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DEPARTMENT OF THE INTERIOR

Bureau of Ocean Energy Management

Docket No. BOEM-2016-0003

Notice of Availability of the 2017–2022 Outer Continental Shelf Oil and Gas Leasing Proposed Final Program

MAA104000

AGENCY: Bureau of Ocean Energy Management, Interior.

ACTION: Notice of availability.

SUMMARY: The Bureau of Ocean Energy Management (BOEM) is announcing the availability of the 2017–2022 Outer Continental Shelf (OCS) Oil and Gas Leasing Proposed Final Program ("Proposed Final Program" or "PFP"). This proposal is the last of three proposals for the 2017–2022 OCS Oil and Gas Leasing Program that will succeed the current, 2012–2017 Program. The PFP provides information and analyses to inform the Secretary of the Interior's (Secretary) decision on the size, timing, and location of leasing in the 2017–2022 Program. Section 18 of the OCS Lands Act (43 U.S.C. §1344) specifies a multi-step process of consultation and analysis that must be completed before the Secretary may approve a new OCS Oil and Gas Leasing Program, commonly known as the Five-Year Program. The required steps following this notice include a minimum 60-day period after the submission of the PFP to the President and Congress before the Secretary may approve the 2017-2022 Program. Concurrently with this notice, and pursuant to the National Environmental Policy Act (NEPA), BOEM is publishing a Notice of Availability (NOA) of the Final Programmatic Environmental Impact

Statement (PEIS) for the 2017–2022 Program.

FOR FURTHER INFORMATION, CONTACT: Ms. Kelly Hammerle, Five-Year Program Manager, at (703) 787-1613 or Kelly.hammerle@boem.gov.

SUPPLEMENTARY INFORMATION:

Background

Section 18 of the OCS Lands Act requires the Secretary to prepare and maintain a schedule of proposed OCS oil and gas lease sales determined to "best meet national energy needs for the five-year period following its approval or reapproval." This PFP is the last of three proposed leasing schedules for OCS lease sales under the 2017–2022 Program. The first proposal, the Draft Proposed Program (DPP), was published on January 29, 2015, and was followed by a 60-day comment period that ended on March 30, 2015. The second proposal, the Proposed Program, was published on March 18, 2016, with a 90-day comment period that closed on June 16, 2016.

The areas identified in the PFP were chosen after careful consideration of the factors specified in Section 18 of the OCS Lands Act and the comments received during the Program development process. Included in this PFP is an analysis of the lease sale options identified by the Secretary in the Proposed Program. The development of the Five-Year Program is a winnowing process; thus, only those areas that the Secretary decided were appropriate to include in the Proposed Program are analyzed in the PFP and the associated Final PEIS. The PFP and Final PEIS will be submitted to the President and Congress at least 60 days prior to Secretarial approval of the 2017–2022 Program.

Summary of the Proposed Final Program

As part of the Administration's energy strategy, the PFP is designed to best meet the nation's energy needs. It takes into account the Section 18 requirement to balance the potential for discovery of offshore oil and gas resources with the potential for environmental damage and the potential for adverse impact on the coastal zone. In weighing the Section 18 factors to develop a nationwide program, region-specific considerations were taken into account, including information about resource potential, the status of resource development and infrastructure to support oil and gas activities and emergency response capabilities, industry interest, and the regional interests and policies of affected states. Through the Five-Year Program winnowing process, the Secretary gathers information to determine the timing of lease sales and the combination of offshore areas that will, if leased, best meet the energy needs of the nation while protecting against environmental damage and adverse impact to the coastal zone.

Grounded in the above principles, and after careful consideration of public input and the OCS Lands Act Section 18(a)(2) factors, the PFP contains a proposed lease sale schedule of 11 lease sales, 10 in those portions of three OCS planning areas in the Gulf of Mexico that are not subject to moratorium, and one in the Cook Inlet offshore Alaska. These areas have high resource potential, existing Federal or state leases and infrastructure, and more manageable potential environmental and coastal conflicts from development as compared to other OCS areas that are not included in the 2017–2022 Program. In total, the PFP makes available approximately 70 percent of the resources that are economically recoverable at an oil price of $40 per barrel, and nearly one half of the estimated undiscovered technically recoverable OCS oil and gas resources.

