

Draft Proposed Outer Continental Shelf (OCS) Oil and Gas Leasing Program for 2017–2022

Section 18 of the OCS Lands Act – scheduled and mandates OCS lease sales for a 5-year period.

The 2017-2022 DPP supersedes the 2012-2017 Program.



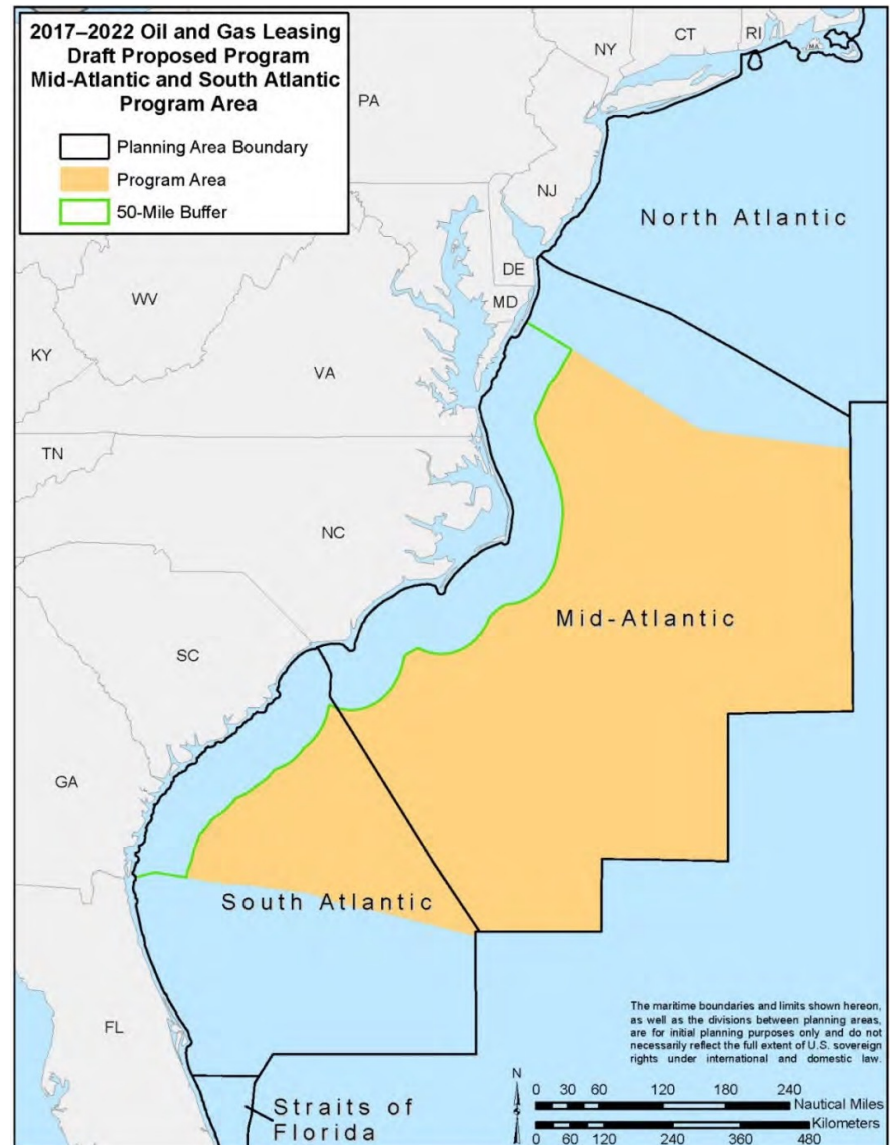
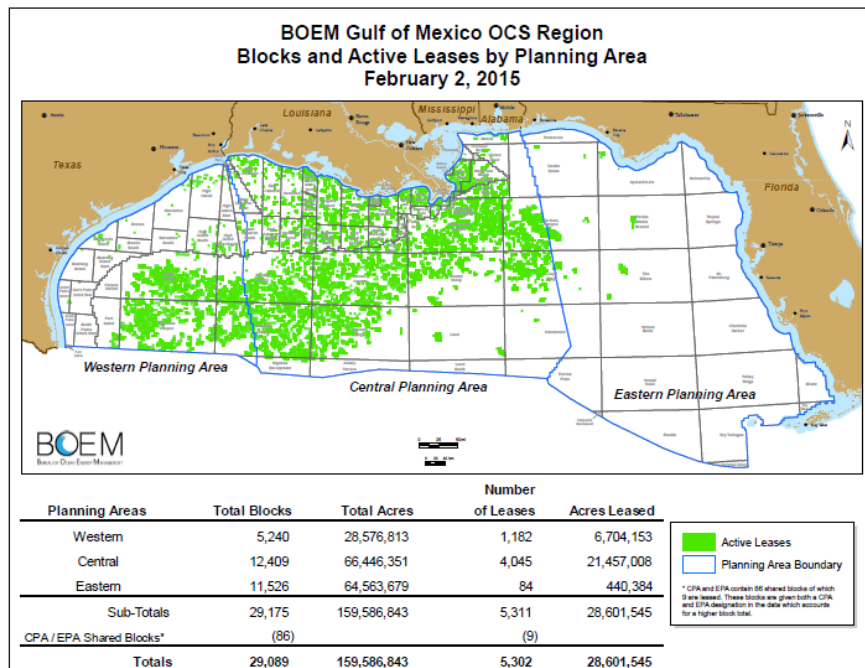
2017-2022 DPP schedules 14 potential OCS lease sales.

14 - Ten (10) sales in the three Gulf of Mexico (GOM) planning areas; one sale each in the Chukchi Sea (1), Beaufort Sea (1), and Cook Inlet (1) Planning Areas, offshore Alaska; and **one (1) sale in a portion of the combined Mid-Atlantic and South Atlantic Planning Areas.**

“SALE 260” scheduled for **2021**.

Area will likely be reduced into a series of 9 square mile blocks.

Minimum 50 miles offshore (in draft).



