Comments for 2017-2022 OCS Leasing Program

The energy story of the US is changing. The nation is a net exporter of refined oil. Soon it will be a net exporter of LNG. Consider these statistics expressed in millions of barrels a day, from the BP Statistical Review (http://www.bp.com/content/dam/bp/pdf/Energy-economics/statistical-review-2014/BP-statistical-review-of-world-energy-2014-full-report.pdf, page 18):

	2012	2013
US Oil Trade Imports	10.6	9.8
US Oil Trade Exports	2.7	3.3
Net	7.9	6.5

That is a net drop of 1.4 million barrels in a year. If that trend continues by 2018 the nation would be a net exporter of oil. The next President could be in a position of considering joining OPEC.

The paradigm of the previous 5 Year OCS Programs needs a reassessment.

Timing and Location of Sales

From the perspective of the Secretary of the Interior. The Secretarial Decision on this plan will be made early to mid 2017. That will be a new Secretary in the next administration. BOEM will present a menu of options to choose from. Historically for the Central Gulf of Mexico the choices are 5 annual sales or no annual sales, that is full speed ahead or dead stop. The Secretary will be denied the chance to consider moderating the pace of leasing. It should be noted that analytic work conducted in the last 5 Year OCS Program showed increased benefits and reduced cost by delaying sales. BOEM should present the Secretary of range of options, not as in the past of full speed ahead or dead stop.

From the perspective of BOEM. BOEM has experience difficult times over the last several years: the *Deepwater Horizon* incident, the splitting of MMS into three parts, retirement of baby boomers taking the corporate knowledge base with them, creation of the alternative energy leasing program. As noted in the public comments (http://tedspublicpolicy.weebly.com/uploads/9/9/0/4/9904803/5yr_comments_nov_2013.pdf) current 5 Year Program is showing a pattern of not being able to deliver products on time. BOEM needs to size the 5 Year Program to match its limited capabilities.

An example of a program that meet the capabilities of BOEM and the flexibility for the Secretary would be this for the Gulf Mexico & Atlantic:

2017	Fall	Western GOM
2018	Spring	Deep Water Central GOM
	Fall	Shallow Water Central GOM
2019	Spring	Western GOM
	Fall	Mid Atlantic
2020	Spring	Deep Water Central GOM
	Fall	Shallow Water Central GOM
2021	Spring	Western GOM
	Fall	Eastern GOM
2022	Spring	Deep Water Central GOM

Alaska Arctic Natural Gas

The Economics of Alaska Arctic natural gas is challenging. The current 2012-17 program assumed that Natural Gas would be shipped to the lower 48 via pipeline across Canada to the mid-continent. The concept is no longer economic. For example 30% of the natural gas produced in Bakken is flared. State of Alaska and the private sector is investigating constructing a pipeline to Cook Inlet. From which it would be exported to Asia as LNG. BOEM analysis must use this scenario.

Gulf of Mexico Natural Gas

By the time the natural gas from this program comes to market, the nation will be making significant LNG exports. It should be assumed that all natural gas will be exported. The consumer surplus calculations need to reflect this condition.

Fair Market Value - Nonviable Tracts

The vast majority of tracts accepted are on the basis of a nonviable determination. For example in the recent Sale 231 of 320 high bids on tracts, 270 were determined to be nonviable. Historical analysis (http://tedspublicpolicy.weebly.com/uploads/9/9/0/4/9904803/indicatorsofproduction.pdf) has shown about 7% of those nonviable tracts actually go into production. BOEM needs to reexamine the nonviable classification process to understand why so many nonviable tracts enter production.

National Assessment Improvement

As part of development of the 5 Year Program a National Assessment is conducted. This process generates an estimate of Undiscovered Technically Recoverable Oil and Gas Resources (UTRR). These estimates are available at the national, regional, and planning areas levels. From the policy decision making perspective this data fails to tell the whole story. The 2011 National Assessment indicated that there was a mean

estimate of 88.6 Billion Barrels (BBOE) of Oil UTRR in the OCS. The findings are silent on questions like:

Of the 88.6 BBOE UTRR how much of it is located on Producing Leases, Non-Producing Leases, or Tracts not under lease?

Of the 5 BBOE UTRR in the Eastern Gulf of Mexico how much is located beyond 100 miles of the Florida Coast?

Of the 1.4 BBOE UTRR in the Mid-Atlantic how much is located off the Virginia Coast?

Granted the existing National Assessment methodology does not generate these types of estimates. The Economics Division in the past has demonstrated that it could be done. It was used in determining royalty relief amounts. It requires taking the outputs of the assessment methodology and then applying spatial random sampling. Once a location is associated with the undiscovered field, it can be linked with the GIS system to obtain attributes like Lease Status, Water Depth, Distance to Shore giving the decision makers a dramatically better insight on impacts of the potential decisions.

Consideration of General Public Comments

In the Proposed Final Program 2012-2017, Appendix A is the summary of the comments received as result of the Federal Register Notice. Appendix A is 13 pages. A total of 280,189 comments were received of which 280,118 were from the General Public which represents 99.975% of the submission. Within those 13 pages of analysis a single paragraph of 9 lines was devoted to the General Public comments. Granted that many of those comments were form letters.

The Leasing Division should learn from the Environmental Division. In the 5 Year EIS my public comments were read and responded to.

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