Table 1: 2017–2022 Proposed Final Program Lease Sale Schedule

	Year	Planning Area	Sale Number
1.	2017	Gulf of Mexico	249
2.	2018	Gulf of Mexico	250
3.	2018	Gulf of Mexico	251
4.	2019	Gulf of Mexico	252
5.	2019	Gulf of Mexico	253
6.	2020	Gulf of Mexico	254
7.	2020	Gulf of Mexico	256
8.	2021	Gulf of Mexico	257
9.	2021	Cook Inlet	258
10.	2021	Gulf of Mexico	259
11.	2022	Gulf of Mexico	261

Gulf of Mexico Region

The Gulf of Mexico combines abundant proven and estimated oil and gas resources, broad industry interest, and well-developed infrastructure. The oil and gas resource potential of the Western and Central Gulf of Mexico, as well as the portion of the Eastern Gulf of Mexico that is not subject to Congressional moratorium, is the best understood of all of the OCS planning areas. Not only are the oil and gas resource volume estimates for the Gulf of Mexico OCS unparalleled, the existing infrastructure to support development is mature for and able to support oil and gas activity and response capabilities in the event of an emergency.

Of the 11 lease sales included in the PFP, 10 are in the Gulf of Mexico (see Figure 1), where infrastructure is well established, and there is strong adjacent state support and significant oil and gas resource potential. The Gulf of Mexico proposal includes region-wide sales: one sale in 2017 and 2022, and two sales in 2018, 2019, 2020, and 2021.

Alaska Region

In Alaska, the PFP includes a Cook Inlet lease sale in 2021 that comprises the northern portion of the Cook Inlet Planning Area (see Figure 2). Cook Inlet is a mature basin with a long history of oil and gas development in State waters, where existing infrastructure is capable of supporting new activity. The design of this lease sale area allows for the protection of the endangered beluga whale, and for the protection of northern sea otter critical habitat, and makes available those areas with the greatest industry interest and significant oil and gas resource potential. BOEM will continue to use developing scientific information and stakeholder feedback to determine, in advance of any sale, which specific areas offer the greatest resource potential, while minimizing conflicts with environmental, subsistence, and multiple use considerations in Cook Inlet.

The DPP and Proposed Program included one sale each in the Chukchi Sea and Beaufort Sea Planning Areas. After considering all available information and analyses, the Secretary removed the Chukchi Sea and Beaufort Sea Program Areas from the PFP. The Secretary's decision to remove the Beaufort Sea and Chukchi Sea Program Areas was based on a consideration of the Section 18(a)(2) factors, which include regional geographical, geological and ecological characteristics of the region; equitable sharing of developmental benefits and environmental risks among regions; environmental and predictive information; industry interest;

regional and national energy markets; state goals and policy; environmental sensitivity; and other uses of the various planning areas.

While there are significant hydrocarbon resources in the Arctic, the region is a unique, sensitive, and costly environment in which to operate. Unlike the Cook Inlet, the Arctic OCS is remote, and would require substantially more new investment for large-scale OCS development. Industry voiced its interest in the Arctic OCS in the comment period on the Proposed Program. However, foreshadowed by Shell's disappointing 2015 drilling season and subsequent announcement that it would leave the U.S. Arctic for the foreseeable future, industry has demonstrated its declining interest in the Arctic OCS with the relinquishment of the majority of leases in these two Planning Areas. In fact, the number of active leases in the Arctic OCS has declined by more than 90 percent in a matter of months, from 527 in February 2016 to only 43 as of October 2016, with most of these expected to expire in 2017.

