



## **SHORELINES – October 2017**

As presented to the *Island Review* magazine

### **Redux – Outer Continental Shelf (OCS) Oil & Gas Exploration in the Atlantic**

Oil & Gas Exploration is a controversial topic in general no matter whether it is by land or sea, and considering our environs and regional geology, exploration along the Atlantic Outer Continental Shelf (OCS) is of particular interest. This all came back into focus earlier this summer when the Bureau of Ocean Energy Management (BOEM) announced the Administration was going to re-script the current 5-Year Oil & Gas Leasing Program. BOEM is an agency under the Department of Interior (DOI) and per Section 18 of the OCS Lands Act, the Secretary of the Interior/BOEM prepares and maintains a schedule of proposed oil & gas lease sales in federal waters, indicating the size, timing, and location of auctions that would best meet national energy needs. This is done on a five-year basis per law. The current plan is for 2017-2022 and logically superseded the older 2012-2017 plan.

However as introduced above, the new Administration (Trump) is proposing to replace the existing 2017-2022 plan with a modified 2019-2024 plan. **The new 2019-2024 plan has not been released**, but preliminary public comment was invited and received from July 3 to August 17, 2017 (49,662 comments were submitted electronically).

Coupled with the announcement of a new 2019-2024 plan that in essence will replace the previous Administration's (Obama) 2017-2022 plan, the new Administration in June of this year, via the National Marine Fisheries Service (NMFS), proposed to issue five permits allowing seismic surveys in the Atlantic from the New Jersey/Delaware border to central Florida. Concurrently, the NMFS requested comments on its proposal to issue Incidental Harassment Authorizations (IHAs) if marine mammal takes occur during the specified seismic activities.

Seismic surveying is akin to an "ultra sound" of the subsurface. The longer the wavelength, the deeper it can penetrate as the sound "bounces" off density differences in the subsurface (e.g. – a contact separating salt and an overlying sandstone). An airgun emits the sound in water, and is recorded back utilizing a series of hydrophones trailing the boat. On a cursory level, these surveys will be utilized to understand the geology of the OCS – all the way down to "the Moho" (the boundary between the Earth's crust and the mantle). More practically speaking, the seismic surveys are used to identify discrete areas of petroleum hydrocarbon reservoirs which in turn; (A) Could aid BOEM with constraining any future proposed Atlantic lease areas and develop reasonable market price for the lease(s), and (B) For the industry, the seismic surveys will go into their decision-making process concerning if the purchase of a lease and pursuit of an Exploration Plan is economically feasible. It is not uncommon for a single lease to command \$100,000,000s in the Gulf of Mexico. That does not include any annual rent payments, expenses involved with test wells, production, etc.

