

Outer Continental Shelf Energy Briefing

Consumer Energy Alliance - 11 December 2008 Brian Miller

Federal OCS Overview / Historical Context



Two historical impediments to US federal OCS access removed:

1. Congressional moratoria

First enacted in 1981 and renewed annually (until 2008)

2. Executive Order

- Originated in 1990 w/ President Bush, Sr.
- Reaffirmed by President Clinton in 1998
- Lifted by President George W. Bush in July 2008

Regulatory Environment

- OCS Lands Act operative statue governing US offshore leasing, drilling and development. NEPA, CAA, CZMA, etc. also apply
- Minerals Management Service (MMS) agency authorized to carry-out federal leasing, exploration and production programs
- MMS five-year leasing plans govern lease sales (schedule, timing, etc.)
- Current plan = 2007-2012

Current situation is temporary; permanent solution determined in 2009 with new Congress and Administration

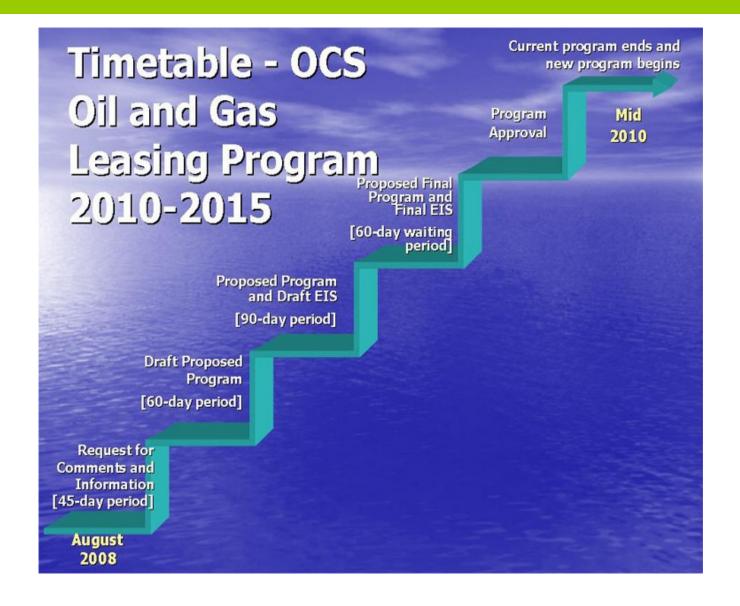
US Outer Continental Shelf Leasing Program





5 Year Plan Process Timeline





Key Issues to be Considered



- Role of technology in accessing resource potential
- Coastal state concerns
 - Distance from shore permanent facilities will be permitted proposals include 3 miles, 'line of sight,' 50 miles, 100 miles
 - State revenue sharing bonuses and royalties
- Environmental performance
- Job creation
- State and federal revenue generation

