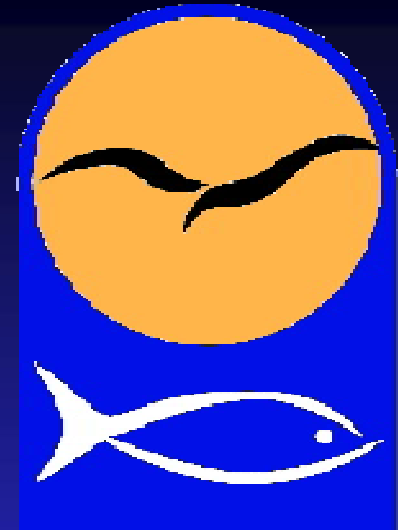


Mike Lopazanski

**NC Dept of Environment
and Natural Resources**

**Division of Coastal
Management**



**Energy Exploration
and the
North Carolina Outer Continental Shelf**

April 15, 2009

The NC Coastal Management Program



- NC Coastal Area Management Act
- Dredge and Fill Law
- Federal Coastal Zone Management Act of 1972

Components of the NC Coastal Management Program

- CAMA enacted in 1974
 - 1) Establishes CRC to set policies and adopt regulations.
 - 2) Regulates development in specified Areas of Environmental Concern.
 - 3) Requires local land use planning.
 - 4) ***Ensures consistency between state and federal actions.***



Consistency Components

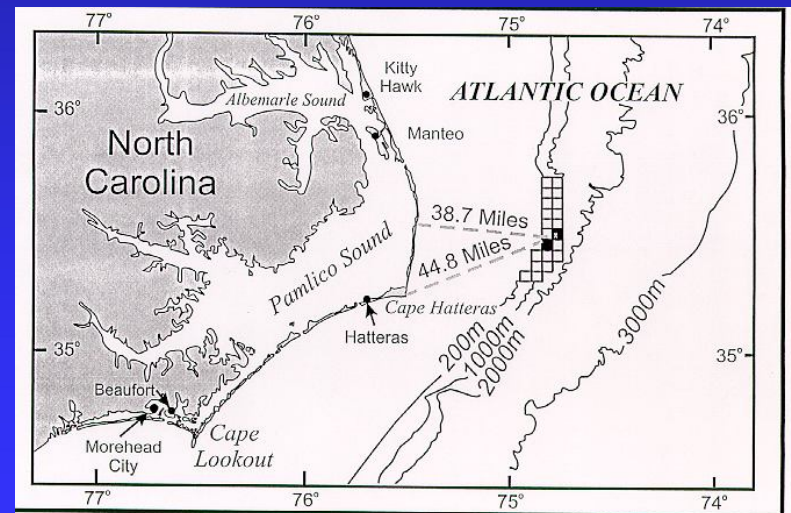
N.C. program received approval from NOAA in 1978 pursuant to CZMA

- Administrative rules & policies of the CRC and local land use plans.
- Ex. Order 15 (issued by Gov. Hunt) & requires other state agency actions to be consistent with the NC Coastal Program.



Federally licensed activities must be consistent with NCCMP; federal activities must be consistent to greatest extent practicable

- After a coordinated state review, DCM issues either a consistency concurrence or denial (denials can be appealed to US Sec. of Commerce)

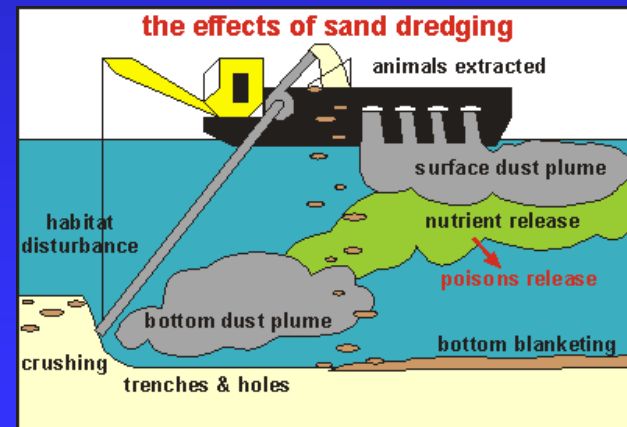


Consistency reviews

Conducted for projects such as offshore oil & gas drilling



Army Corps of Engineers dredging & beach nourishment projects



Existing Authorities



Outer Continental Shelf Lands Act

- Governor has authority to comment on POE
20 days for comments
Sec of DOI may consider Gov for approval/disapproval or conditional approval

Coastal Zone Management Act/ NC Coastal Area Management Act (CAMA)

- Establishes NC Coastal Program
- State has authority to review proposals in federal waters
90 days for consistency determination

Coastal Resources Commission Administrative Rules

- T15A NCAC 7M .0400 Coastal Energy Policies
Applicant information
Identifies sensitive areas (hard bottom, SAV, PNA etc)
Onshore facility siting requirements
Mitigation

