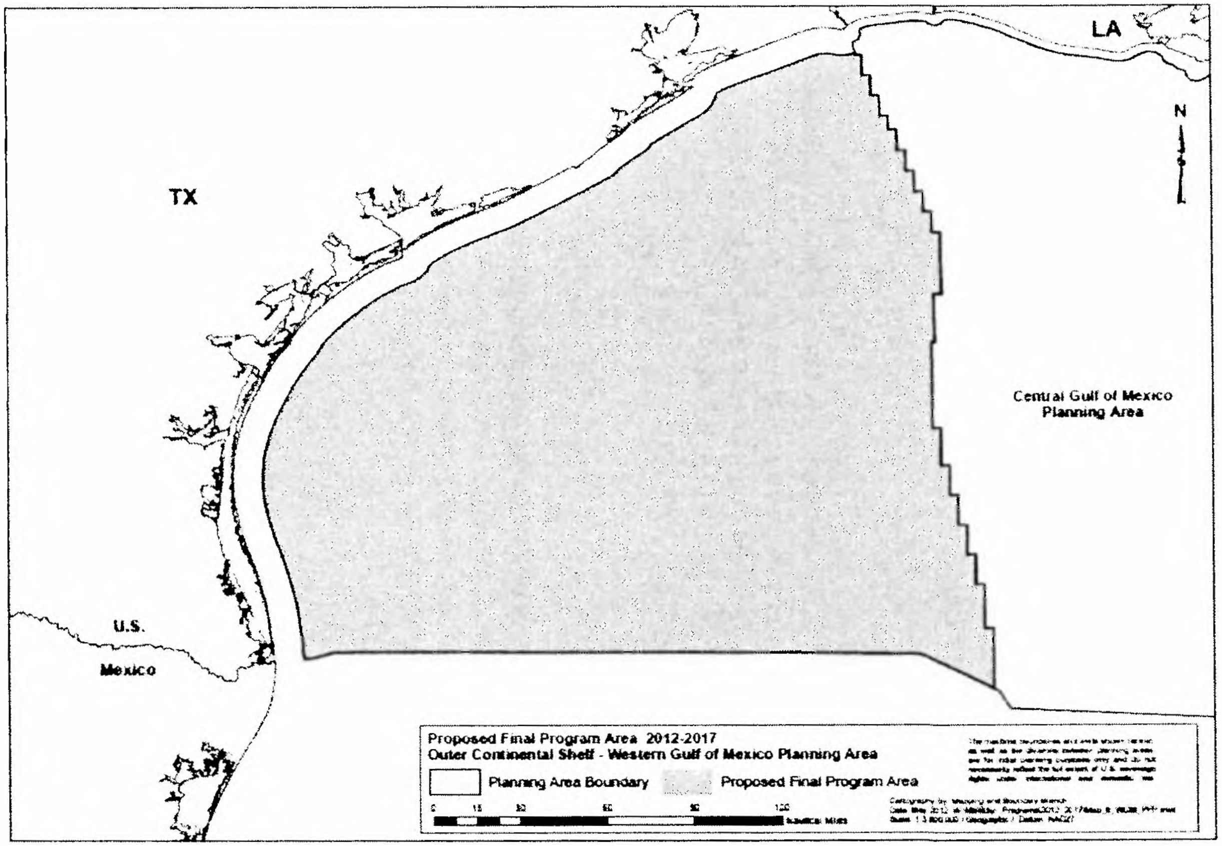
Land Use and Existing Infrastructure—Negligible to minor impacts on land use, development patterns, and infrastructure could result from routine operations. Existing infrastructure generally would be sufficient to handle exploration and development associated with potential new leases. Projected impacts from an accidental oil spill, including a CDE-level spill, would likely include stresses of the spill response on existing infrastructure, and restrictions of access to a particular area while the cleanup is being conducted. Impacts would be expected to be temporary and localized.

Fisheries—Routine operations would have a minor impact on individuals fishing for food, the cost of commercial fishing, or on the number of recreational fishing trips, in the region over the duration of the leasing period. Large accidental oil spills, including a CDE-level spill, may have small to medium, short-term impacts on fisheries resources, including lethal and sublethal toxic effects on exposed eggs, larvae, juveniles, and adults, and small to medium impacts on commercial trawling and recreational charter fishery activities and individuals fishing for food. The magnitude and duration of effects will depend on the location, size, duration, and timing of the spill; the fisheries affected; and the duration and effectiveness of spill containment and cleanup activities.

Recreation and Tourism—Routine operations would produce minor impacts to beach recreation, sightseeing, boating, and fishing, while offshore structures would create positive impacts to diving and recreational fishing. The impact of an accidental oil spill, including a CDE-level spill, on tourism and recreation will depend on the size, location, duration, and timing of the spill, as well as on the effectiveness and timeliness of spill containment and cleanup activities.

Sociocultural Systems and Environmental Justice—Because of the well developed and long established oil and gas industry in the GOM, routine operations are expected to have minor impacts on sociocultural systems. Expansion of deepwater development could lead to longer offshore work shifts, which could increase stress to workers, families and communities. Impacts from accidental oil spills would be small, except in the case of very large spills. Very large spills, including a CDE-level spill, may temporarily halt and impact economies associated with the oil and gas industry, but also other sectors of the economy. Depending on the duration of such halts and the magnitude of economic impacts, this could result in social and cultural stress, leading to possible social pathologies. Because of the non-coastal location of the majority of low income and minority population groups, routine operations are not expected to add additional environmental justice concerns and impacts would be negligible. Impacts of accidental oil spills, including a CDE-level spill which is not expected, would be minimal.