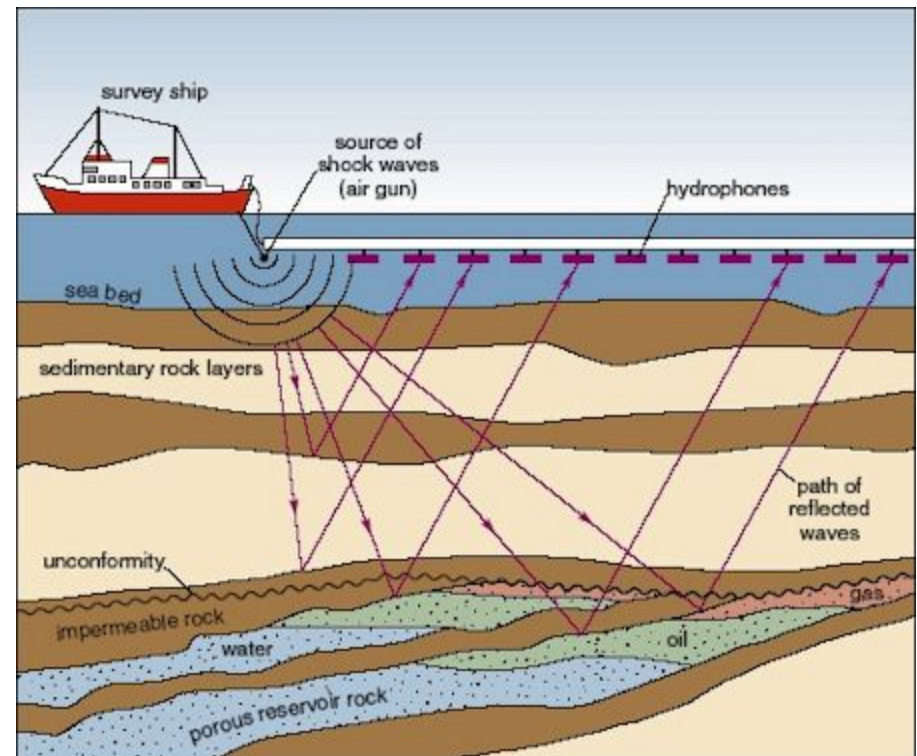
What's Next If a Lease is Purchased?

Formal Exploration Plan (seismics) must be submitted and approved.

Formal Development and Production Plan – delineation wells and a production wells.

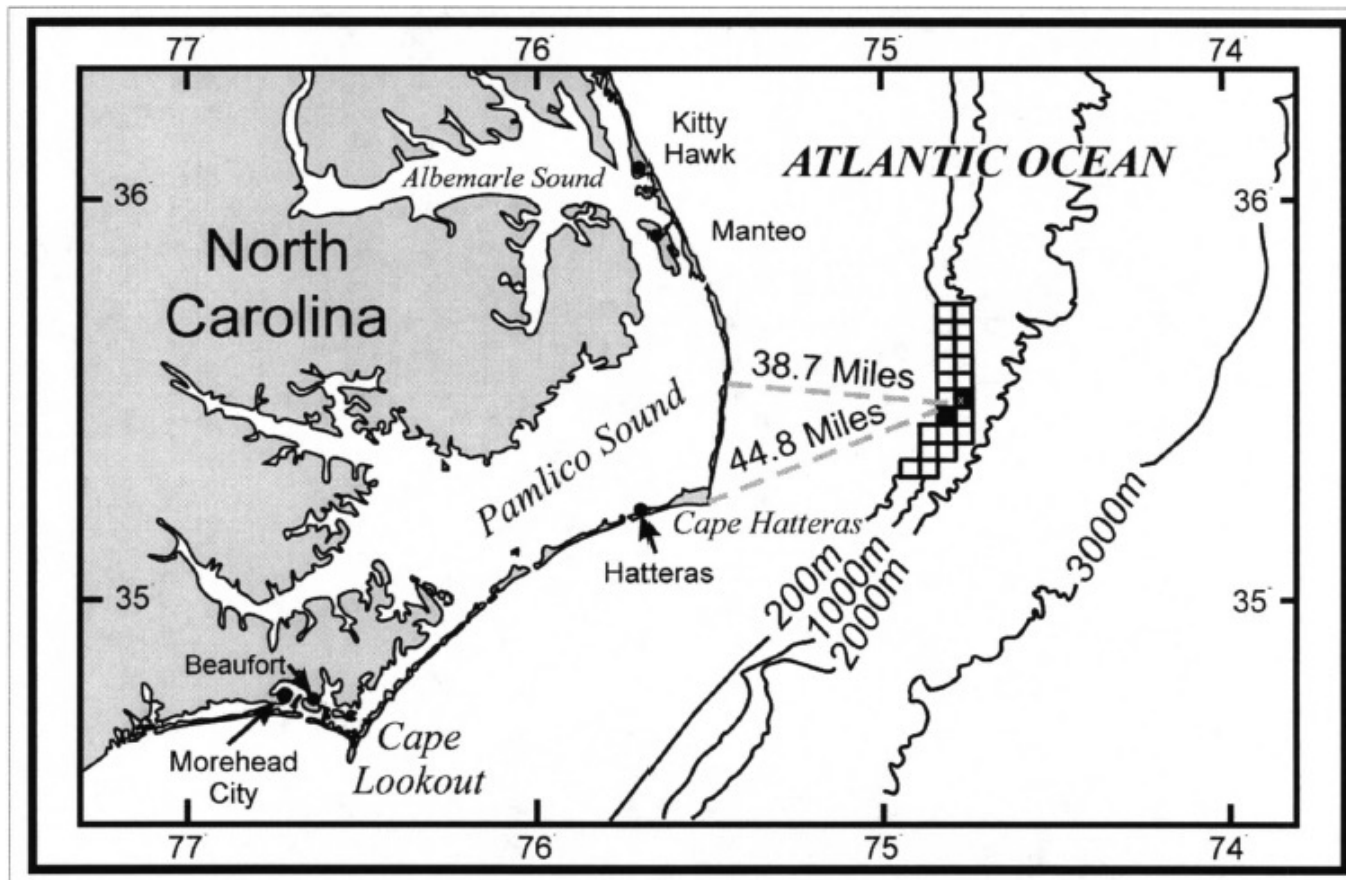
Production Facility complete with a vast oil services industry and new infrastructure.

At LEAST 10 to 15 years from now.