While the Arctic OCS has the potential to provide domestic energy production when economic conditions are considerably more favorable, the increase in domestic onshore production from shale formations and other market factors have shifted expectations regarding oil and gas price trajectories and have substantially reduced the economic incentives for Arctic exploration and production. As described in Chapter 6 of the PFP, recent developments in domestic oil and natural gas markets have reduced the United States' reliance on imported petroleum. With the existing U.S. onshore crude production increasing in every year since 2008, and substantial Gulf of Mexico offshore production continuing, U.S. domestic energy supply remains strong. While new production can be beneficial, the Arctic lease sales are not necessary to have a 2017–2022 Program that best meets the energy needs of the nation. BOEM estimates that without the Arctic OCS lease sales, cumulative U.S. oil and gas production will be less than one percent lower over the 70-year life of projected activity, and only four percent lower during the years of peak production. The Nation's energy security remains strong without leasing in the Arctic, and the oil and gas resources in the Arctic will likely become more valuable to potential bidders at some point in the future.

Atlantic Region

As in the Proposed Program, no lease sales are included in the Atlantic Region in the lease sale schedule for 2017–2022.

Pacific Region

As in the DPP and Proposed Program, no lease sales are included in the Pacific Region in the lease sale schedule for 2017-2022.

Assurance of Fair Market Value

Section 18 of the OCS Lands Act requires receipt of fair market value from OCS oil and gas leases. BOEM plans to continue to use the two-phase post-sale bid evaluation process that it has used since 1983 to meet the fair market value requirement. BOEM recently revised its post-sale bid evaluation process (see Summary of Procedures for Determining Bid Adequacy at Offshore Oil and Gas Lease Sales: Effective March 2016 at http://www.boem.gov/Summary-of-Procedures-For-Determining-Bid-Adequacy/). Further, the PFP provides that BOEM may set minimum bid levels, rental rates, and royalty rates for each individual lease sale, based on BOEM's assessment of market and resource conditions closer to the date of the lease sale.

Next Steps in the Process

BOEM will submit the PFP and Final PEIS to the President and Congress at least 60 days prior to Secretarial approval of the 2017-2022 Program.

______________________________________ November 16, 2016.
Abigail R. Hopper Dated
Director, Bureau of Ocean Energy Management