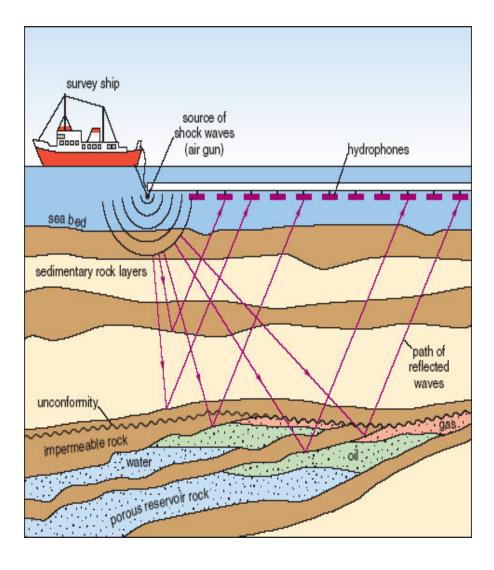


Technology Story

Exploration: Seismic Acquisition

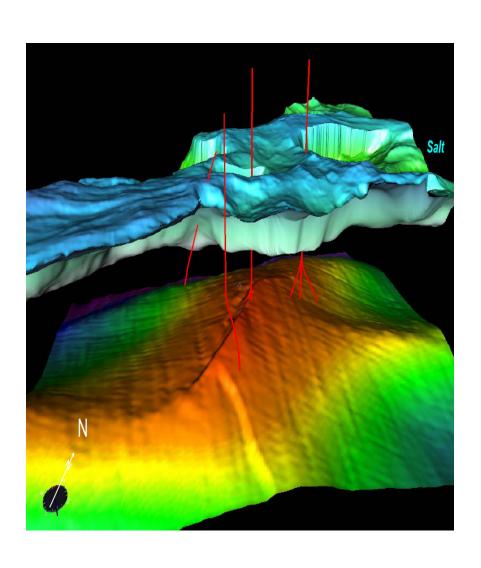


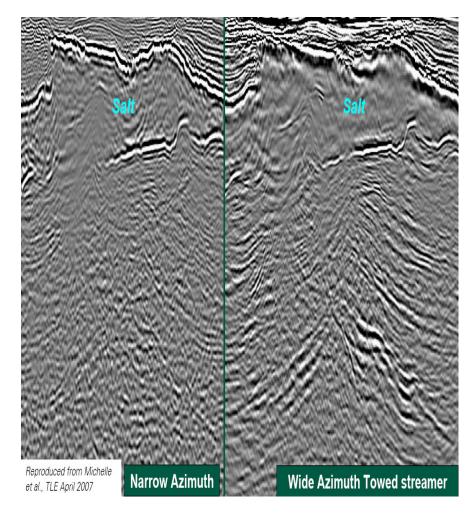




Seismic Imaging



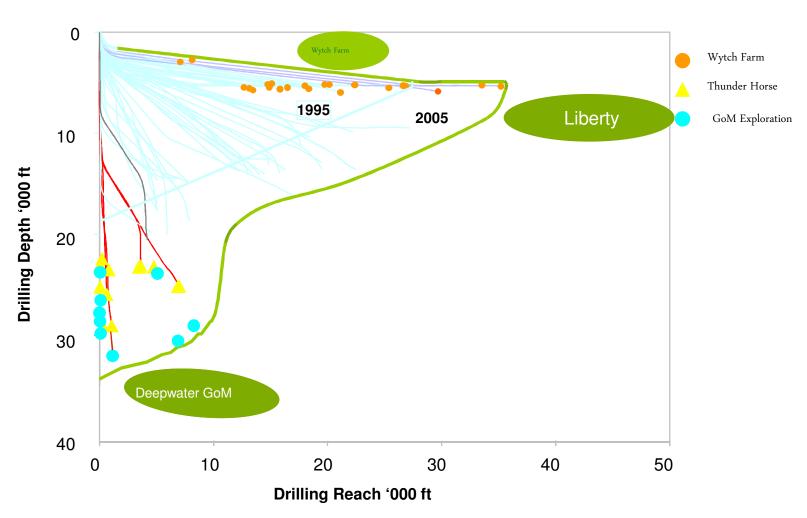




Drilling Technology Advancements



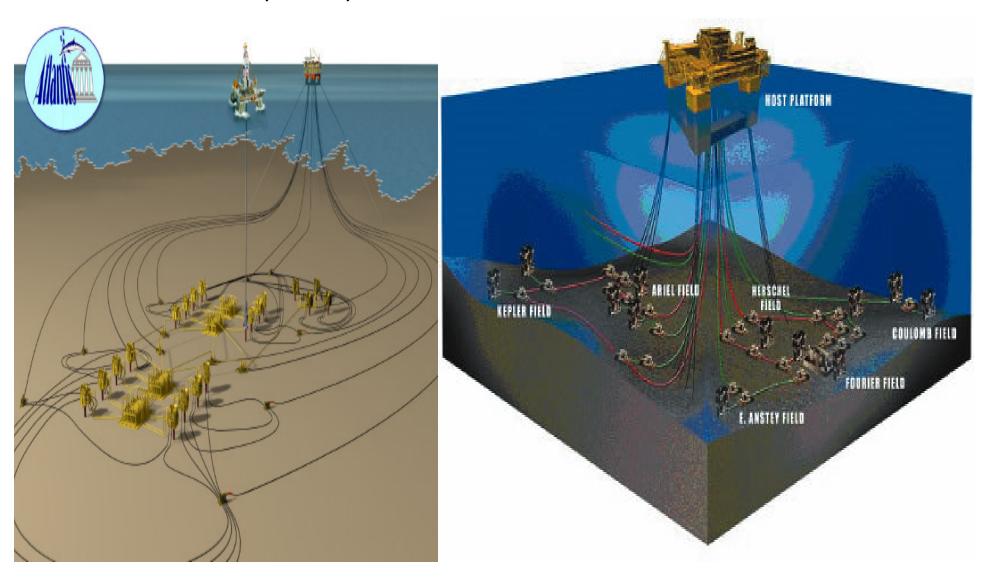
Drilling envelope



Production: Sub-sea Tie-back Wells

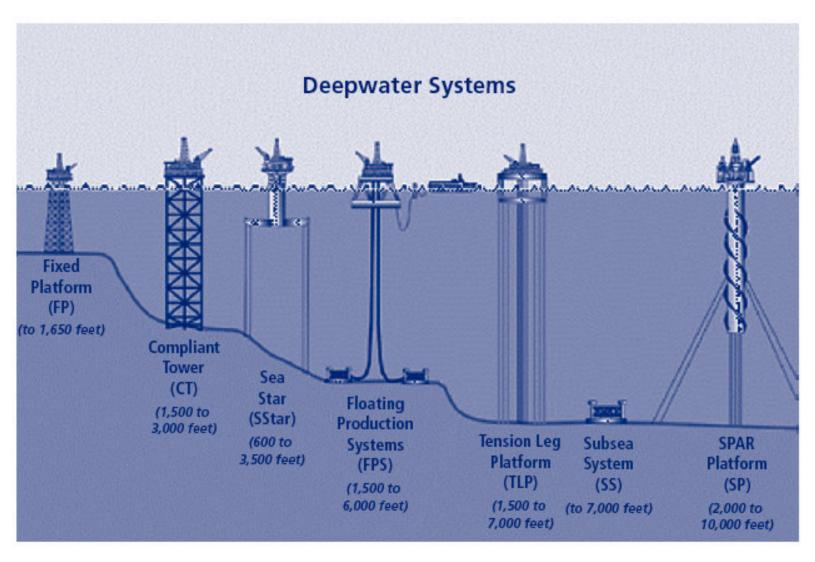