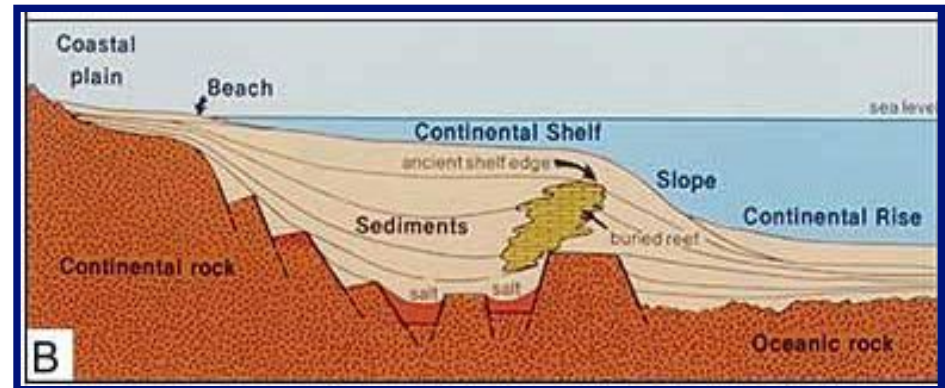
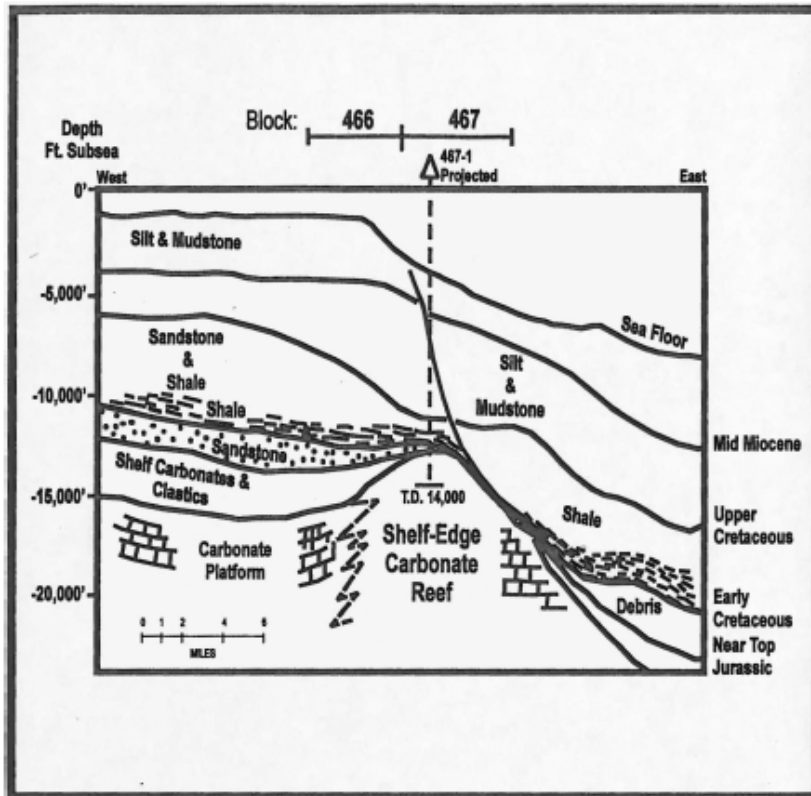
History in The Atlantic

*10 federal leases with the most recent held in 1983. No active leases since the mid-1990s and obviously no production from the Atlantic OCS.



History in The Atlantic

*Estimates back then - 5 trillion cubic feet (Tcf) dry natural gas. Blocks 467 & 510.



Spectrum Geo Inc., GX Technology, CGG, and TGS are proposing to conduct separate seismic surveying within the N.C. portion of the OCS in 2015!

Why?

BOEM – Help constrain lease blocks, establish fair market value.

Industry – Economic viability of pursuing purchase, Exploration Plan, etc.

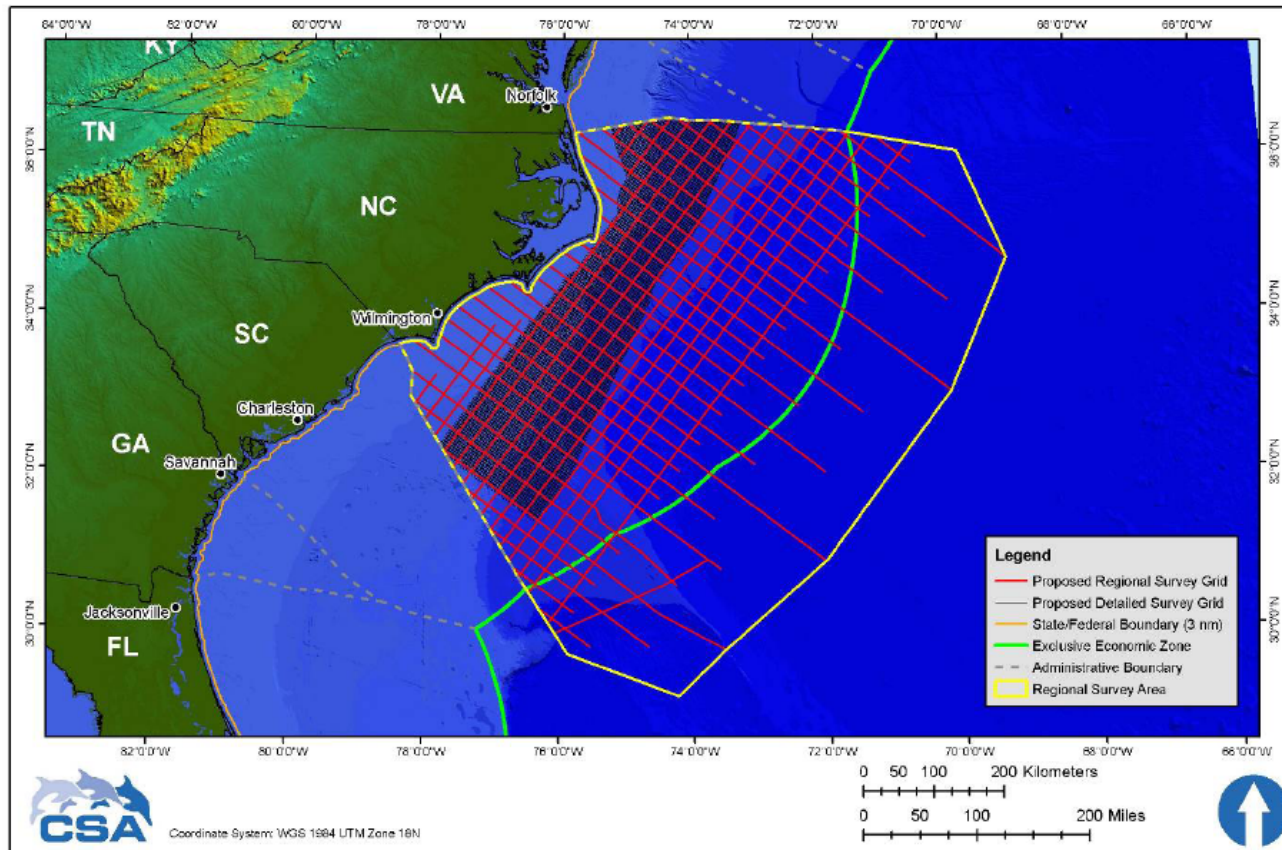


Figure 1. Proposed survey transects offshore North Carolina's coastal zone.

