Economic Approach to Offshore Energy Leasing

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

[Map showing Outer Continental Shelf Oil and Gas Leasing areas.]

- Alaska Region
- Planning Area Boundary
- Existing Oil and Gas Leases
- 2017-2022 DPP Program Areas
- Reestablished Withdrawn Areas
- Alaska Coastal Area
- 25-Mile Buffer
- Subsistence Area
- Barren and Knikolok Whaling Areas
- North Aleutian Basin

[Map showing Lower 48 States with planning areas highlighted.]
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

Pre-lease
- Request For Information
  - 45-day Comment Period
  - NOI for PEIS

Develop National (Five-Year) Program
- Draft Proposed Program Published
  - 60-Day Comment Period on Program
- Proposed Program
  - 90-Day Comment Period on Program
- Proposed Final Program
  - 60-Day Period for Congress
- Final 5-Year Program Announced
  - ROD Published

Planning for Specific Oil and Gas Lease Sale
- Call for Information Published
  - 45-Day Comment Period
  - NOI for EIS
- Define Sale Area
  - 45-90-Day Comment Period
- Draft EIS Published
  - 45-90-Day Comment Period
- Environmental Consultations
- Final EIS Published
  - 30-Day Comment Period
- Proposed Notice
  - 60-Day Comment Period
- CD Sent to States
  - 30-Day Review
- Sale Held
  - 30-Day Period
- Fair Market Value Analysis
- Leases Issued

Post-Lease
- Exploration Plan Submitted
- Environmental Assessment
  - 90-Day to 6 month State CZM Review
- Exploration Plan Review
- APD Decision
- Exploration Drilling Starts
- First Exploration Well(s) Completed
- Delineation Well Drilling

Oil and Gas Exploration Plan Approval

Oil and Gas Development and Production Plan Approval
- Development & Production Plan Submitted
- Company Submits CZM Consistency Certification
- BOEM Prepares NEPA Analysis
- CZM Consistency Concurrency from State
- Then Development and Production Plan Decision
- Production Well Application
- First Oil/Gas Production

Abbreviations: APD, Application for Permit to Drill; CD, Consistency Determination; CZM, Coastal Zone Management; EIS, Environmental Impact Statement; NEPA, National Environmental Policy Act; NOI, Notice of Intent; OCS, Outer Continental Shelf; PEIS, Programmatic Environmental Impact Statement; ROD, Record of Decision.
- Published in Federal Register March 27, 2012
- Addressed Cook Inlet program area (1,093 blocks/5.36 million acres)
- Substantially reduced proposed area initially suggested by industry
- Protects critical habitat
- Reduces effects to parks and wildlife refuges.
- Excludes most subsistence areas
Central Gulf of Mexico Lease Sale 235
March 2015
• Minimum bid – for deepwater tracts, increased from $37.50 to $100 per acre in 2011

• Rental rates

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<th>Years 6, 7, &amp; 8 +</th>
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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

http://www.boem.gov/Energy-Economics-External-Studies/