

Shell Exploration & Production

## North Aleutian Basin, Alaska Outer Continental Shelf (OCS) 2007-12 Five Year Leasing Plan

Request for Public Comment

February, 2006

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*A New Sales Company on the Pacific Coast*

Start of Shell's business in the Northwest. The time is September 1911; the place the new American Gasoline Company's water terminal at Richmond Beach, just above Seattle. The S.S. *Romany* has just discharged a cargo of about 1,200,000 gallons of Sumatra and Burma gasolines. Other cargoes, totaling in all about 2,000,000 gallons, were brought in during the next two years before the new company began to supply its own requirements from its own California oil fields and its new refinery at Mattiace.

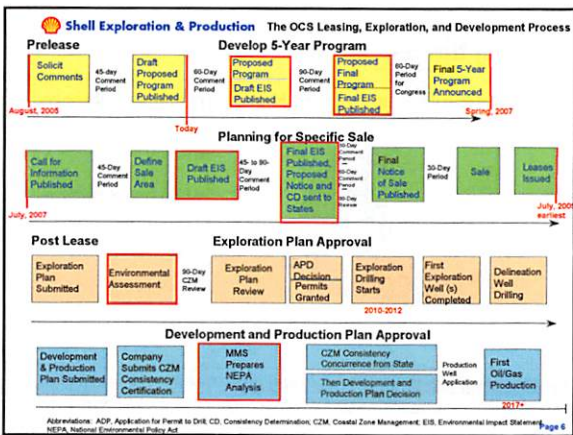
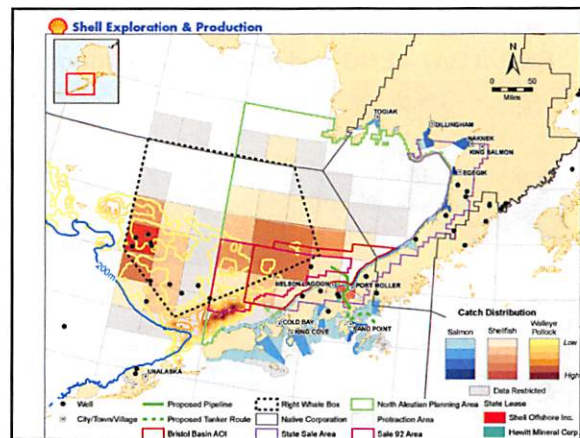
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### Shell's Position on North Aleutian Basin

