



United States Department of the Interior



MINERALS MANAGEMENT SERVICE
Alaska Outer Continental Shelf Region
3801 Centerpoint Drive, Suite 500
Anchorage, Alaska 99503-5823

DEC -7 2009

Ms. Susan Childs
Shell Offshore Inc.
3601 C Street, Suite 1334
Anchorage, Alaska 99503

Dear Ms. Childs:

The Minerals Management Service (MMS) has reviewed the Shell Gulf of Mexico Inc. (Shell) proposed 2010 Outer Continental Shelf Lease Exploration Plan *2010 Exploration Drilling Program: Posey Blocks 6713, 6714, 6763, 6743, and 6912; Karo Blocks 6864 and 7007; Burger, Crackerjack, and SW Shoebill Prospects, OCS Lease Sale 193 Chukchi Sea, Alaska* and deemed submitted by MMS on October 20, 2009. The MMS hereby approves the EP subject to the conditions below:

1. The EP involves the exploration of leases issued pursuant to Sale 193 (February 2008). That lease sale was conducted under the 2007-2012 Five Year Oil and Gas Leasing Program, which was vacated and remanded by the U.S. Court of Appeals for the District of Columbia Circuit in the case of *Center for Biological Diversity v. DOI*, Nos. 07-1247, 07-1433 (D.C. Cir. April 17, 2009). The court's mandate has been stayed pending the Secretary's reconsideration on remand. As part of the Secretary's request for a stay of the mandate, the government filed a declaration with the court, stating that "the MMS will act upon exploration plans for Chukchi Sea leases, but will suspend activities under any approved plan pending the Secretary's reconsideration decision on the remanded program, thereby halting all but data gathering ancillary activities on those leases." Accordingly, the MMS will direct in a separate letter a suspension of operations (SOO) in accordance with 30 CFR 250.172(e). No exploratory drilling activities may be conducted under the approved EP until the SOO has been terminated.
2. No exploratory drilling activities can be conducted without an approved Application for Permit to Drill (APD). An APD cannot be approved until the EP has been deemed consistent with the State of Alaska Coastal Management Program or consistency is conclusively presumed in accordance with 30 CFR 250.28 l(d).
3. No APD can be approved until MMS has received all required information in accordance with 30 CFR 250.410-418. This must include a current Certificate of Inspection or Letter of Compliance from the US Coast Guard (USCG), current documentation of any operational limitations imposed by an appropriate classification society, and other fitness requirements for the *M/V Discoverer* mobile offshore drilling unit required in accordance with 30 CFR 250.417.

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The MMS entered into a Memorandum of Agreement (MOA) with the US Coast Guard dated February 28, 2008 that specifies jurisdictional responsibilities for floating drilling units. As provided under this MOA, the MMS is responsible for site-specific mooring analyses and the MMS and USCG each review the design of the turret and turret/hull interface. The MMS will require these analyses as part of the review of the *M/V Discover* under 30 CFR 250.417.

4. No exploratory drilling activities can be conducted until Shell has received an approved Marine Mammal Protection Act (MMPA) authorization from the National Marine Fisheries Service (NMFS) and the U.S. Fish and Wildlife Service (USFWS) for the specific activity, and the MMS has received a corresponding Endangered Species Act Incidental Take Statement (ITS) for threatened, endangered and protected species.
5. EP wellsites are not located on leases listed in Stipulation 5 (conflict avoidance mechanisms to protect subsistence whaling and other subsistence-harvest activities). The stipulation does apply to support activities, such as vessel and aircraft traffic, that traverse the blocks listed or Federal waters landward of the sale during periods of subsistence use regardless of lease location. MMS concludes that Shell has demonstrated that its oil and gas exploration drilling activities will be scheduled and located to prevent unreasonable conflicts with subsistence activities in compliance with Lease Sale 193 Stipulation 5.

No exploratory drilling activities may be conducted until Shell has documented to the satisfaction of the Regional Supervisor for Field Operations that the monitoring and mitigating measures detailed in the 2010 Plan of Cooperation (POC) to prevent unreasonable conflicts with subsistence activities for the Chukchi Sea program are in place and operational prior to the 2010 drilling season. MMS concludes that those methods of proposed operations, safeguards and mitigation measures detailed in the 2010 POC and EP meet the requirements of Stipulation 5 (Lease Sales 193). These measures include communications centers and Subsistence Advisors located in each community and the cessation of all drilling activities by October 31, 2010.

MMS retains the authority to restrict lease-related use if the MMS determines it is necessary to prevent unreasonable conflicts with local subsistence hunting activities. Shell must provide this office with daily summaries on POC activities and daily monitoring results including but not limited to Marine Mammal Observers' and local Subsistence Advisors' reports and notifications and Shell's responses to each incident. Shell must also include the MMS contact number (907) 250-0546 in the Subsistence Advisors Handbook with specific instructions for the Subsistence Advisors to call MMS if they are unable to contact Shell and/or if any subsistence use conflict has not been resolved. A copy of the handbook must be submitted to this office prior to commencement of exploratory drilling operations.

The EP states that Shell plans to have ongoing community meetings to discuss the POC. Shell must inform MMS promptly of any deviation from or alteration of the EP that it intends to take as a result of these ongoing community meetings.

