

Bureau of Ocean Energy Management

Economic Approach to Offshore Energy Leasing



Walter Cruickshank
Deputy Director
Bureau of Ocean Energy Management

May 6, 2015





BOEM's Mission

BOEM promotes energy independence, environmental protection and economic development through responsible, science-based management of offshore conventional and renewable energy and marine mineral resources.





Mandates

"(T)he outer Continental Shelf is a **vital national resource reserve held by the Federal Government for the public**, which should be made available for **expeditious and orderly development**, subject to **environmental safeguards**, in a manner which is consistent with the maintenance of competition and other national needs"

Outer Continental Shelf Lands Act (OCSLA)

Sec 3(3)

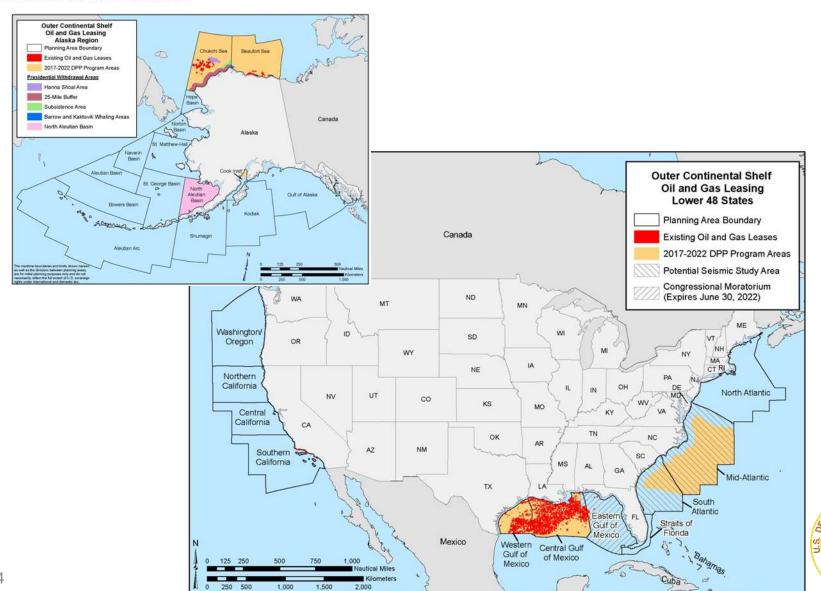
"Leasing activities shall be conducted to assure **receipt of fair market value** for the lands leased and rights conveyed by the federal Government."

OCSLA Sec 18(a)(4)





Approaches to Leasing







What is "Targeted Leasing" used in Alaska?

BOEM strategy to strike a balance between making oil and gas resources available for development while limiting conflicts with other OCS uses and environmental resources















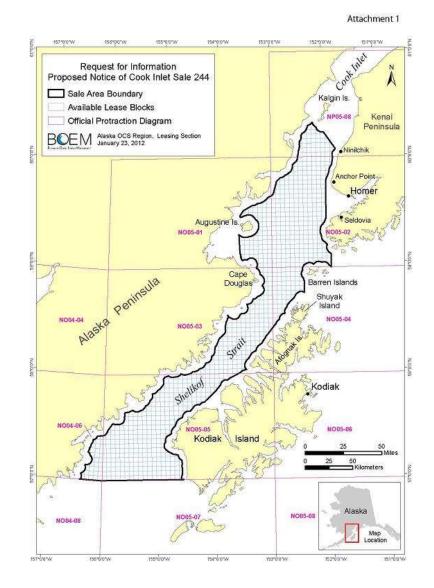
OCS Oil and Gas Leasing, Exploration, and Development Process

OCS Oil and Gas Leasing, Exploration, and Development Process Pre-lease Develop National (Five-Year) Program Draft 60-Day Proposed 60-Day Proposed 90-Day Final 5-Year Responsibility omment Comment Period 45-day Proposed Request For Final Program Program Period on Period on for Comment Program Information Program Program Program Announced Congress Period **Draft PEIS Published** 45-60-Day 45-90-Day Final PEIS **ROD Published** Scoping **Published** Comment Published NOI for PEIS Comment eriod on PEIS Period Planning for Specific Oil and Gas Lease Sale OEM 30-Day Final EIS Comment Fair Final Notice Call for Define Published Period Sale 30-Day Market Leases 45-Day Draft EIS 45-90-Day of Sale Information Sale Value Comment Period Held Comment Proposed Published Issued 60-Day Published **Published** Analysis Period Area Comment Period Notice Period **ROD Published** CD Sent to NOI for FIS 90-Day **Environmental Consultations** Review States Post-Lease Oil and Gas Exploration Plan Approval Responsibility APD 90-Day to First Exploration Exploration Exploration Delineation 6 month Decision Environmental Exploration Plan Drilling Plan State Well Well(s) Assessment **Permits** CZM Submitted Starts Review Drilling Review Granted Completed SEE B Oil and Gas Development and Production Plan Approval and BOEM CZM Consistency Development Company First Concurrence from State Joint BOEM **Prepares** Production & Production Submits CZM Oil/Gas Well NEPA Plan Submitted Consistency Then Development and Application Production Analysis Certification Production Plan Decision



Cook Inlet—Request for Information

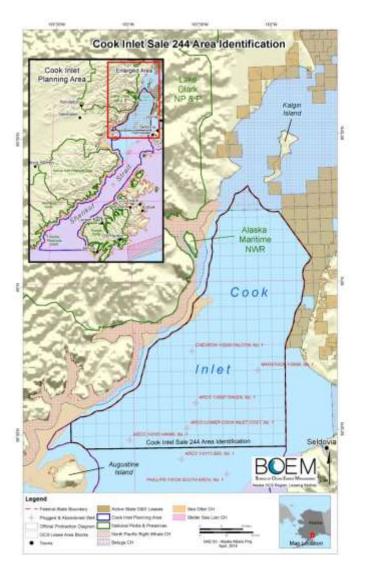
- Published in Federal Register March 27, 2012
- Addressed Cook Inlet program area (1,093 blocks/5.36 million acres)





Cook Inlet Lease Sale 244, Area ID

- Substantially reduced proposed area initially suggested by industry
- Protects critical habitat
- Reduces effects to parks and wildlife refuges.
- Excludes most subsistence areas







Fair Market Value

Central Gulf of Mexico Lease Sale 235 March 2015









Fiscal Terms – Recent Changes

 Minimum bid – for deepwater tracts, increased from \$37.50 to \$100 per acre in 2011

Rental rates

Gulf of Mexico Rental Rates per Acre		
Water Depth (meters)	Years 1-5	Years 6, 7, & 8 +
0 to < 200	\$7	\$14, \$21, & \$28
200 to < 400	\$11	\$22, \$33, & \$44
400 +	\$11	\$16





Fiscal Terms – Recent Changes

Royalty rates

- Prior to 2007:
 - Shallow water royalty rate: 16.67%
 - Deepwater royalty rate: 12.5%
- 2007:
 - Deepwater royalty rate increased to 16.67%
- 2008:
 - All royalty rates increased to 18.75%





Additional Information