- Shell advocates opening a portion of the North Aleutian Basin planning area for leasing.
- Offshore oil and gas development has an outstanding safety and environmental performance record
- Benefits for residents include: job opportunities, tax revenue, local power, revenue sharing, equity participation.
- Shell requests comments to Minerals Management Service (MMS) to continue the debate on North Aleutian Basin in the 5 year plan. Expect Draft Proposed Program & start of 60 day comment period in early February, 2006.
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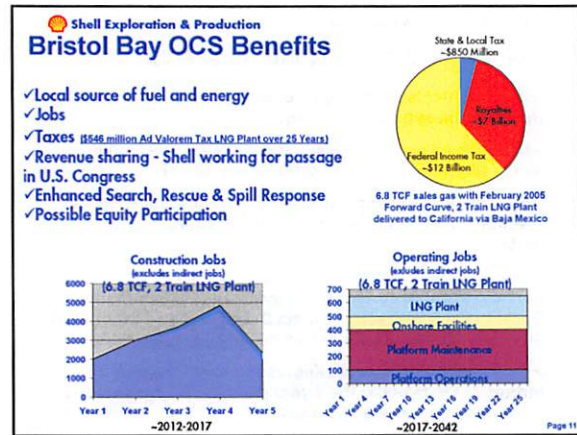
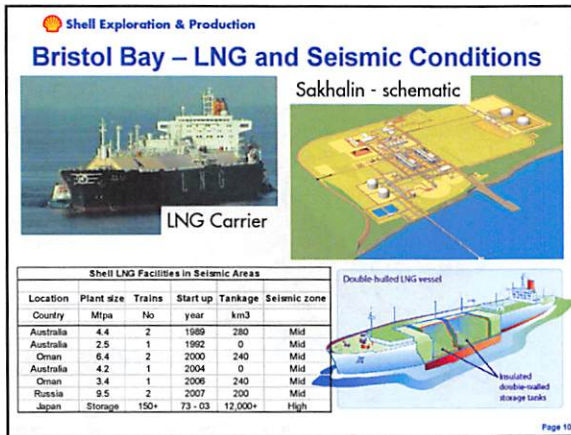
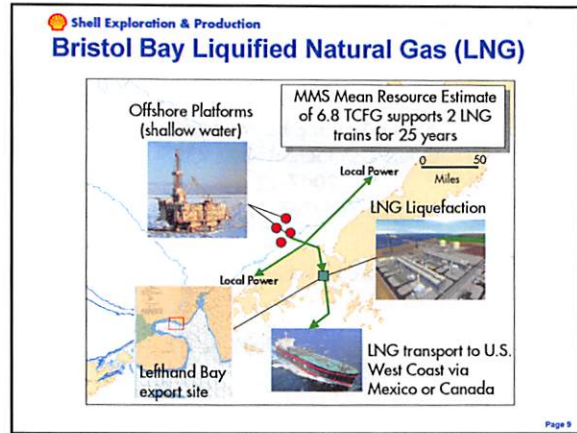
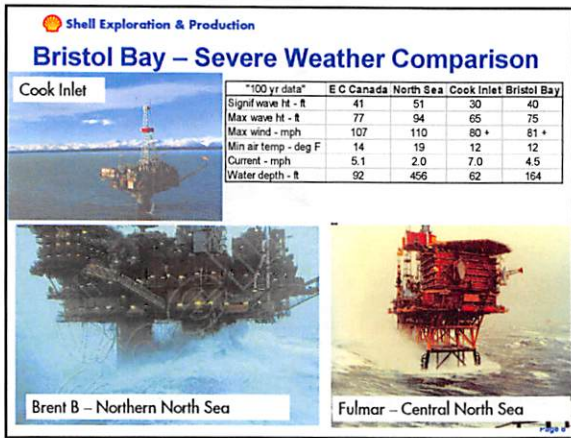
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### 2000 Minerals Mgmt. Service Resource Assessment for Offshore Bristol Bay

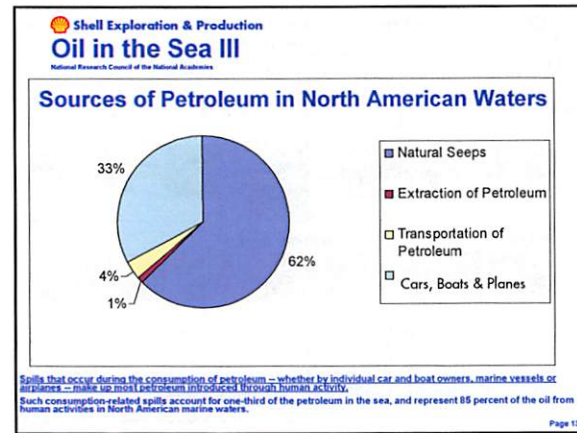
Natural Gas: 6.8 trillion cubic feet  
Oil/Condensate: 233 million barrels  
Natural gas equivalent: 8.1 trillion cubic feet equivalent

Mean, Risked, Conventionally Recoverable Reserves (all in Cenozoic)

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- ### Additional Benefits
- From Norwegian Oil Industry Assoc. Fact Sheet
- Increased safety offshore
    - Oil industry standby vessels improve offshore safety:
      - » Towing capability
      - » Improved emergency response treatment facilities
      - » Fire fighting equipment
  - Search & Rescue helicopters save lives
    - Permanently stationed search & rescue helicopters on some platforms
    - Within easy reach of important fishing fields & shipping lanes
    - 1/16/2003 SAR helicopter saved 11 fisherman off the Stalegg Senior which had run into a rock, 4 rescued from the water.
  - Other Benefits:
    - Larger oil spill response capability in the region
    - SP70 fishing sonar developed as by-product of pipeline surveying equipment.
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### Oil & Gas Production in Seafood Areas