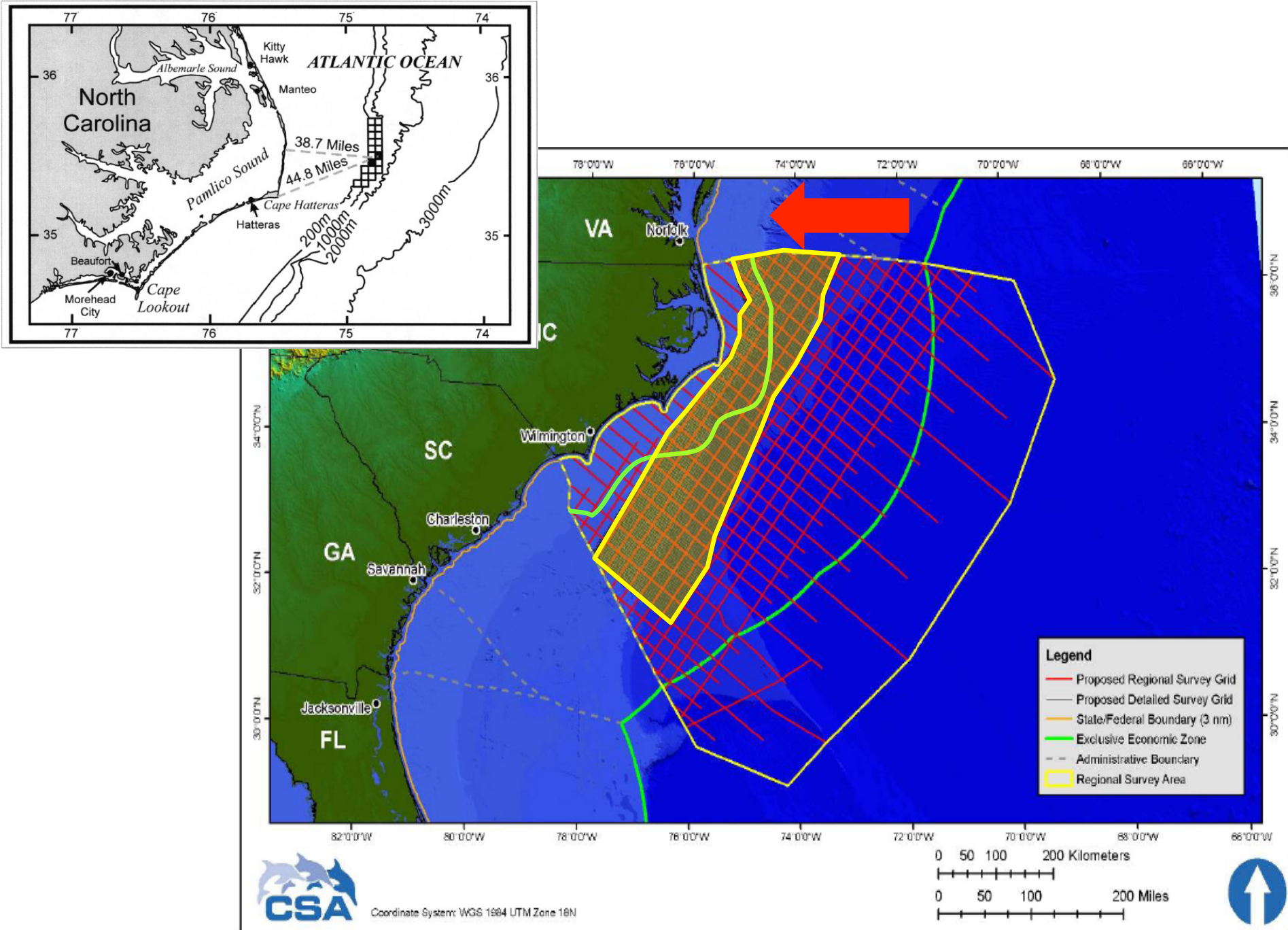
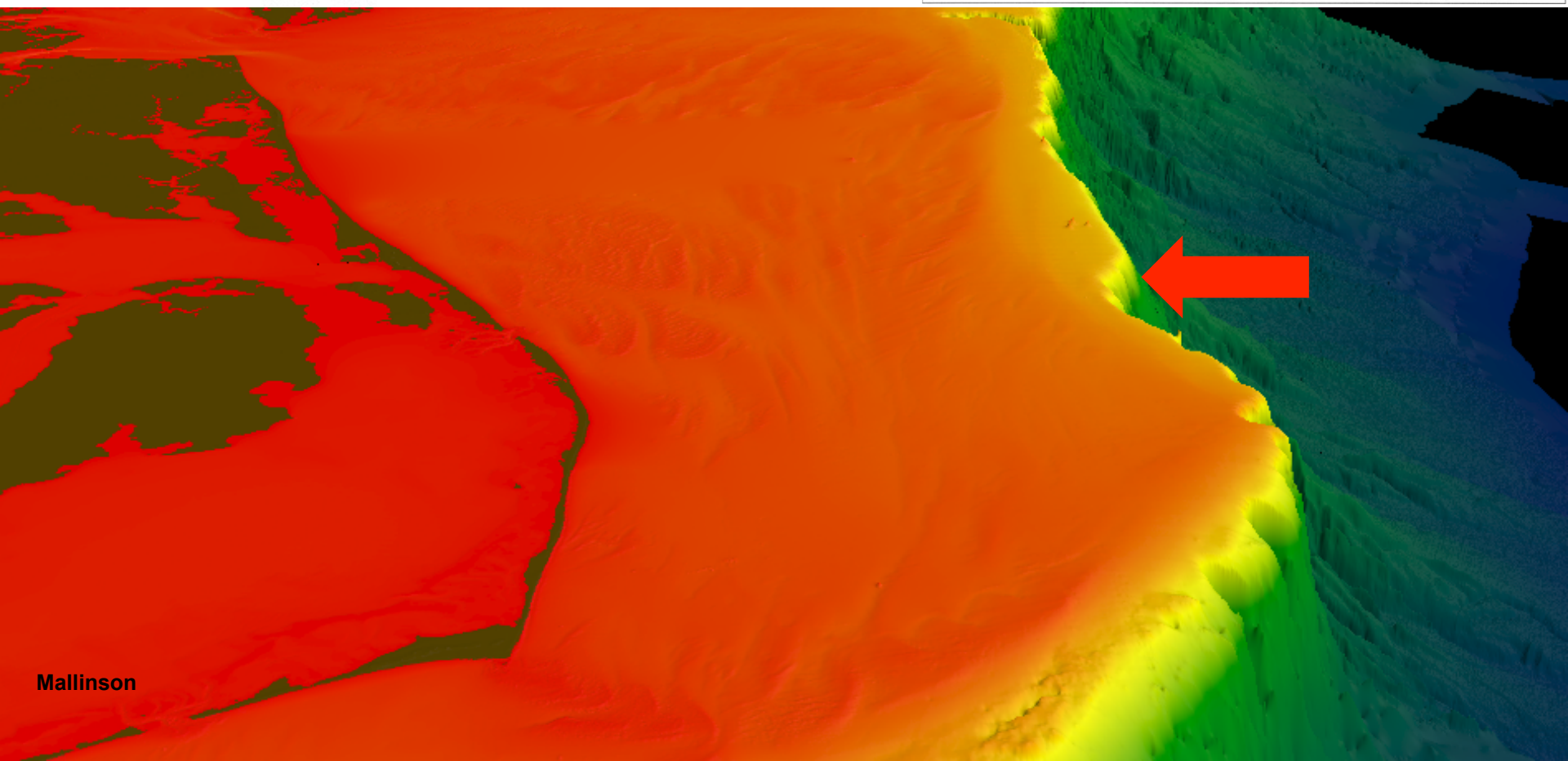
