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Modification of Presidential Withdrawal North Aleutian Basin & Central Gulf of Mexico

- President George W. Bush has modified the presidential withdrawal in the North Aleutian Basin (NAB) off Alaska and the 181 South Area in the Central Gulf of Mexico.

- The President's modification, consistent with Congressional action, is supported by state, local, and tribal leaders.

- President Clinton withdrew these areas from leasing in 1998 through the year 2012.

- The withdrawal modification allows the Secretary to offer the North Aleutian Basin area for leasing to oil and gas companies during the next five year OCS oil and gas leasing program (2007-2012), if the Secretary chooses to include it in the final program.

- Only a small portion of the NAB is being considered for the next program.

- The 181 South Area was included in the Draft Proposed and the Proposed 5-Year Oil and Gas Program for 2007-2012.

- The Gulf of Mexico Energy Security Act of 2006 requires the Secretary to offer both that area and much of the Sale 181 Area for lease.

- The Sale 181 Area includes a portion of the Eastern Gulf of Mexico that was not proposed by the Secretary for leasing.

181 South Area

- The 181 South Area is approximately 5.8 million acres located in the Central Gulf of Mexico Planning Area south of the 181 Area and west of the Military Mission Line.

- The 181 South Area is covered under the 5-year EIS, but not the Multisale EIS that is currently out in draft because of the recently modified congressional prohibition on pre-lease spending.

- MMS must conduct a detailed environmental review of the 181 South Area before any leasing can occur there.

Sale 181 Area

- Most of the Sale 181 area was included in the 2007-2012 Proposed Program for Oil and Gas Leasing. However, the portion located in the Eastern Gulf Planning Area was not included.

- The Gulf of Mexico Energy Security Act of 2006 requires oil and gas leasing in most of the "181 Area," comprising 2 million acres in the Central Gulf of Mexico Planning Area and an area of approximately 580,000 acres in the Eastern Gulf of Mexico Planning Area.

- The Act calls for lease offering in those areas as soon as practicable, but no later than 1 year after enactment for some of the newly available areas in the 181 Area.

- The 181 Area that is in the new Central Gulf Planning Area is scheduled to be offered in Sale 205 in October 2007, assuming the 5-year program is approved as proposed.

- The Central Gulf of Mexico portion of the 181 Area was reviewed in a regional multi-sale draft Environmental Impact Statement (EIS) published in November 2006.

- A portion of the Sale 181 area that is west of the Military Mission Line is in the new Eastern Gulf Planning Area. Since no sales were proposed in the program for 2007-2012, this area was not included in the draft multi-sale EIS. It has not been subject to NEPA analysis since the Lease Sale 181 EIS in 2001. MMS will prepare a supplemental EIS, which could be published in October 2007.

- MMS has also begun an environmental review for the Eastern Gulf of Mexico portion of the 181 Area.

- As part of the environmental review process, public meetings will be held in Florida and other involved states.

North Aleutian Basin

- The modification of the withdrawal of the North Aleutian Basin is supported by the State of Alaska, the Alaska delegation, and local boroughs, including the Aleutians East, Bristol Bay and Lake and Peninsula Boroughs and cities of Cold Bay, Sand Point, and False Pass.

- MMS will prepare an Environmental Impact Statement, with opportunity for public comment, and consult with the State of Alaska under the Coastal Zone Management Act before any lease sale would be held in this area.

- The 2007-2012 OCS Oil and Gas Proposed Program includes two proposed lease sales in the North Aleutian Basin -- one in 2010 and one in 2012. The area offered during those sales will be limited to a small area of the North Aleutian Basin previously offered during lease Sale 92 in 1988.

- The Congress imposed moratoria on activities in the North Aleutian Basin from FY 1990 through FY 2003. Congress discontinued the yearly moratorium on the North Aleutian Basin in FY 2004. There are currently no congressional moratoria in the North Aleutian Basin.

- The last lease sale held in the North Aleutian Basin was Sale 92 in 1988. The leases issued from that sale were relinquished for compensation in a settlement of breach of contract litigation in 1995.

Royalty Rate

- The Outer Continental Shelf Lands Act (OCSLA) establishes a minimum royalty rate of 12.5% (1/8) for offshore with a cash bonus bidding system.
- The OCSLA also provides the Secretary of the Interior the discretion to establish a higher royalty rate, which is in effect for shallow offshore leases at 16.7% (1/6)).

NAB Questions and Answers

Q1. Why did the president modify the withdrawal in the North Aleutian Basin?
A1. Then-Governor Murkowski and many of the local governments and tribal organizations expressed an interest in holding sales in the North Aleutian Basin off Alaska.

Q2. Why was the North Aleutian Basin included in the Draft Proposed Program if it was then under Presidential withdrawal?
A2. In response to the August 2005 Request for Information that began the preparation process for the next 5-year program, then-Governor of Alaska asked that the North Aleutian Basin be included in the Draft Proposed Program (DPP) in order to gather public and industry input to "provide the Secretary and the state with adequate information to decide whether or not to ask the President to lift the current withdrawal and allow a sale during the 2007 – 2012 Program."

Q3. Why does the size of the area currently proposed for leasing in the North Aleutian Basin differ from that in the Draft Proposed Program?
A3. Based on the comments received on the DPP from the state and many local entities, the Proposed Program (PP), issued in August 2006, was limited to include only the small Sale 92 area.