34-58 Years of Successful Cooperation between oil & fishing industries



	Cummulative Oil (billion barrels)	Cummulative Gas (trillion cubic feet)	Cumm. Gas Equivalent (trillion cubic feet)	Water (billion barrels)	Wells	Years of Production
Norway	19.5	9.6	118.8 (8% Gas)	4.9		34
Gulf of Mexico (0-300')*	10.4	139.3	197.5 (71% Gas)	13.7	46,000	58
Cook Inlet (Offshore)	1.1	3.3	9.2 (36% Gas)	1.2	14 Platforms	40
Bristol Bay (Estimate)	.233	6.8	8.1 (84% Gas)	N/A	N/A	N/A
California (Offshore)**	1.9	1.7	12.3 (14% Gas)	9.6	6954 33 Platforms & Islands	37

\* 819 manned platforms, \*\* 2391 offshore wells since 1969 (33 platforms & islands)

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### Cook Inlet Experience

- ✓ 6 major fields, 702 offshore wells
- ✓ 40 years of safe production
- ✓ Significant benefits to Alaska economy (jobs, taxes, royalties, gas for Anchorage & Japan)
- ✓ 1.3 BBO cumulative production
- ✓ 3.3 TCFG cumulative production
- ✓ Only LNG export from U.S. – 36 yrs
- ✓ "Finfish & Shellfish in Cook Inlet are as clean & wholesome as any that EPA has ever tested."\*



Dillon Platforms:  
14 miles to Kenai River  
Center of 14 platforms:  
23 miles to Kenai River

\* Quote from Alaska Seafood Marketing Institute

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### Norway

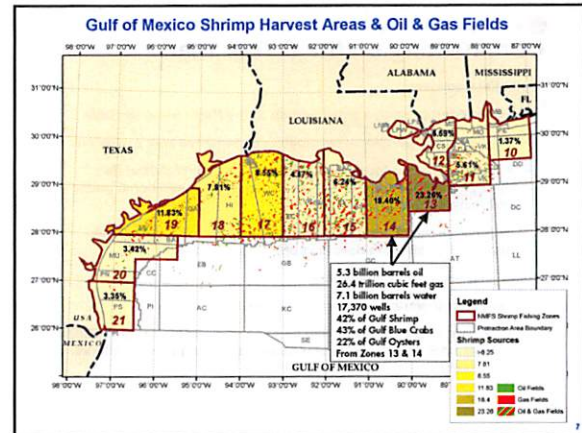
- Offshore oil and gas since 1965
- #8 world oil producer (3.3 mmbold)
- #83 exporter of oil in the world
- #10 world fish producer
- 58-80 degrees north latitude
- (75-100 miles from oil fields to Hardanger Fjord)

The largest fish farming counties are Hordaland (the Bergen region) and Nordland (the Bodø region). Hardanger Fjord is in Hordaland County.

In 2003, 165 fish farms in Hordaland produced 94,121 tons of salmon and 17,147 tons of trout, 19% of the total Norwegian production of salmon and trout.


In 2000, the Norwegian salmon industry was ~ NOK 15 billion or ~\$2.4 billion US dollars.



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- ### New Ways to Operate
- Cooperation Agreements
    - Operational windows so exploration & construction minimize impacts on seafood harvesting and/or subsistence activities
    - 1<sup>st</sup> used in the Bering Sea in the 1980's
    - North Slope offshore Alaska – Alaska Eskimo Whaling Commission
    - Lofoten area in northern Norway with Cod & Herring fisheries
  - Good Neighbor Policy
    - Compensation for damage to fishing equipment
      - OSLCA Fisherman's Contingency Fund
      - Section 16.10.55 of Alaska Statutes
    - North Slope offshore Alaska – Alaska Eskimo Whaling Commission
    - Planned for Lofoten area in northern Norway
    - Payments in the event a spill damages resources
  - Regulatory Boundaries Shaped by Resource Protection Needs

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### A Manual for Geophysical Operations in Fishing Areas of Alaska



Prepared By -  
Representatives of the Alaska Oil and Fishing Industries  
2nd Edition - May 1984

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## Offshore Oil & Gas Extraction Environmental Track Record