Archaeological Resources—Impacts could range from negligible to major depending on the presence of significant archaeological or historic resources in the area of potential effect. Archaeological and historic resources (especially offshore resources), may be affected by platform and pipeline construction and by dredging, which could damage or destroy affected resources. Onshore impacts (resource damage or loss; visual impacts) are possible from pipeline landfall, onshore pipeline, and road construction. Anchor drags could affect seafloor resources such as shipwrecks. Most resources are expected to be avoided.



Map 3 – Western Gulf of Mexico Program Area

Option 2 (No Sale)

Valuation. The net benefits of production would be zero since no activity would occur. However, foregoing the production anticipated to result from any sales in the Western GOM would result in environmental and social costs incurred to obtain the energy substitutes, including additional imports of oil and increased onshore production of oil and natural gas, among others.

Environmental Impacts. This option is analyzed in the Final EIS under Alternatives 3 and 8. A summary of the Final EIS findings follows.

Under this option the potential direct effects of routine operations in the Western GOM that are described under the analysis of the proposed action would not occur. No oil spills would originate within the Western GOM from new leasing, although marine and coastal resources there would be exposed to effects from spills that might originate from existing leases and from elsewhere, including the Central GOM. Energy substitutions for the foregone hydrocarbon production in the Western GOM would be small to moderate and would be accounted for largely by increased import tankering, a considerable proportion of which is expected to be destined for terminals in the Western GOM. This option would create a discontinuity in the regular occurrence of lease sales in the Western GOM that could result in reduced local employment and labor income, as well as potential outmigration and reductions in community services.

Central Gulf of Mexico

Key Comparative Results. The net benefits of anticipated production in the PFP area are estimated at about $62.48 billion in the low-price case, $200.16 billion in the mid-price case, and $344.60 billion in the high-price case. This area ranks as "Most Sensitive to Impact" as a component of environmental sensitivity and 3rd of 6 for marine productivity.

Selected Comments. LADNR supports OCS leasing, but thinks that more areas should be considered for leasing than the GOM and offshore Alaska. LADNR strongly urges expanded revenue sharing, not just for new leasing in the GOM, but should take into account historical impacts, and not just for GOM but also other areas of the OCS. The Florida Department of Environmental Protection (DEP) was concerned about effects from oil and natural gas activities from all of the GOM, not just the Eastern GOM. DOE and DOD support the OCS program. Several environmental public interest groups opposed any OCS drilling, particularly in deep water. Others requested that no sales be held until at least 2014 to allow time for BOEM to reconsider its analysis and that there be no drilling until post-*Deepwater Horizon* recommendations have been met. Five companies in the oil and gas industry supported the PP which included this area.

Responses. The PFP focuses on areas where there are currently active leases, exploration, and/or known or anticipated hydrocarbon potential, like the GOM and offshore Alaska. This strategy makes available for development more than 75 percent of undiscovered technically recoverable oil and gas resources estimated on the OCS. This is part of the Administration's plan to reduce dependence on imports by a third by 2025. While the Secretary appreciates the benefits that could be realized by more expansive sharing of OCS revenues, the authority and formulas for such must be provided in legislation by Congress. Additionally. DOI has made significant progress in accelerating reforms that have improved the safety and environmental protection of the OCS since the *Deepwater Horizon* event, improving both the safety of offshore drilling to reduce the risk of another loss of well control in the oceans, and the collective ability to respond to a blowout and spill.

(1) Five areawide sales starting in 2013 of all legally available, unleased acreage in the area depicted in Map 4.

(2) No sale

Discussion

Option 1 (5 Sales)

Valuation. The net benefits of anticipated production from the PFP area are estimated at about $62.48 billion in the low-price case, $200.16 billion in the mid-price case, and $344.60 billion in the high-price case

Environmental Impacts. This option is analyzed in the Five Year Final EIS under Alternative 1. A summary of the Five Year Final EIS findings follows.

Water Quality—Routine operations that could result in minor to moderate, localized, short-term impacts include structure placement and construction (pipelines, platforms) and operational discharges (produced water, bilge water, and drill cuttings) and sanitary and domestic wastes. Structure placement and removal could increase suspended sediment loads, while operational discharges, sanitary and domestic wastes, and deck drainage could affect chemical water quality. Compliance with NPDES permits and USCG regulations would reduce most impacts of routine operations. The effects of accidental oil spills will depend upon material, spill size, location, and remediation activities. Small spills would likely result in short-term, localized impacts. Impacts from a large oil spill, including those from a very large spill associated with an unlikely CDE, defined as a discharge of a volume of oil into the environment that could result in catastrophic effects, could persist for an extended period of time if oil were deposited in wetland and beach sediments or low-energy environments because of potential remobilization.

Air Quality—Routine operations are expected to result in only minor impacts to air quality. Sources of air pollutants (NO_2, SO_2, PM_{10}, and CO_2) associated with OCS oil and gas development include diesel and gas engines, turbines, and support vessels. Routine operations would not result in exceeding the NAAQS or impact visibility. Increases of ozone, if they occur, would be less than 1 percent of total concentrations.