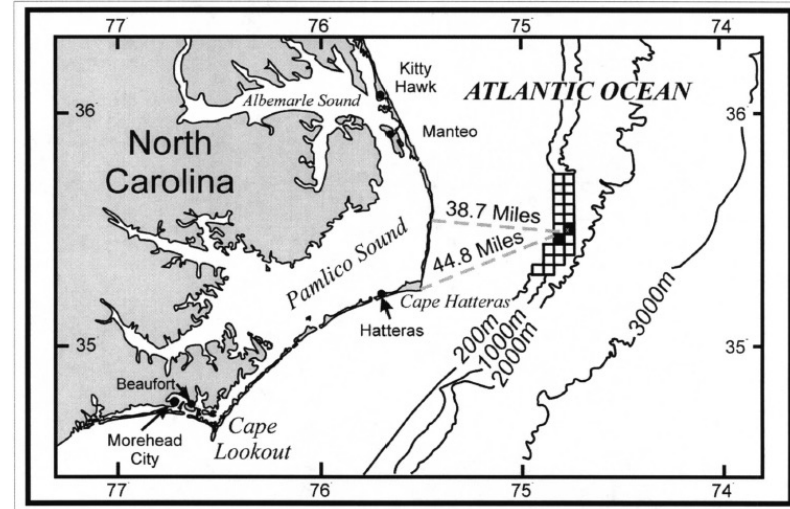
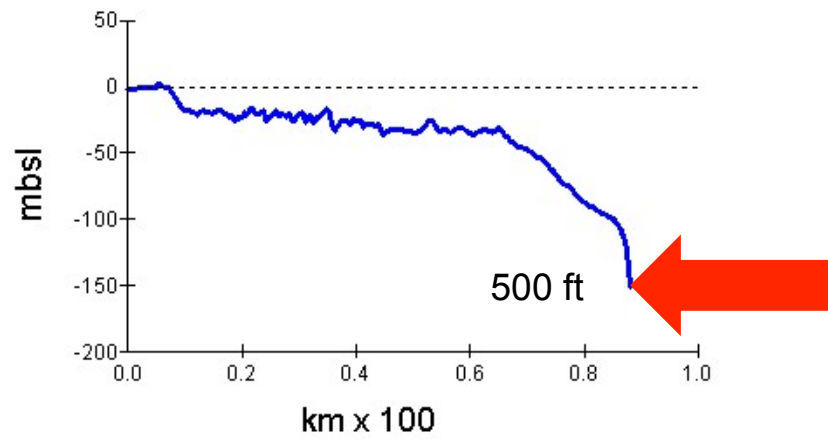