- No significant (>1000 barrels) offshore well blowouts in over 30 years
- No significant platform spills in over 25 years
- Many areas around the world where fishing & oil/gas industries successfully co-exist
- <1% of hydrocarbons released to oceans come from oil & gas extraction
  - Lower release rate than fuel barging
- MMS requires downhole, subsea safety shut-off valves on all wellbores
- Relief well technology now capable of intersecting an 8" wellbore from a distance of 5km (3 miles).
- Significant changes & improvements in past 30 years in the areas of:
  - Laws & regulations, such as the Oil Pollution Act of 1990, NEPA & establishment of EPA
  - Spill & blowout prevention, detection, reporting and response
  - Cooperation with other ocean users, including fishermen & subsistence users
- Zero cargo spills ever (35+ years) for LNG shipping (more than 35,000 voyages)

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## Impact of High Energy Costs

Overview, 1949-2004

Oil Supply & Demand

Imports increasing for both oil and natural gas

Impact on the U.S. economy:

- ✓ Since 2000 2.8 million manufacturing jobs lost due to high energy costs
- ✓ Since 2002 36% of U.S. fertilizer industry closed
- ✓ Chemical industry closed 70 plants in 2004

Crude Oil and Natural Gas Plant Liquid Production, 1949-2004

U.S. Supply and Demand Natural Gas

Accelerated declines & lower volume discoveries will keep supply flat if we invest > \$20B annually

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## Commenting on the 5 Year Plan

- Potential Comments:
  - Full support to open a small portion of the North Aleutian Basin
  - Support with operational restrictions or sensitive area exclusions
  - If unsure, support for continuing the evaluation of Bristol Bay through the environmental impact statements & additional public comment periods
  - Include comments on revenue sharing with local communities impacted by offshore development
- Additional issues for commenting:
  - Individually drafted comments are best
  - Comment directly to MMS with copies to Governor, Congressional delegation & State/Local representatives (we can provide addresses & website)

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## Addresses for Comments

Access using Shell's BIPac website: <http://bipac.net/shell>

Ms. Renee Orr  
5-Year Program Manager - Minerals Management Service  
381 Elden Street, MS 4010  
Herndon, VA 20170  
By email comments can be sent to: [wwwrpbcomments@mms.gov](mailto:wwwrpbcomments@mms.gov)  
5 Year EIS comments can be sent to: [5yearcomments@mms.gov](mailto:5yearcomments@mms.gov)

Gov. Frank Murkowski  
P.O. Box 110001  
Juneau, AK 99811  
(907) 465-3532

The Honorable Lisa Murkowski  
United States Senate  
Washington, DC 20510  
(202) 224-5301

The Honorable Ted Stevens  
United States Senate  
Washington, DC 20510  
fax (202) 224-2354

The Honorable Don Young  
U.S. House of Representatives  
Washington, DC 20515  
(202) 225-0425 - Fax

State Senator Lyman Hoffman  
P.O. Box 888  
Bethel, AK 99559  
email: [Senator\\_Lyman\\_Hoffman@legis.state.ak.us](mailto:Senator_Lyman_Hoffman@legis.state.ak.us)

State Representative Carl Moses  
716 W. 4th Ave.  
Anchorage, AK 99501  
email: [Rep\\_Carl\\_Moses@legis.state.ak.us](mailto:Rep_Carl_Moses@legis.state.ak.us)

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**North Aleutian Basin, Alaska  
Outer Continental Shelf (OCS)  
2007-12  
Five Year Leasing Plan**