Existing Authorities



Coastal Resources Commission Administrative Rules

- T15A NCAC 7B Land Use Planning Guidelines

CAMA counties required to have land use plans

Land use plans incorporated in NC Coastal Program

Land use plans contain enforceable policies

Policies used in permitting and consistency determination

OCS proposals need to be consistent with land use plans

Policies regarding the siting of onshore facilities

MOBIL

1988 - Mobil



- Proposed to drill in block 467
- 1990 - found inconsistent due to inadequate info
- Mobil appealed consistency determination
- Consistency determination upheld by US DOC
- Mobil sues fed gov't
- Congress passes OBPA in 1990
- Mobil initially loses breach of contract suit but then wins on appeal to US Supreme Court in 2000
- As a result of winning, Mobil relinquishes leases

CHEVRON



1997 - Chevron

- Sept 1997 - Proposes to drill in block 467 or 510
- Plans exploratory well in 2000
- *NC Issued Favorable Consistency Determination - 1982
- POE to be submitted in 1999
- State forms OCS Advisory Committee in 1998
- OCS Technical Review Team –
 - Focus on missing info from Mobil proposal
 - * Socioeconomic impacts
 - * Economic importance of "The Point" area
 - * Recreational fishery
 - * Laval fish impacts
 - * Hydrocarbon monitoring

CHEVRON cont.



1997 - Chevron

- 1997 - Gov Hunt enacts CRC 1996 amendments to Coastal Energy Policies by Executive Order
- 1998 - MMS funds several studies to better define the importance of "The Point" area
- **1998 – President withdraws areas not already under annual Congressional moratorium**
- 1999 – Gas drops below \$1 per gallon
- Early 2000 – Conoco purchases remaining interest in Manteo Block leases



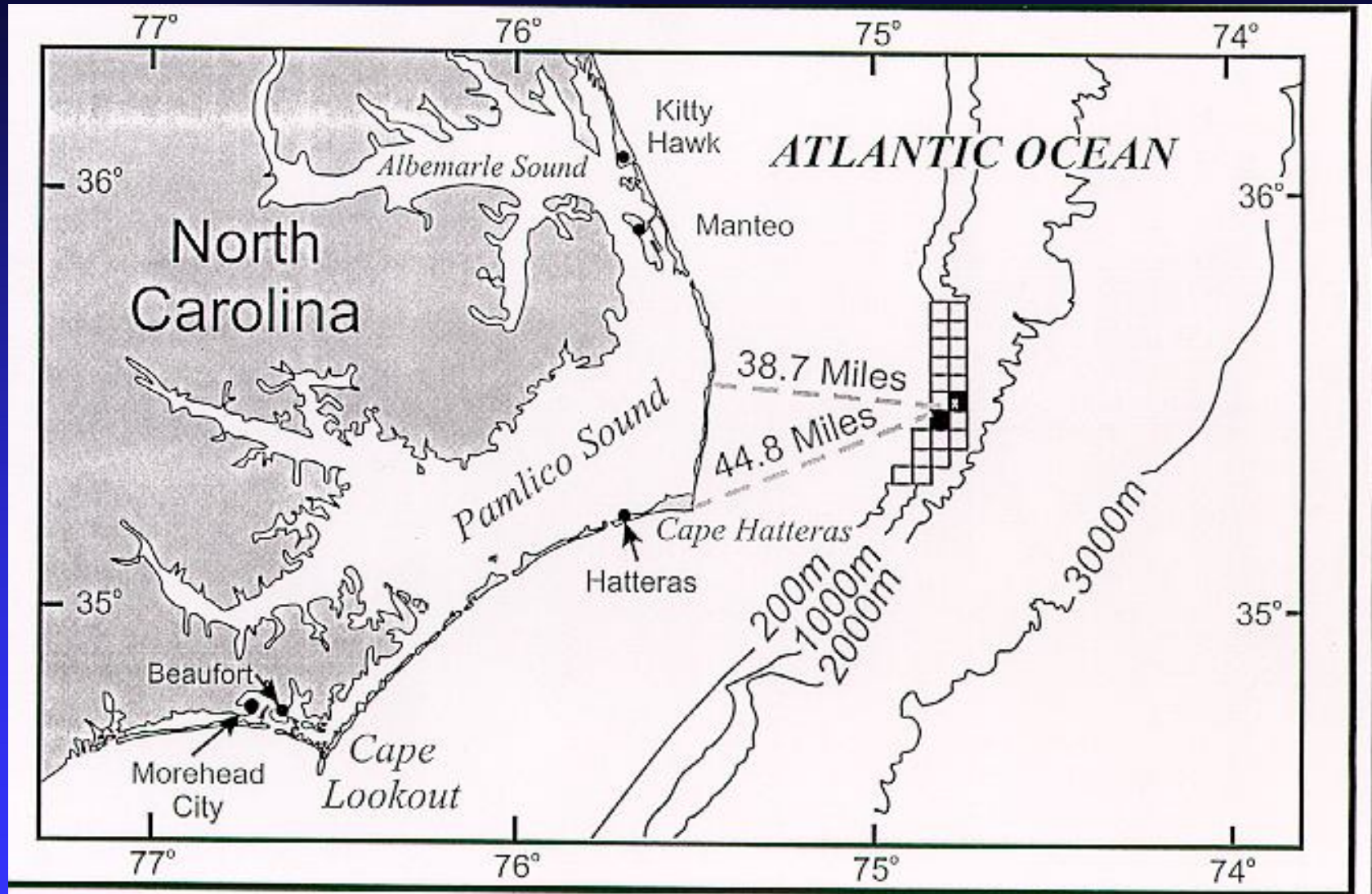
Moratorium

June 1998 – President withdraws all unleased area in Atlantic OCS through June 2012