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Shelf Profile A-A'



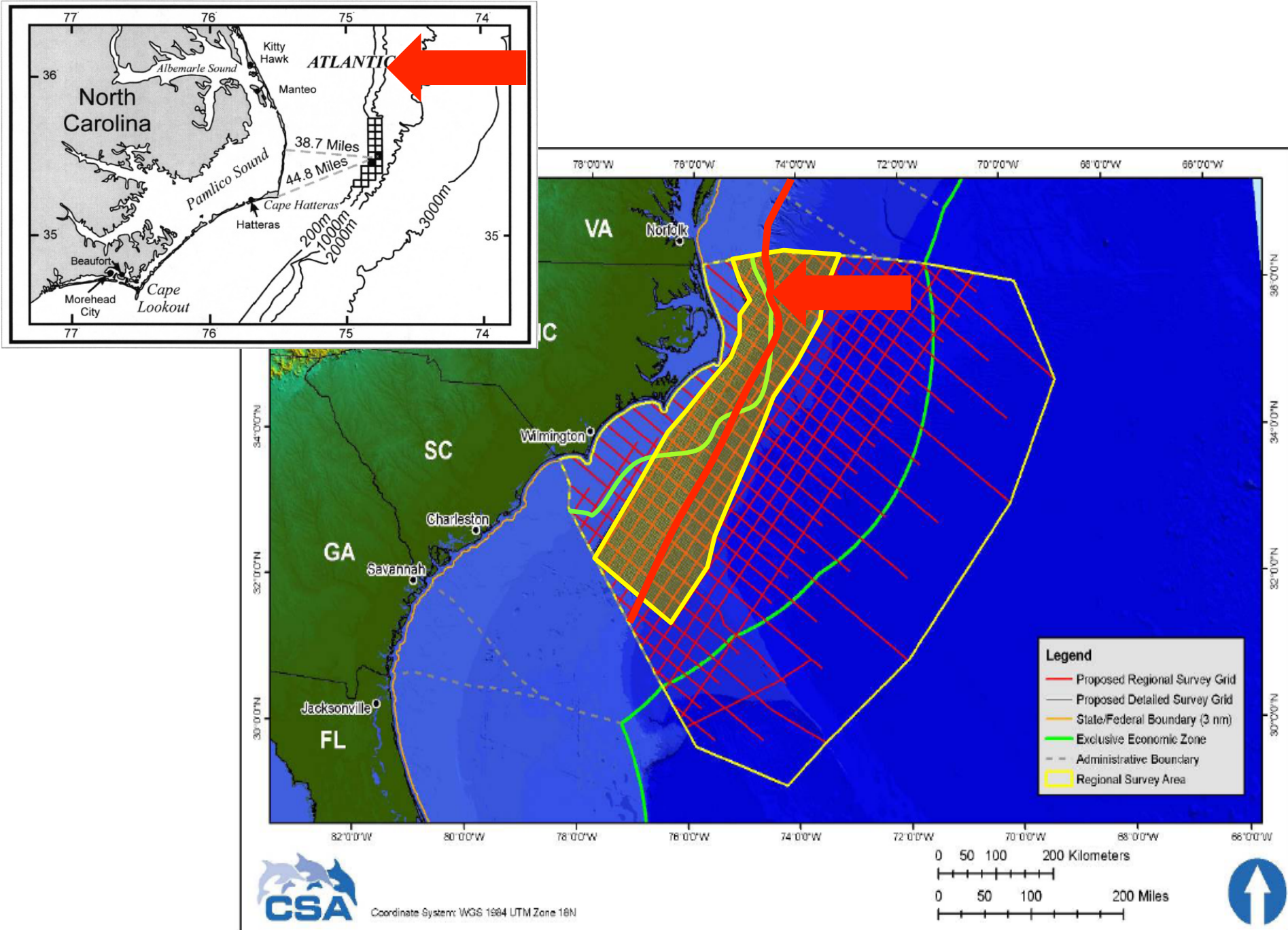
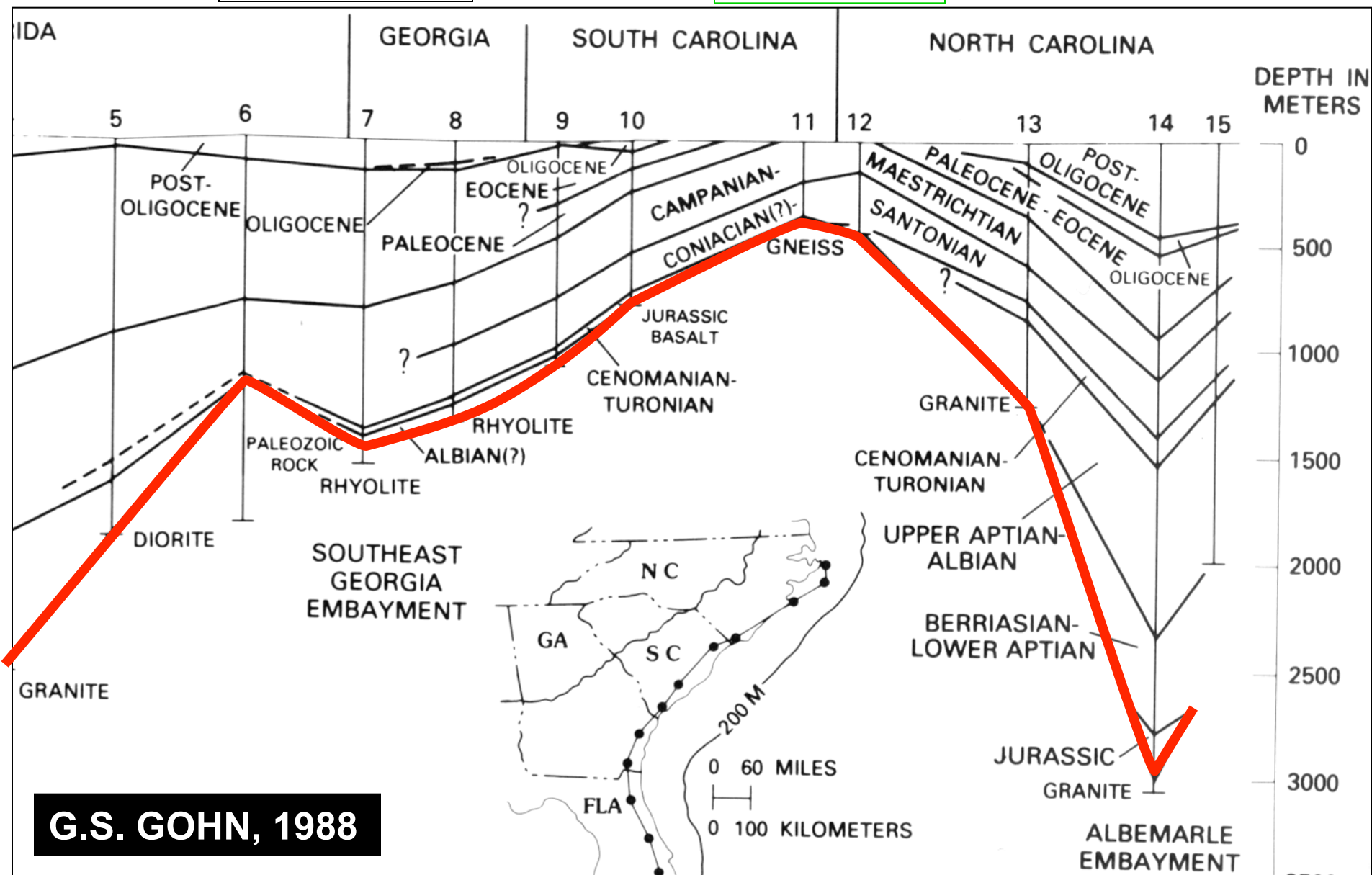