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- Sub-sea tiebacks allow multiple wells/fields to connect to one surface platform
- Tiebacks can connect fields many miles away



Production Systems

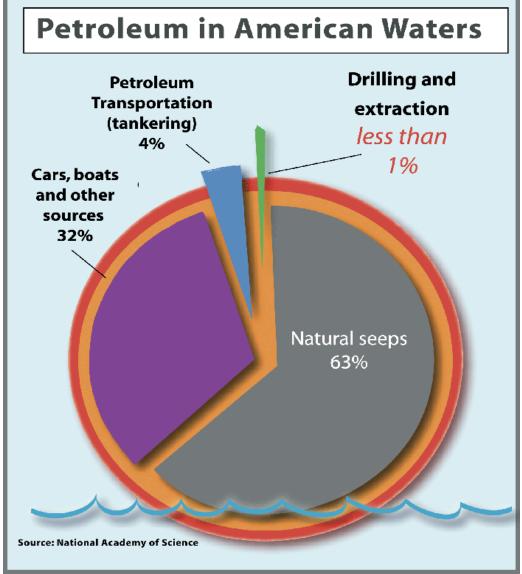




Environmental Performance



- Enviable Record of Environmental Performance
- Continuous improvements in safety and environmentally sensitive operations
- MMS conducts 12,000 inspections annually
- 2005/2008 hurricanes demonstrate resilience



