

OCS Primer

Accessing America's Offshore Oil & Gas Reserves Provides Key for Increasing Energy Security

Introduction

The American Association of Petroleum Geologists, an international organization, supports the full exploration, development and production of the petroleum resources of the Outer Continental Shelf and Slope of the United States. The petroleum industry has demonstrated its ability to protect the environment while safely producing a significant portion of the nation's oil and gas from these offshore areas. Additional areas available for leasing should include those currently under moratoria, off the Eastern, Western and Florida coasts, where they can be shown to have economic benefit and acceptable environmental risk. It is in the interest of the United States to explore and develop its Outer Continental Shelf and Slope, one of the most prospective areas of the country.

The petroleum industry has shown it can conduct oil and gas operations on Federal lands in a manner that protects environmental and societal interests while at the same time providing significant economic benefit. Continued advances in the technology of marine petroleum operations have substantially improved the safety of petroleum exploration and production. Offshore production of oil and gas through pipelines is safer than the transportation by tankers that will be necessary to replace resources not produced due to moratoria. We believe that responsible development of offshore resources under existing regulations in cooperation with federal, state and local governments will benefit the nation while protecting environmental and societal concerns.

MMS's own assessment of the post-Katrina damage noted that the amount of liquid product and crude oil released from platform facilities was very small. Considering the staggering amount of damage done to platforms and producing facilities, the absence of significant release stands as an impressive testament to the last thirty years of technology development and application.

Accessing Offshore Oil & Gas Resources:

About 85 percent of the U.S. offshore – known as the Outer Continental Shelf (OCS) – is currently restricted from oil and gas production. Most offshore areas currently accessible for oil and gas production are mature and some are nearing the end of their life expectancy.

These federal offshore waters hold great potential for expanding domestic energy resources over the next 5 to 15 years. The U.S. Department of Interior estimates that there are currently 85.9 billion barrels of oil and 420 trillion cubic feet of natural gas available in federal offshore areas. According to the American Petroleum Institute, accessing these known reserves would provide enough oil to produce gasoline to run 192 million cars *AND* heat 78 million homes for 15 years; it is enough oil to completely *REPLACE* current Persian Gulf imports for more than 60 years. The known natural gas reserves in the OCS in the lower 48 states alone would heat more than 75 million homes for 60 years.

Provided environmental safeguards are met, offshore development would serve the national interest as a means of improving energy security, diversifying supply, increasing economic development, and generating important local, state and federal revenue.

Because such a small region of the Gulf is available for exploration, the hurricanes of 2005 shut down 92 percent of the Gulf's oil output and 83 percent of its natural gas production. Diversifying access to energy resources throughout the Gulf of Mexico, as well as offshore Alaska and the Atlantic Ocean, would also help reduce the impact that future regional disruptions might have on supply and price.

Department of Interior Actions Governing OCS:

Every five years, the Minerals Management Service (MMS), the government agency responsible for oil and gas leasing in the U.S. offshore, develops a 5-Year Plan. That plan determines where and how often offshore oil and gas lease sales will occur over the 5-year period. The next plan (currently in development) will determine where oil and gas leasing will occur during the period 2007- 2012. If an area is not made available in the 5-Year Plan, oil and gas leasing will not occur in the area until beyond 2012.

MMS recently released its Draft Proposed Plan (DPP), calling for consideration of 21 lease sales in 7 of the 26 planning areas in Federal offshore waters. The entire MMS process will run through mid-2007. Notable areas under consideration include the Central and Western Gulf of Mexico; the Chukchi Sea and Beaufort Sea in Northern Alaska; Bristol Bay in the North Aleutian Basin off the coast of Alaska; and in the Atlantic Ocean off the coast of Virginia. MMS must hear from affected stakeholders, including state lawmakers and consumers of oil and gas, at every step in the process before it reaches its final conclusions.

MMS Process for Considering OCS Access, 2007-2012:



Safety & Environment

As part of its process, MMS undertakes – with stakeholder input – a rigorous environmental impact study to ensure that all ecological and environmental safeguards are maintained. According to MMS, offshore oil and gas development has an outstanding safety and environmental record. In fact, the National Academy of Sciences recently determined that less than one percent of all oil entering the seas is from drilling and extraction activities. The 5-Year

Plan process also provides an opportunity to effectively incorporate citizen comments regarding the balance between growing energy security concerns and ecological interests.