Q4. Why is the presidential withdrawal being modified now?
A4. The comment periods on the PP and Draft Environmental Impact Statement (EIS) recently closed. In comments on the PP, the state continued to support leasing in the Sale 92 area, conditioned on MMS meeting the requests of many of the local entities that oil and gas activity "must minimize conflicts with fishing activities, minimize negative impacts to fish and wildlife resources, and must be done with significant stakeholder consultation." The Governor also renewed his request that the President modify the Presidential withdrawals by removing the withdrawal of the North Aleutian Basin planning area from the leasing program, and allow the scheduling of lease sales in the Sale 92 area in the 2007 – 2012 program. The majority of local entities continued their support for leasing, subject to the conditions listed above.

Q5. Have lease sales been held in the North Aleutian Basin before, and are there any leases there currently?
A5. Sale 92 was held in the North Aleutian Basin in 1988. The leases issued from that sale were relinquished for compensation in settlement of breach of contract litigation in 1995. Congress imposed moratoria on activities from FY 1990 through FY 2003. President Clinton withdrew the area through 2012 in June 1998. There are no existing leases.

Q6. When will a lease sale occur in the North Aleutian Basin?
A6. The 2007-2012 OCS Oil and Gas Proposed Program includes two lease sales in the North Aleutian Basin one in 2010 and one in 2012. The area offered during those sales will be limited to a small area of the North Aleutian Basin previously offered during lease sale 92 in 1988.

However, in order to hold a lease sale in the North Aleutian Basin, the Secretary would have to decide, based on the public comments received on the PP and other relevant factors, to include this area in the final 5-year program.

The Proposed Final Program and Final EIS are scheduled to be released in spring 2007.

181 South Questions and Answers

Q1. Why did the president modify the withdrawal in the 181 South Area?
A1. The Gulf of Mexico Energy Security Act of 2006, signed by President Bush on December 20th, requires oil and gas leasing in the 181 South Area. The presidential withdrawal had to be modified to remove an obstacle to the leasing activities mandated by Congress. The 181 South Area is part of the Central Gulf of Mexico Planning area which is included for potential leasing consideration in both the Draft Proposed Leasing Program and the Proposed Leasing Program.

Q2. Has MMS conducted environmental reviews of this area?
A2. Yes, but a more detailed sale specific analysis needs to be completed. The Central Gulf of Mexico portion of the 181 Area was reviewed in a draft Environmental Impact Statement (EIS) published in November 2006. MMS has also begun an environmental review for the Eastern Gulf of Mexico portion of the 181 Area and will begin at a later date the environmental review of the 181 South Area. As part of the environmental review process, public meetings will be held in involved states.

Q3. Is leasing proposed offshore Florida?
A3. No leasing will occur within 125 miles of the Coast of Florida in the Eastern GOM.

Q4. When will a lease sale occur in the 181 South Area?
A4. As soon as practicable after completion of the environmental review.

Q5. When will the 2007-2012 Proposed Final Program be issued?
A5. The Proposed Final Program and Final EIS are scheduled to be released in spring 2007.

Q6: How much oil and natural gas is estimated to be recoverable in the areas made available under the Gulf of Mexico Energy Security Act (PL 109-432)?
A6: In the entire area made available for leasing under the Gulf of Mexico Energy Security Act of 2006, there are an estimated 1.257 billion barrels of oil, and 5.831 trillion cubic feet of natural gas. In the Sale 181 area, included in the 2007-2012 Proposed Oil and Gas Leasing Plan, there is an estimated 0.62 billion barrels of oil and 3.07 trillion cubic feet of natural gas. In the area in the Eastern Gulf of Mexico made available under the Act, there is an estimated .117 billion barrels of oil and .601 trillion cubic feet of natural gas. In the 181 South area, there is an estimated .52 billion barrels of oil and 2.16 trillion cubic feet of natural gas. Those numbers may increase substantially once initial exploration of the area begins.

Royalty Rate Questions and Answers

Q1. Why did the Secretary raise the royalty rates on oil and gas produced in Federal waters in the Gulf of Mexico?
A1. Increasing the royalty rates for oil and gas produced in Federal waters in the Gulf of Mexico will ensure that, during this time of high energy prices, the American public receives its fair share of the value of oil and gas extracted from federal waters..

Q2. Why did the Secretary not raise the royalty rates on oil and gas produced on Federal lands and waters offshore Alaska?
A2. Oil and gas development in Alaska involves numerous constraints and high expenses. Royalty rates for that area will therefore remain at the current 12.5 % (1/8) pending further analysis and evaluation of the potential costs and benefits.

Q3. How much more money will the increased royalty rates generate for the Federal Treasury?
A3. It is estimated that the new royalty rates for the Gulf of Mexico will generate an increase in royalty payments of $4.5 billion over 20 years.

Q4. When will the new royalty rates take effect?
A4. The new royalty rates of 16.7% (1/6) will take effect (except for Alaska) with the first 2007 Gulf of Mexico lease sale currently scheduled to take place in late August.

Q5. What is the royalty rate for onshore leases?
A5. The royalty rate for most onshore leases (and offshore Alaska) remains at 12.5% (1/8).