6. Stipulation 4 (site-specific marine mammal monitoring of subsistence resources) does not apply to the Shell exploratory program – none of the wellsites are located on leases which are listed by the stipulation. Regardless, Shell has noted its intent to implement a marine mammal monitoring program and seek an Incidental Harassment Authorization (IHA) from the National Marine Fisheries Service (NMFS) and a Letter of Authorization (LOA) from the

US Fish and Wildlife Service. The EP describes Shell's plans for manned aerial monitoring, on-vessel marine mammal observers, real time acoustical recorders, and site-specific sound source verification to confirm acoustic safety zones prior to commencement of drilling operations. MMS will coordinate with the NMFS and the USFWS to coordinate results from site-specific surveys with LOAs and IHAs and modify lease operations as necessary to comply with the detailed requirement of those authorizations.

7. MMS concludes that Shell's plans for responding to a blowout, loss or disablement to the drilling unit, or loss of or damage to support craft, complies with 30 CFR 250.220. In addition to plans detailed in the EP and to provide an additional level of response preparedness, the MMS requires that prior to commencement of exploratory drilling operations, Shell provide documentation on the availability of suitable alternative drilling unit(s) that would be made available to Shell should it be necessary to drill a relief well.
8. An Application for Permit to Drill will not be approved and commencement of exploratory drilling activities will not be authorized until Shell has received a Prevention of Significant Deterioration (PSD) Air Quality Permit and a National Pollutant Discharge Elimination System (NPDES) permit from the U.S. Environmental Protection Agency.
9. MMS concludes that the orientation programs described in the EP, Section 11, will satisfy the requirements of Lease Stipulation 2 (Lease Sales 193). Shell must submit a final 2010 orientation program to MMS for approval prior to or with the APD. This will enable Shell to incorporate the most recent information and any additional mitigation measures that result from other pending permit authorizations specific to the 2010 program.
10. If Shell transits to the Chukchi Sea from the Beaufort Sea during the fall bowhead whale migration and before or during Barrow's fall bowhead whale subsistence hunt, Shell should meet with the Barrow Whaling Captains to coordinate the *M/V Discoverer's* transit route westward through the Beaufort Sea to prevent any deflection of the bowhead whale migration and any conflicts with Barrow's fall whaling season.
11. The MMO's on vessels underway in the Chukchi Sea must monitor the ocean waters near the vessel for surfacing whales. If a surfacing whale is observed within 300 ft (100 m) of the vessel, the vessel must disengage propellers to avoid potential propeller injury to the whale (prop strike) and, to a lesser degree, collision. Propellers must remain disengaged until the whale moves beyond 300 ft (100 m). Safety of the vessel and its personnel will take precedence over this measure.
12. In addition to the measures committed by Shell in the Bird Strike Avoidance and Lighting Plan with respect to Lease Sale 193 Stipulation 7, the following measures also are required pursuant to the September 3, 2009, FWS *Biological Opinion for Beaufort and Chukchi Sea Program Area Lease Sales and Associated Seismic Surveys and Exploratory Drilling* and Chukchi Sea Lease Sale 193 Lease Stipulation 7:

Routine deck searches for dead or injured birds should be performed, especially during or following periods of darkness or inclement weather. Most avian collisions occur during periods of darkness and/or inclement weather such as rain or fog.

Birds perching on ship structures (such as antennas or rigging) should be allowed to rest and depart on their own.

13. All bird collisions shall be documented and reported within 3 days to MMS. Minimum information will include species, date/time, location, weather, identification of the vessel involved and its operational status when the strike occurred. Carcasses should be returned to the sea.

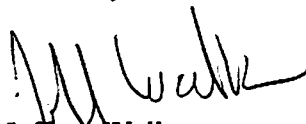
The FWS requests photographs of any birds killed by collision: wingspread if possible, top and bottom views, and head. Photographs are not required, but would be very helpful in verifying species as part of the collision report.

If a bird strikes and remains on the vessel, leave it to recover and depart on its own. If necessary to take it out of harm's way, move it to a dry place where it can depart on its own. If the bird does not depart after about 12 hours but is still alive, gently return it to the sea surface.

14. The MMS has reviewed Shell's booming configuration for fuel transfers as required by Stipulation 6. The MMS has determined that the alternative boom-deployment configuration Shell has proposed provides equivalent or enhanced capabilities for downstream containment and recovery of any spill.
15. The MMS is reviewing the Chukchi Sea Regional Oil Discharge Prevention and Contingency Plan (ODPCP) and will respond under separate cover in accordance with 30 CFR 254. No exploratory drilling operations can be conducted until the MMS has approved the ODPCP.

If you have any questions, please contact me at (907) 334-5300.

Sincerely,



Jeffrey Walker
Regional Supervisor
Field Operations

cc: Don Perrin, State of Alaska
Mayor Edward Itta, NSB
Honorable Siikauraq Martha Whiting, Northwest Arctic Borough
Harry Brower, AEWB
President, Inupiat Community of the Arctic Slope
President, Native Village of Wainwright
President Native Village of Point Hope
President, Native Village of Point Lay
Village of Wainwright
Village of Point Hope
Village of Barrow
Willie Goodman, Alaska Beluga Whale Committee
Charlie Johnson, Alaska Nanuuq Commission
Vera Metcalf, Eskimo Walrus Commission
Tim Jennings, USFWS
Mike Payne, NOAA/OPR