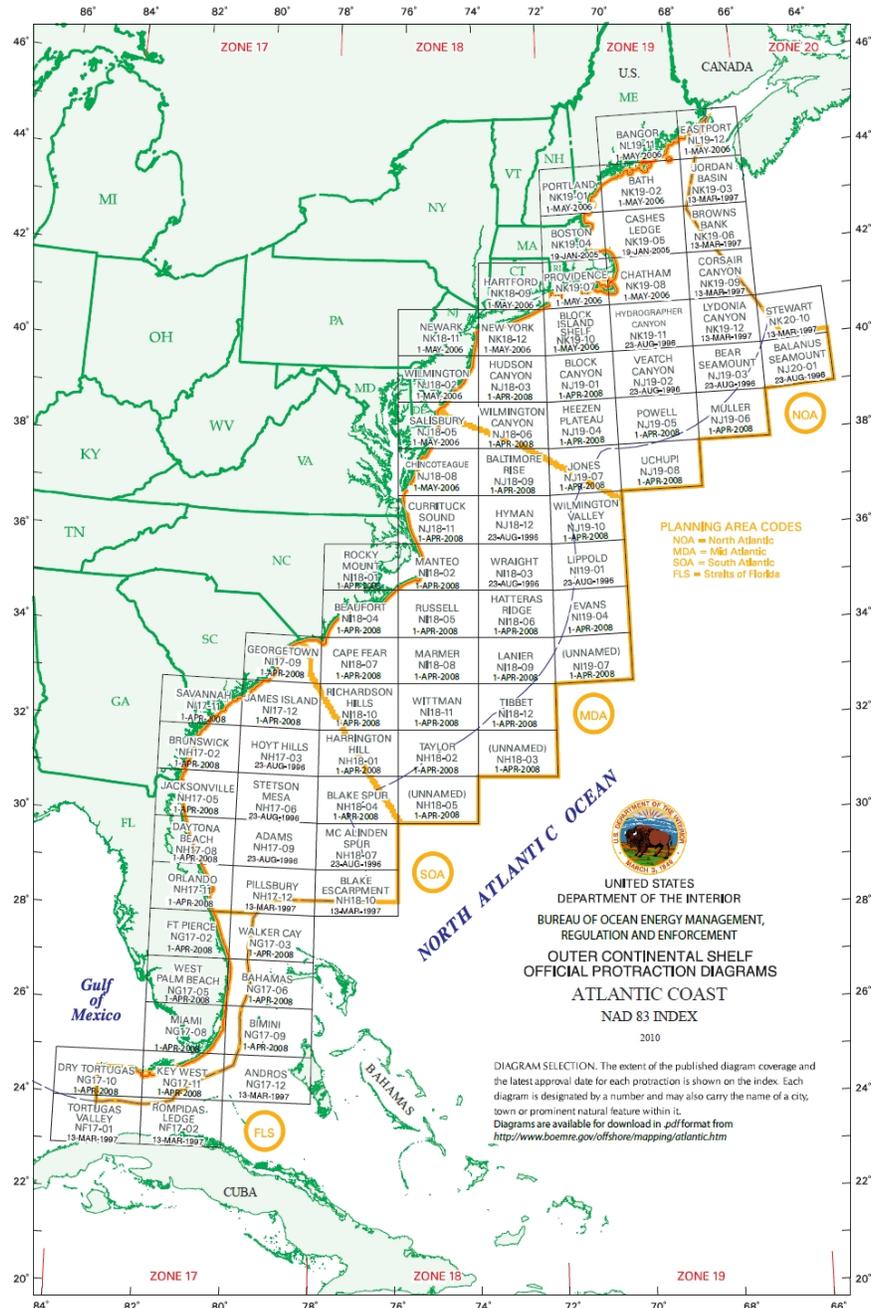
### **Double Reversal and a Good Bet that...**

It may seem like forever ago, but the 2017-2022 Leasing Program was first released on January 29, 2015 by the Obama Administration and included a large swath of the OCS at least 50 miles offshore the Virginia, North Carolina, South Carolina, and Georgia coasts. And likewise, the previous Administration also prepared a Programmatic Environmental Impact Statement (EIS) for Atlantic Geological and Geophysical Activities (i.e., seismic and other remotely-sensed activities). In fact, a Record of Decision for the EIS was issued in July of 2014, paving the way for what everyone thought would be seismic surveying permits required for the industry to start the work.

But that all changed in 2016, when the Obama Administration went 180 degrees in the other direction. First in March 2016, the Administration (DOI) announced the wholesale removal of the Atlantic

OCS from consideration of the 2017-2022 Leasing Program as a part of the evaluation process before the program was deemed "finalized". Second just before the Administration's departure in January 2017, BOEM announced their denial of six pending permits to conduct seismic surveying. The concurrent Incidental Harassment Assessments (IHAs) were never completed.