**Request for Public Comment**

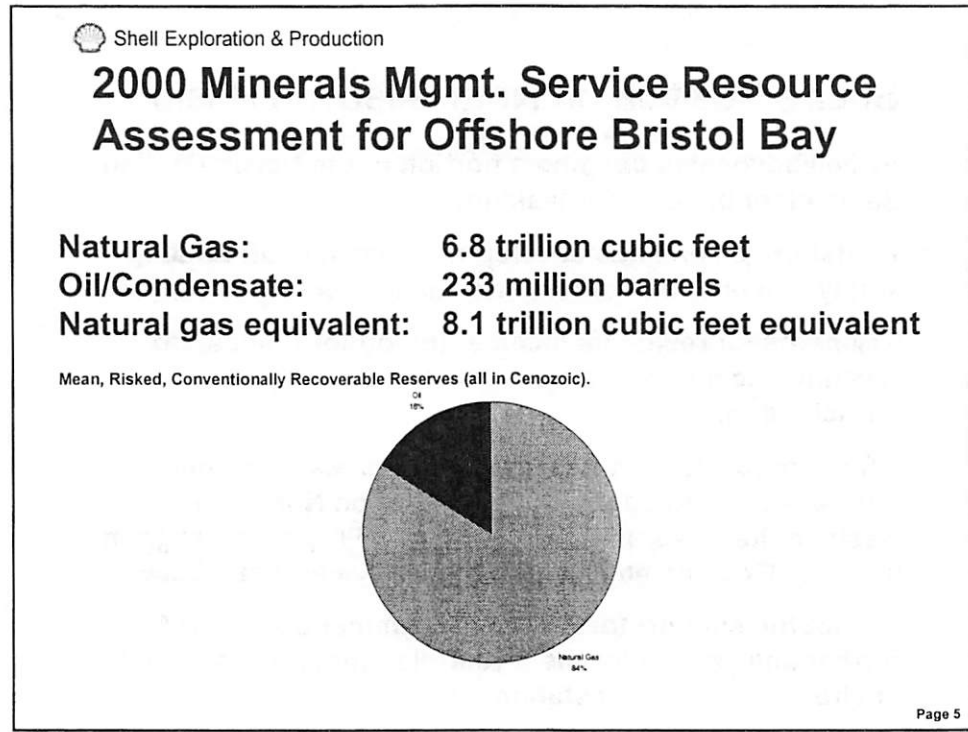
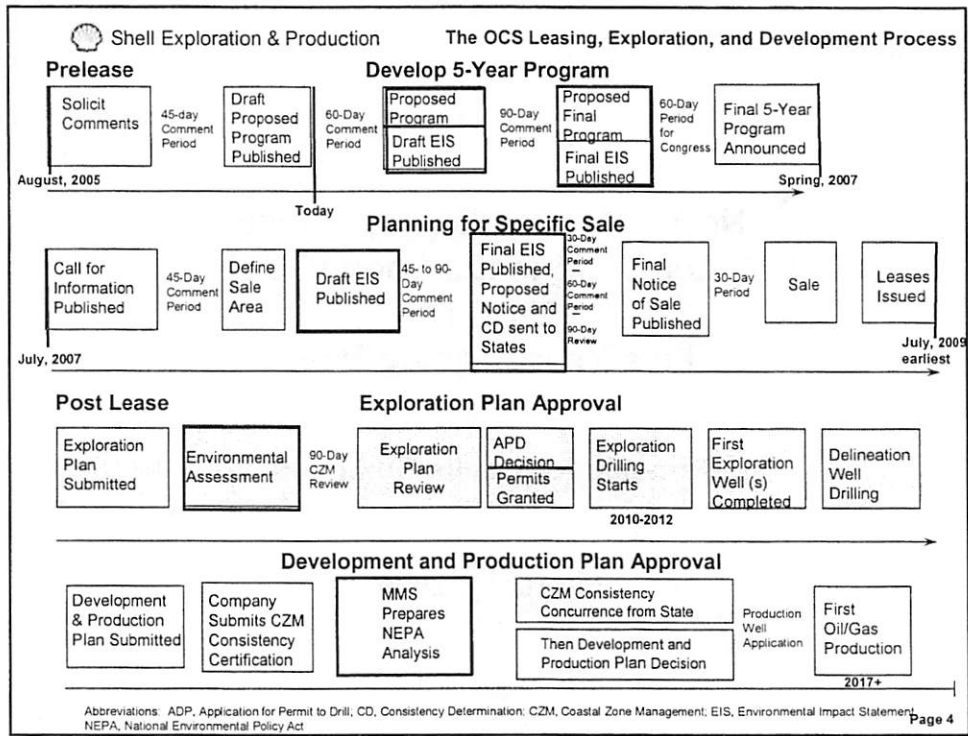
**February, 2006**

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**Shell's Position on North Aleutian Basin**

