

Comments on the Annual Progress Report on the OCS Oil and Gas Leasing Program

Facts

The current Five Year Program became effective August 27, 2012. The previous Five Year Program became effective July 1, 2007. The current program was approved almost 2 months late.

The Central GOM tract evaluation process is slower than in the last Five Year Program.

| Year | Sale Number | Tracts Evaluated | Evaluation Time |
|------|-------------|------------------|-----------------|
| 2013 | 227 | 320 | 4 months |
| 2012 | 216/222 | 454 | 4 months |
| 2009 | 208 | 348 | 3 months |

The Atlantic PEIS needed for the next Five Year Program had a schedule due date of the Final EIS of October 15, 2013. There is a Platts story that the new delivery date is January 3, 2014. Another example of BOEM failing to deliver work products on time.

The design of the Five Year Program Sale Schedule has been basically the same for the last three decades. The difference between the current Five Year Program and the prior Five Year Program is the current has added a sale for the Beaufort and dropped the second sale in the Cook Inlet and the Middle Atlantic.

The Five Year Program Final PEIS asserts that Alaskan Natural Gas will be transported to the lower 48 via future pipeline, but the State of Alaska is actively working towards constructing a pipeline to the Cook Inlet, where the natural gas will be exported to Asia.

About 30% of the natural gas produced in Bakken in North Dakota is flared. Three licenses for the export of Natural Gas have been issued (Sabine Pass, Lake Charles, Freeport) with more under consideration.

Observations on the Facts

BOEM has displayed a pattern of failing to deliver work products on time. It should be noted that pattern of failing is across the functions of BOEM. The Five Year Program Plan is a Leasing function. Tract Evaluation is a Resource Evaluation function. The Atlantic PEIS is an Environmental Assessment function.

The basic design of the Five Year Program which worked during the MMS era is not working with the structure of BOEM. Given the bipartisan drive to balance budget additional funding is not coming. BOEM needs to match the legacy oil and gas program with the available resources. It should consider significant

change in how it does business.

The lower 48 is currently flaring a considerable volume of natural gas and moving towards exporting natural gas.

Concepts that BOEM needs to consider:

- The EIS for the Alaska Region needs to be redone to reflect the reality that natural gas will not be transported to the lower 48 via pipeline.
- Splitting and or staggering Central GOM Sale into shallow and deep water sales.
- Centralizing the tract evaluation function into a single location.
- That location could also be a place not threaten by hurricane and rising sea levels. Department of Interior has a large facility near Denver which would be a good candidate.
- Change the funding of BOEM to be solely from a revolving fund of user fees such as rental payments. Department of Navy Working Capital Fund has been using this type of funding since the 1870's. The recent shut down shows the problem of reliance on appropriations.

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