Figure 1: 2017–2022 Lower 48 States Proposed Program Areas

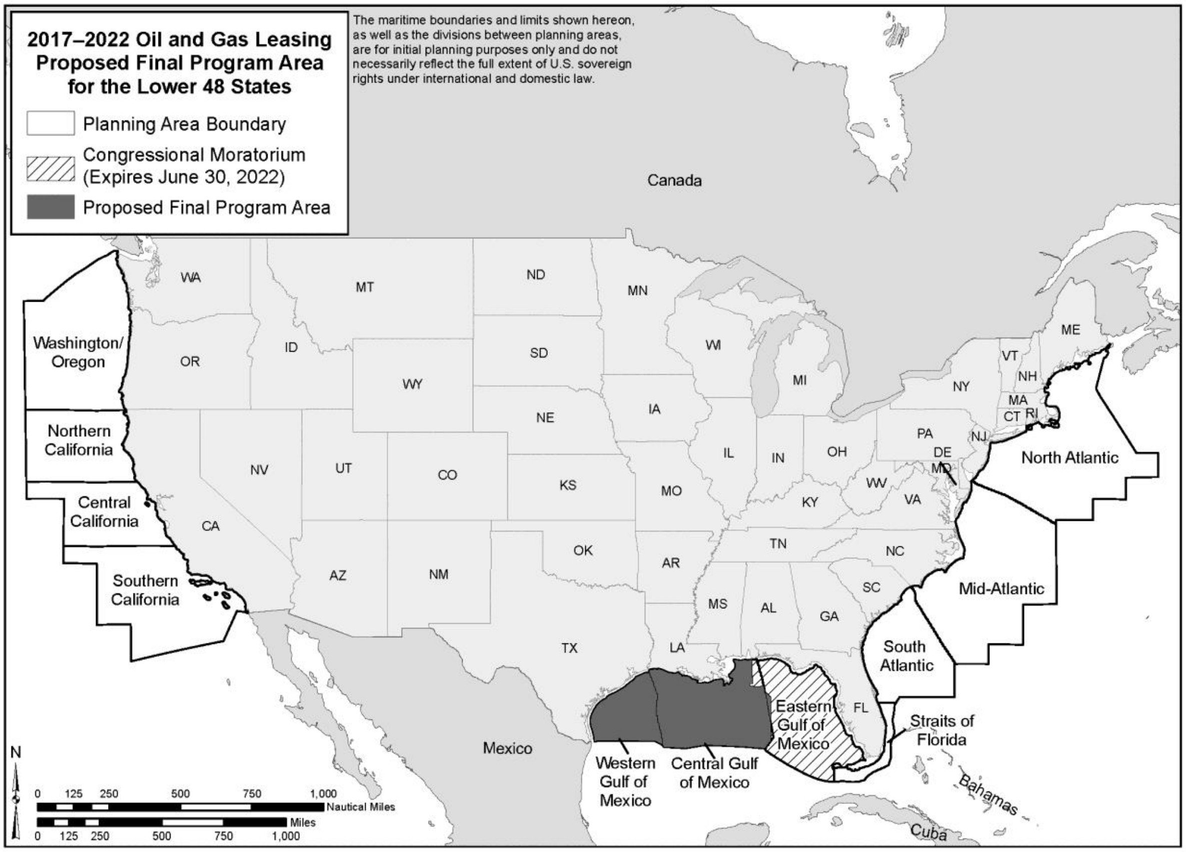
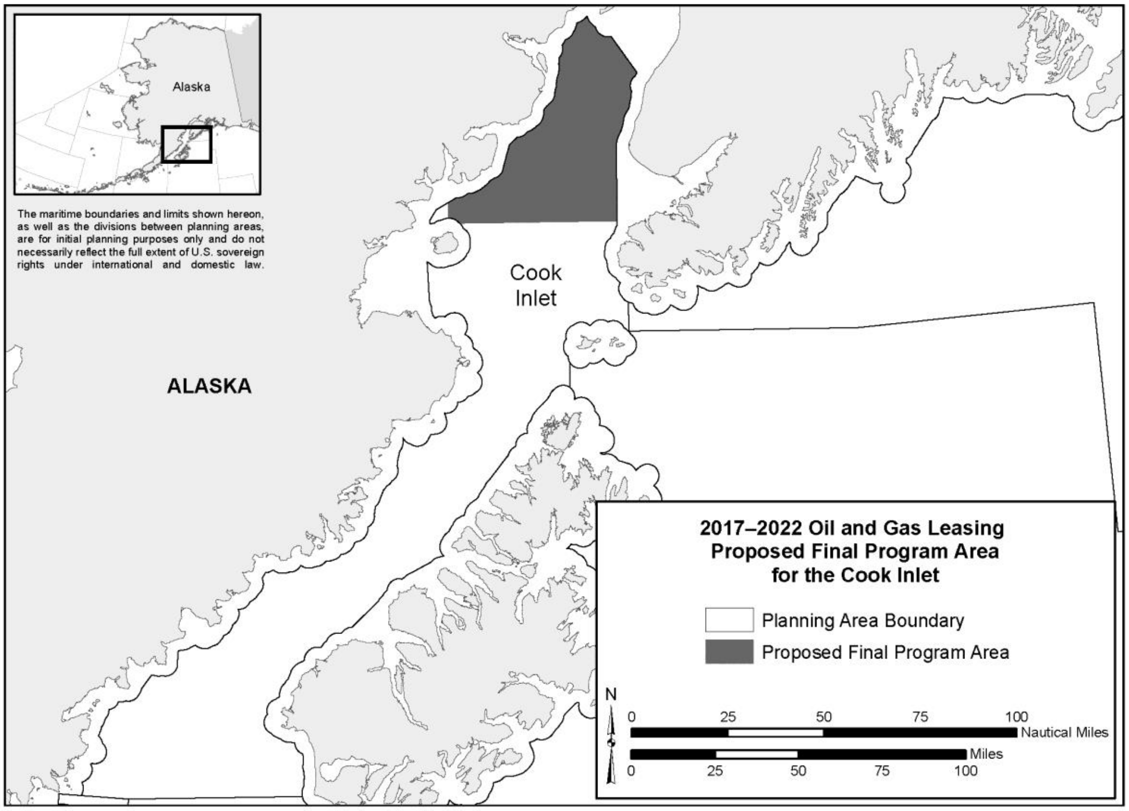


Figure 2: 2017–2022 Alaska Proposed Program Area



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