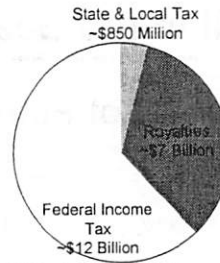
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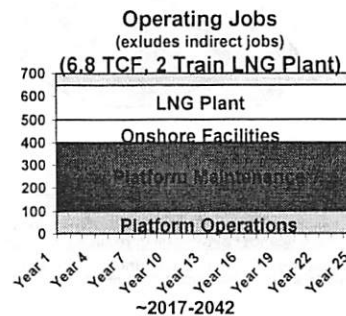
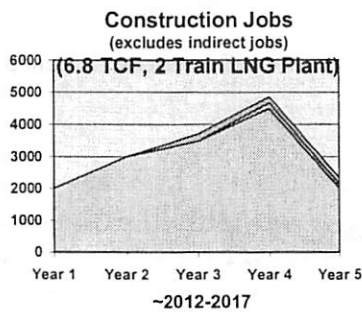


## Bristol Bay OCS Benefits

- ✓ Local source of fuel and energy
- ✓ Jobs
- ✓ Taxes (\$546 million Ad Valorem Tax LNG Plant over 25 Years)
- ✓ Revenue sharing - Shell working for passage in U.S. Congress
- ✓ Enhanced Search, Rescue & Spill Response
- ✓ Possible Equity Participation



6.8 TCF sales gas with February 2005 Forward Curve, 2 Train LNG Plant delivered to California via Baja Mexico



## Additional Benefits

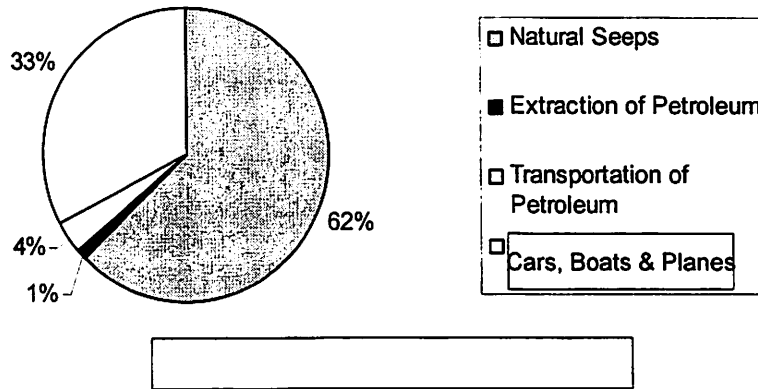
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# Oil in the Sea III

National Research Council of the National Academies

## Sources of Petroleum in North American Waters



Spills that occur during the consumption of petroleum -- whether by individual car and boat owners, marine vessels or airplanes -- make up most petroleum introduced through human activity.

Such consumption-related spills account for one-third of the petroleum in the sea, and represent 85 percent of the oil from human activities in North American marine waters.

# Oil & Gas Production in Seafood Areas

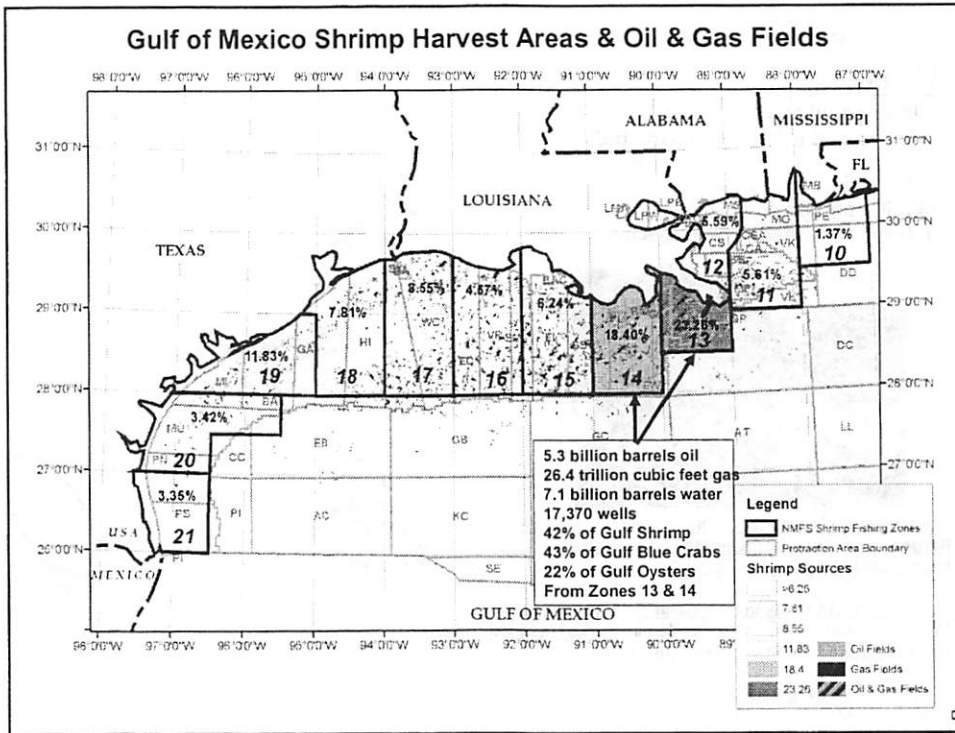
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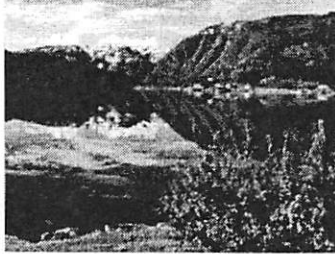
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Alaska LNG