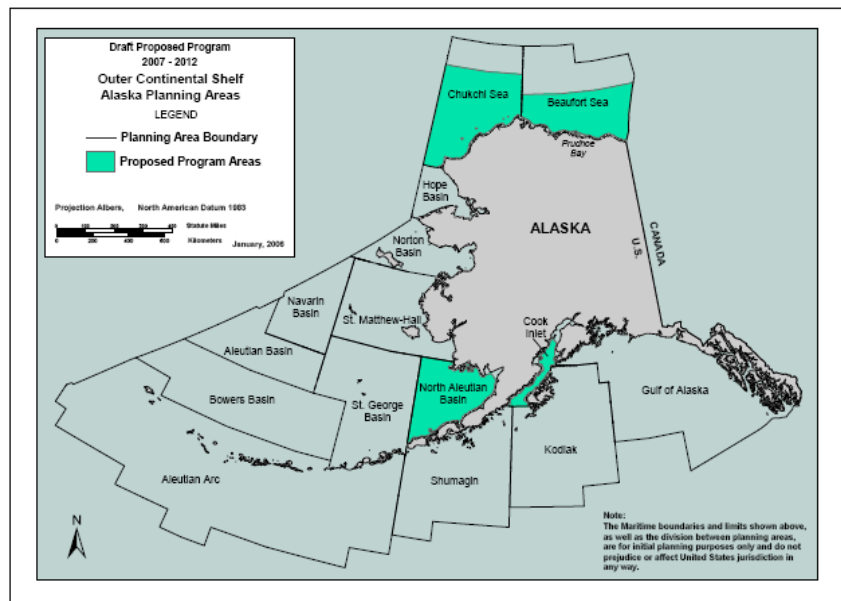
Decades of operations have shown that the fishing industry and offshore oil and gas industries can co-exist successfully, as evidenced by ongoing operations in the Gulf of Mexico, Norwegian North Sea and the Cook Inlet offshore Alaska. In fact, offshore platforms provide critical habitat to reef fish species and are highly valued by both commercial and recreational fishermen. While some localized, short-term impacts on fisheries have occasionally been noted, extensive studies of fishery trends within oil and gas development areas have not indicated deleterious impacts to fishery populations or quality. In fact, studies indicate that over-fishing by large-scale fishing operations has a far greater impact on global fishing populations than oil and gas exploration and recovery operations. For example, Norway's oil and gas offshore operations have safely and effectively co-existed with fishing operation in the fertile North Sea since 1971. In fact, Norway is now the world's sixth largest oil producer and the tenth largest fish producer. The Gulf of Mexico has safely produced offshore oil and gas for 58 years and the Cook Inlet, Alaska has produced for 40 years.

Alaska

According to MMS, Alaska's offshore waters contain 27 billion barrels of oil and 132 trillion cubic feet of natural gas (31 percent of all U.S. offshore waters). The MMS estimates that the Chukchi Sea is the most promising and materially undeveloped U.S. offshore petroleum basin. Lease sales are already occurring in the Beaufort Sea. MMS estimates that there are approximately 23 trillion cubic feet of natural gas reserves in Bristol Bay.

Accessing reserves in these three areas would provide jobs and a significant tax source for local communities and would provide needed U.S. energy supplies.

Alaska Offshore Areas Being Considered

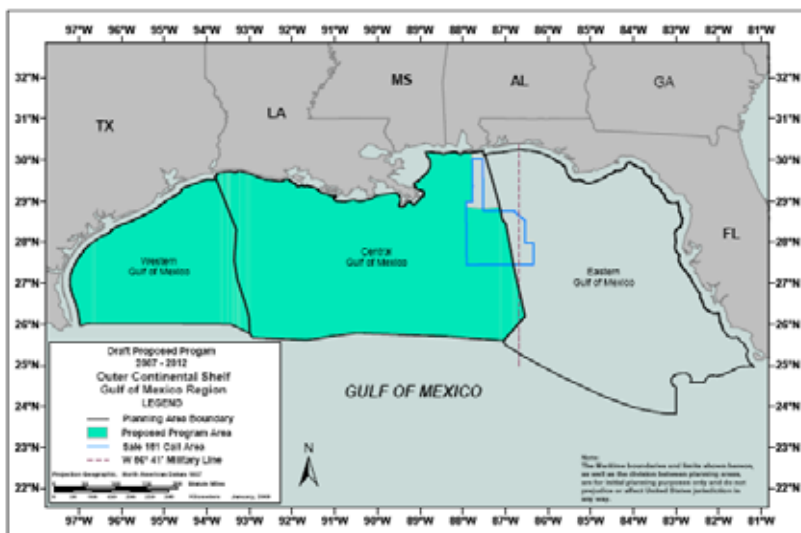


Source: Minerals Management Service

Gulf of Mexico

MMS estimates that approximately 45 billion barrels of oil and 232 trillion cubic feet of natural gas exist in the deep water (more than 100 miles) in the Gulf of Mexico. Infrastructure exists in the region and industry has an excellent track record for safety and environmental protection. Access to new areas in the Gulf of Mexico would significantly improve U.S. energy security and bring needed energy to market relatively quickly.

Gulf of Mexico Offshore Areas Under Consideration



Source: Minerals Management Service

Atlantic

The Virginia legislature has expressed interest in opening some of the Virginia offshore waters to leasing. MMS estimates the Atlantic waters contain 4 billion barrels of oil and 37 trillion cubic feet of natural gas. Future Atlantic energy exploration and production could add significant domestic supplies to help offset growing demand.

Atlantic Offshore Virginia Under Consideration

Oil and natural gas are used in many products we use daily, ranging from clothing to computers, medicines, sports equipment, cosmetics, hospital equipment, carpets, insulation and lightweight parts for cars and airplanes. Citizens on fixed incomes are especially vulnerable to high energy costs, whether it's filling the car or heating and cooling homes.

The inventory of available domestic oil and natural gas will help carry the nation a long way toward alleviating energy security and price concerns. The environmental track record for accessing these reserves has proven over the test of time to be exemplary. Many feel now is the time to strike the proper balance between our nation's energy security and environmental protection. The policy makers argue that groups who have long advocated against any kind of access to federal lands and waters – even with appropriate environmental safeguards – are now refusing to account for the imbalance this has caused in meeting our nation's fundamental energy needs.

Participating in the MMS 5-Year Planning process to consider if and when offshore federal waters are available to help meet increased demand for oil and natural gas provides an effective step toward improving our nation's energy security. For more information or to comment on the MMS process, contact:

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