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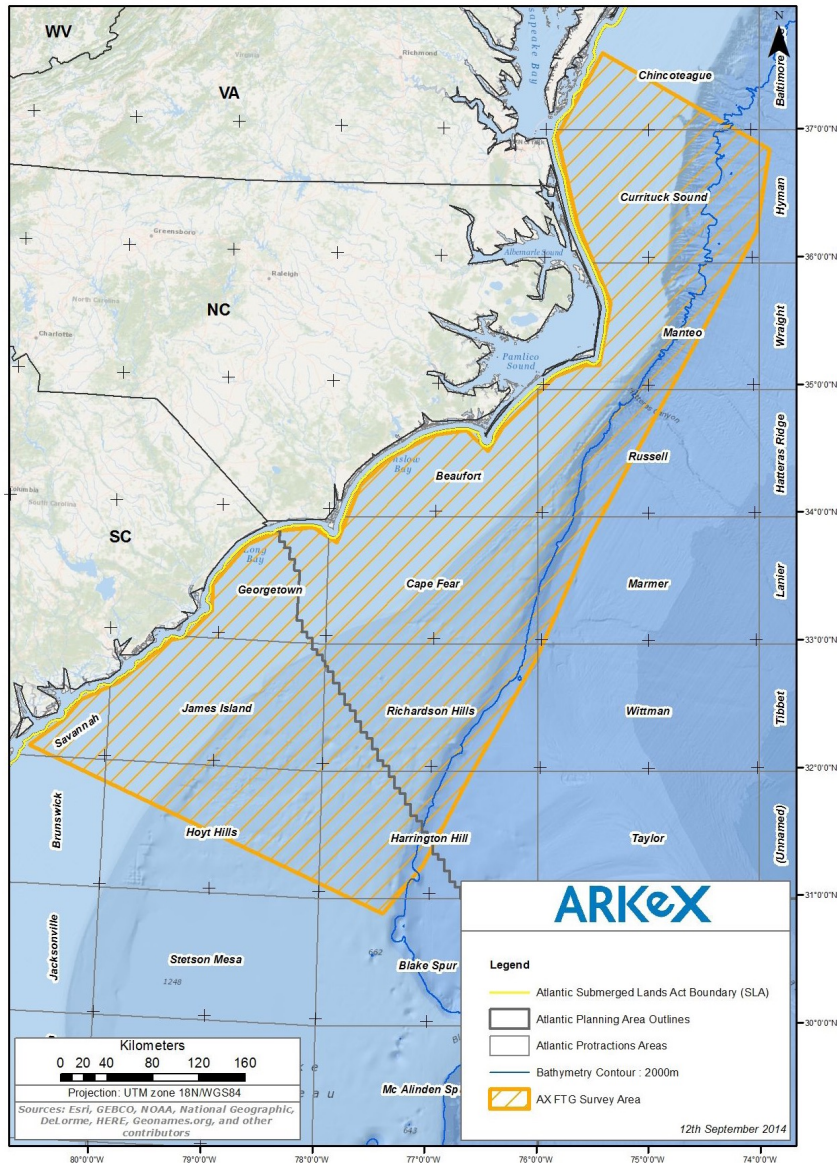
SOUTHEAST GEORGIA EMBAYMENT

CAROLINA PLATFORM HIGH

ALBEMARLE EMBAYMENT



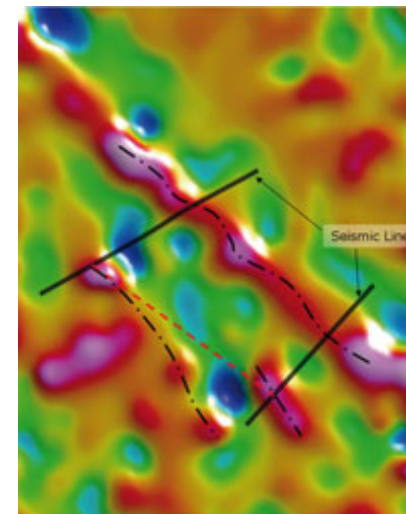
Gravity Gradiometer Survey Permit approved July 14, 2015



*Airborne technology declassified in 1994 – maps small density variations in underlying rocks by measuring the gradient of the earth's gravity field.

*3D - Not just from the vertical vector, but “x, y, and z”.

*Will/can be used to ground-truth, interpolate seismics.



— Seismic Line
- - - Fault Trend
- - - Incorrect interpretation based on seismic data

Royalties and Lease Rental Payments

Lease Rental Payment = paid by the lessee on an annual basis and a portion thereof can (but not always) be assigned to the State and/or local government unit (\$100,000s/yr).

Royalties = based on a prescribed rate of production and likewise a portion thereof can be assigned to States/local governments (\$100,000,000s/yr).

State Waters (0 – 3 miles only...well really 6) - Section 8(g) of the Outer Continental Shelf Lands Act. BOEM shares 27% of bonuses, rent, and royalty revenues with the adjacent states.

SL 2013-365 - first \$250 million of Section 8(g) royalties to the state would go into an Offshore Emergency Fund. Any royalties beyond \$250 million would go to: the General Fund (75%), the Highway trust fund (5%), the Community College System (5%), DENR (5%), the UNC system (5%), N.C. State Ports Authority (3%), and the Department of Commerce (2%). **Bad Template** – nothing to local governments.

OCS/Federal Waters (3 – 200 miles) - Gulf of Mexico Energy Security Act of 2006 (GOMESA) provides the four Gulf of Mexico (GOM) producing states (Alabama, Mississippi, Louisiana and Texas) receive a 37.5% share of OCS revenues. North Carolina (and local governments within N.C.) will not receive any royalties from offshore production in federal waters unless Congress specifically authorizes revenue-sharing with the state.

Royalties – Attempts to Date

Keystone XL Pipeline Bill - Senators Burr and Tillis also attached an amendment (S. Amdt 102) to the Keystone XL Pipeline Bill requiring BOEM to share revenues from offshore N.C.