\* Quote from Alaska Seafood Marketing Institute      Page 11

## Norway

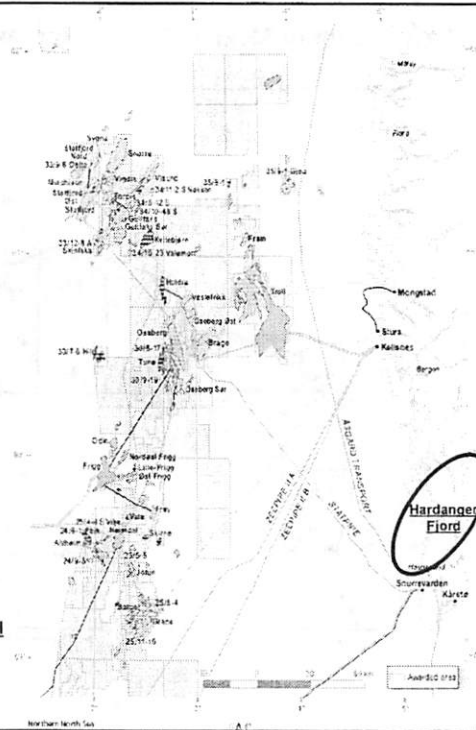
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- **Regulatory Boundaries Shaped by Resource Protection Needs**

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## Impact of High Energy Costs

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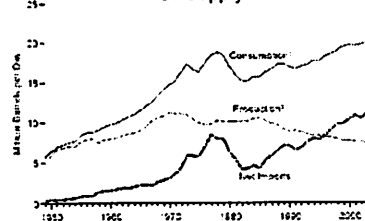
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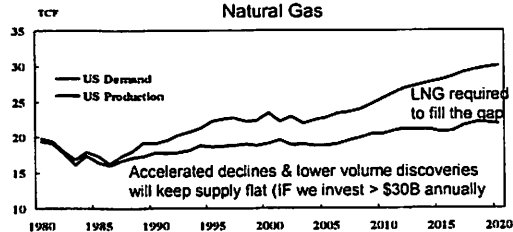
✓ Chemical industry closed 70 plants in 2004

Overview, 1949-2004 Oil Supply & Demand



Crude Oil and Natural Gas Plant Liquids Production, 1949-2004

US Supply and Demand Natural Gas



Source: Energy Information Administration

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## Addresses for Comments

Access using Shell's BiPac website: <http://bipac.net/shell>

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5-Year Program Manager - Minerals Management Service  
381 Elden Street, MS 4010  
Herndon, VA 20170

By email comments can be sent to: [fiveyrplcomments@mms.gov](mailto:fiveyrplcomments@mms.gov)  
5 Year EIS comments can be sent to: [fivevreiscomments@mms.gov](mailto:fivevreiscomments@mms.gov)

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The Honorable Ted Stevens  
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The Honorable Lisa Murkowski  
United States Senate  
Washington, DC 20510  
(202) 224-5301

The Honorable Don Young  
U.S. House of Representatives  
Washington, DC 20515  
(202) 225-0425 - Fax

State Senator Lyman Hoffman  
P.O. Box 886  
Bethel, Ak 99559  
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