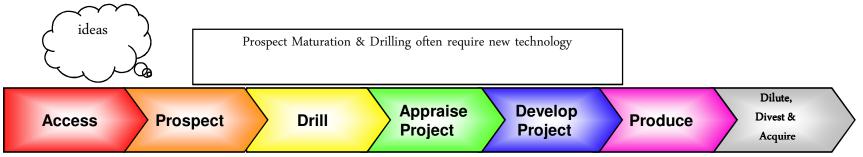
Back up slides

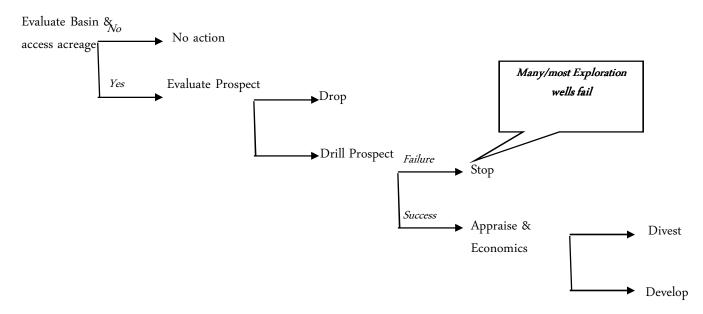


Exploration --> Production Process

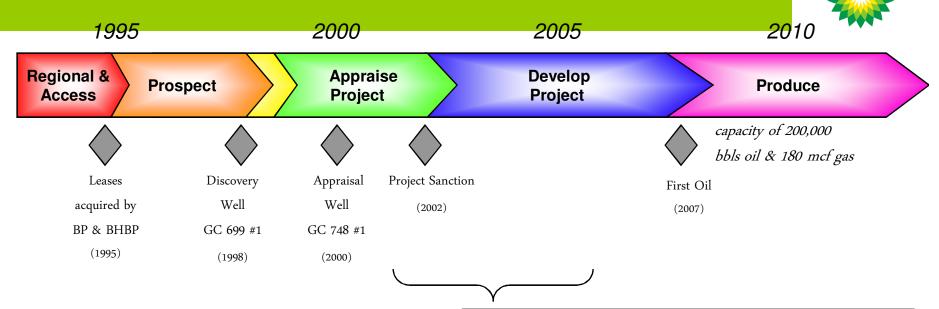


Steps through the Exploration - Production Process





Example: Atlantis, Deepwater Gulf of Mexico

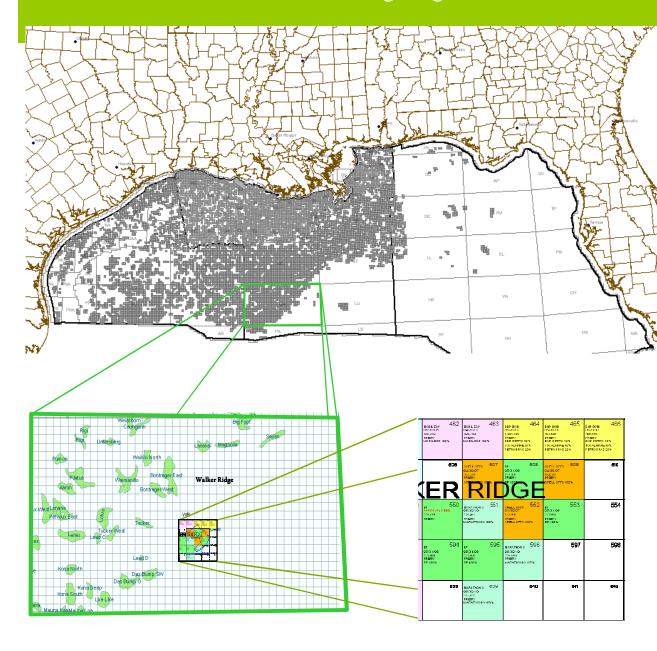


2/01 Development Concept Selection Begins
3/02 Topsides detailed engineering begins
11/02 Atlantis Project Sanction
6/03 Topsides module fabrication begins
12/03 Hull Construction begins
12/03 DDII Contract Award to Global Santa Fe
3/05 Hull sails from Okpo, Korea
5/05 Hull arrives in GoM
6/05 Topsides module lift to PQ
7/06 PQ sails from Corpus Christi, Texas, mooring complete: storm
safe...



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Gulf of Mexico Fiscal/Leasing Regime



- Lease blocks 3 X 3 miles
- Primary lease term
- Shelf 5 yrs
- DW 10 yrs
- Open leases offered every year

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- Simple bonus bid
- no work commitment
- Income tax 35%
- Royalty
- Shelf 16.7%
- DW 12.5% pre- 2007
- DW 16.7% 2007
- DW 18.7% 2008 onward
- Annual Rentals
- Restricted bidders: ExxonMobil, Shell, BP, Total, Chevron, ConocoPhillips, ENI, Petrobras, StatoilHydro