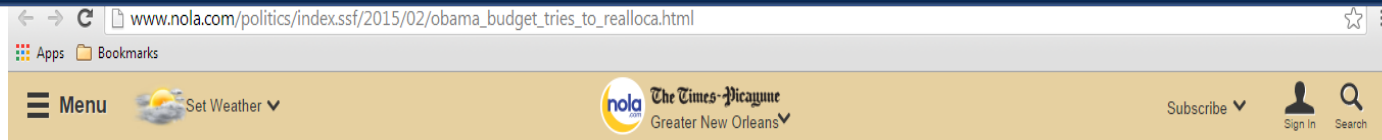
Governor McCrory – Chairman of the OCS Governor's Coalition (Va., N.C., S.C., Maine, Ala., La., Miss., and Ga.). Policy position and various news releases request OCS royalty revenue sharing to all States (not just GOMESA).
<http://ocsgovernors.org/>

N.C. 2014 Energy Policy Council Report (S.L. 2013-365) – One of the chief recommendations is revenue sharing.

“State of the State” – (2/4/15) Governor mentioned the royalty issue (even to pay for beach nourishment and dredging).

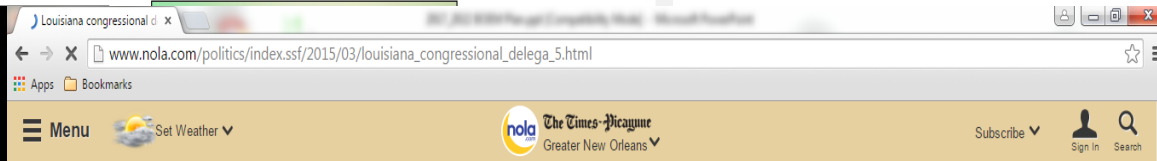
Congressional Testimony – (4/15/15) House Subcommittee on Energy and Mineral Resources. Royalties and 50-mile buffer.

Meanwhile in D.C. & the Gulf...



438
comments

Obama budget would reallocate offshore royalty payments for Louisiana and other Gulf states to 'entire nation'



17
comments

Louisiana congressional delegation fights Obama administration proposal to strip offshore revenue sharing



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video of the day



Meanwhile in D.C... (the latest)

MAY 2015

S. 1278 - Alaska

S. 1276 - Atlantic (Va.)

S. 1279 – GOM (La.)



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Fed. Officials Cool To Offshore Drilling Expansion Bills

By Keith Goldberg

Law360, New York (May 19, 2015, 4:59 PM ET) -- Offshore drilling took center stage at a Senate Energy and Natural Resources Committee hearing Tuesday, as Obama administration officials signaled their opposition to a trio of bills that would open up more federal waters to oil and gas production.

As the committee mulled a broad package of legislation that ranged from boosting hydropower to setting a national floor for renewable power use, much of the hearing was spent on the bills that would require the U.S. Department of the Interior to issue drilling leases in the eastern Gulf of Mexico and in Atlantic and Arctic oceans, and would increase states' cut of royalty revenues.

The 2017-2022 offshore oil and gas leasing program **unveiled by the Obama administration in January** mulls one lease sale late in the program for federal waters off the Atlantic coast stretching from Virginia to Georgia, as well as three lease sales in the Arctic Ocean. However, President Barack Obama also designated nearly 10 million acres of the Beaufort and Chukchi seas off the Alaska coast off-limits for future oil and gas development, and the eastern Gulf remains closed to drilling as well.

Abigail Ross Hopper, who heads the DOI's Bureau of Ocean Energy Management, said a legislative end run around the agency would harm efforts to balance cashing in on federal oil and gas resources with local concerns, environmental risks and infrastructure issues.

"They would divert offshore energy development revenue from the Treasury, reducing the net return to taxpayers and adding to the federal deficit," Hopper said. "Accordingly, the administration opposes these bills."

Erik Milito, the upstream head of the American Petroleum Institute, said opening up the eastern Gulf alone would unlock up to 1 million barrels of oil equivalent per day, putting \$70 billion in government coffers over an 18-year period.

"The U.S. has kept areas like the Atlantic off-limits while our neighbors continue to move forward in an effort to develop oil and gas off their shores," Milito told the panel. "It is these types of legislative proposals that acknowledge that we will need oil and natural gas for decades to come and recognize our strong capacity to safely and responsibly produce those resources here at home."

However, Franz Matzner, who directs the Beyond Oil initiative at the Natural Resources Defense Council, said opening up new areas to offshore drilling would undercut the U.S.' commitment to combating climate change, especially in environmentally challenging areas such as the Arctic.



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****** JULY 28, 2015** - Offshore Production and Energizing National Security Act of 2015.

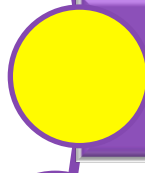
What we know.



Draft 2017-2022 Plan contains “sale 260” located in the Mid-Atlantic.



50-mile buffer.



Production (if pursued) is a decade or likely more away.

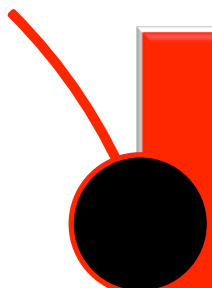


No royalty program in the Atlantic OCS.



Governor has been trying to secure royalties – not as easy as it sounds.

What we think we know.



Based upon the history of oil/gas exploration, the geology, and the 2015 proposed seismic grid(s); it appears the target petroleum hydrocarbon reservoir is situated in the northern half of N.C. OCS waters, and landward of the 50-mile buffer.



The land-based infrastructure & the oil/gas service industry could be huge, but possibly or possibly not in N.C.

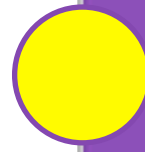
What we don't know.



When is it “too late” to legislate a royalty program pertaining to the Draft or Final 2017-2022 Plan?



What will be the process & outcome for shifting the lease sale landward? Could delay the plan or “they” could wait until the 2022-2027 plan?



If production is pursued, where will the investments go (Norfolk?) and how will royalties be distributed (if there is a royalty program)?



Seismics? July 23rd, NOAA request additional public comment for Incidental Harassment Authorization concerns – 6 to 9 more months minimum. In 2016, the current Administration is departing...

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BEACH NEWS

CALENDAR

Beach News (2/10/15) - Dredging issues here & abroad, more on floodplain exec. order, ESA, &



Atlantic Pending Surveys