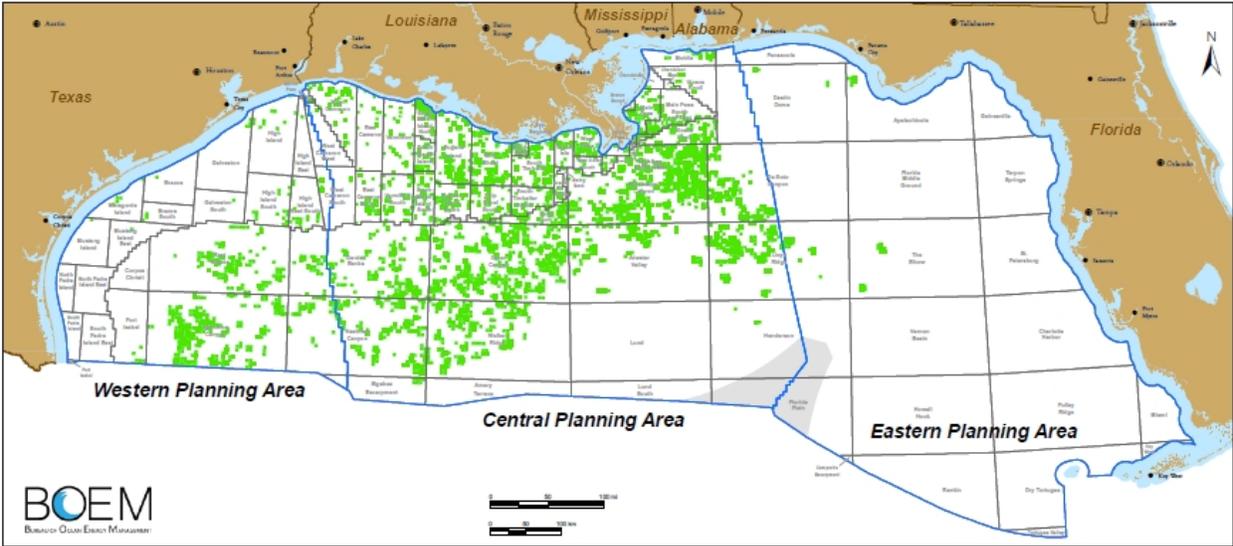
The Obama Administration proposal and subsequent rescind of seismic permits and Atlantic OCS Oil & Gas leases is one reversal. The second reversal followed with the Trump Administration that has placed both seismic surveying and Atlantic OCS lease sales back on the table. As mentioned above, the new 2019-2024 5-Year Oil & Gas Leasing Program has not been released yet, but it is a good bet the Draft Program will include all or portions of the three Atlantic Planning Areas (Fig. 1) once it is released. No announcement has been made concerning the timeline for the Draft Program release, but January 2018 would be consistent with previous schedules. This will trigger a new mandatory wave of public comment.



**Figure 1** – Map depicting the Atlantic OCS Planning Area Boundaries and Blocks BOEM can utilize in developing the new, yet to be released 2019-2024 Oil & Gas Leasing Program. NOA = North Atlantic Planning Area, *MDA = Mid-Atlantic Planning Area*, SOA = South Atlantic Planning Area.

And lastly, the huge swaths of OCS Planning Areas and Blocks depicted in the Atlantic are a touch misleading (to no fault of BOEM). Ultimately, 5-year leasing programs need to be approved (i.e., finalized) and each lease sale will go through a prelease evaluation and decision process considering reasonable alternative lease sale configurations, reductions, and/or restrictions within that area. Leases are traditionally offered in blocks that are 9-square miles (3 miles on a side), so the final sales have a checkerboard type of appearance in map view representing the number of individual 9-square mile leasing blocks. Figure 2 is a map depicting the active leases in the Gulf of Mexico that should convey a mental image of the “checkerboard” mentioned immediately above – remember these leases have been sold, rented, and even developed over the course of many 5-Year Programs.

**BOEM Gulf of Mexico OCS Region  
Blocks and Active Leases by Planning Area  
August 1, 2017**



**Figure 2** – Map depicting active leases in the Gulf of Mexico sold historically over the course of many historical 5-year Leasing Programs (+2,900 leases total). It was envisioned if the Atlantic OCS was included in the final 2017-2022 Leasing Program or is included in the pending 2019-2024 Program, then there could have been or will be several individual 9-square mile leases offered as part of the initial sale.