- April 1999 – Chevron relinquishes all interest in Manteo Unit
- Amerada Hess surrenders lease in Currituck Block
- July 2000 – Mobil's leases terminated
- November 2000 – Conoco relinquishes interest in last remaining active blocks
Cites area off NC as too controversial

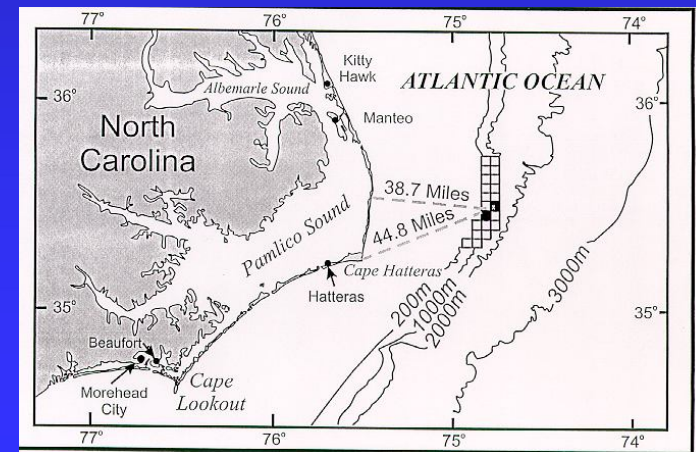
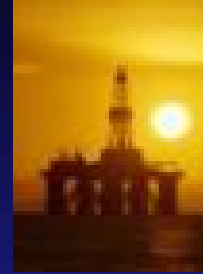


"The Point"

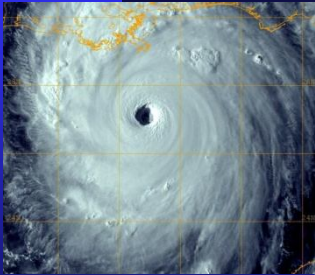


What's out there?

- 40 miles offshore
- 2,200 feet deep
- Late Jurassic - Early Cretaceous shelf-edge carbonate reef
- 11,000 – 15,000 feet below the seafloor
- 7% chance of finding hydrocarbons
- 2% chance of a commercial find
- 5 – 6 trillion ft^3 natural gas
- Could be one of the largest domestic discovery since Prudoe Bay Alaska



Recent Activities



- Hurricane Katrina 2005

- Energy Policy Act of 2005

- Inventory OCS Area
- Coastal Impact Assistance
- Alternative Energy Uses

- Other Legislation

- Ocean state Options Act, Deep Ocean Resources Act, OCS Natural Gas Relief Act, GOM energy Security Act, Gang of Ten



Common theme - MORATORIUM

Federal Moratoriums

- 1982 Pre-Leasing ban for California waters
- 1983 North Atlantic Pre-Leasing Ban
- 1988 Gulf of Mexico Drilling Ban
- 1990 Presidential Drilling Ban
- 1990 Outer Banks Protection Act
- 1998 Presidential Ban Extend to 2012



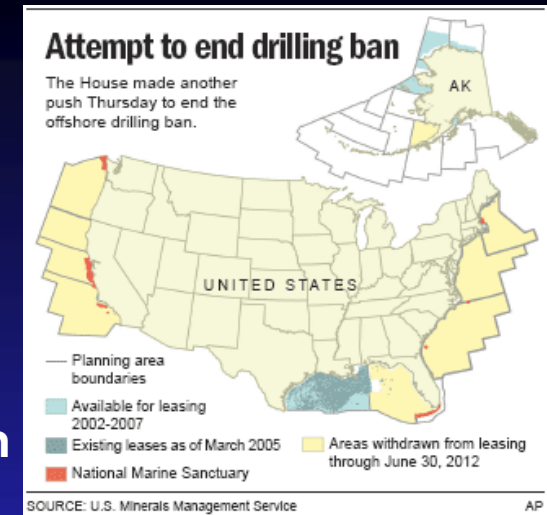
End of the Ban

- **Lifting of Presidential Moratorium**
July 2007 – Gasoline Prices reach \$4.00
More calls for increasing domestic production
President Bush lifts moratorium in June
MMS directed to begin new 5-Year Lease Program
- **Congressional Moratorium Lapse**
Annual Renewal
Included in DOI Appropriations Bill
Legislative Proposals Including Bans
No Action Taken – Moratorium ends Sept 30, 2008



- **Gulf of Mexico Energy Security Act**

No leases within 100 miles of FL (eastern Gulf)
effective until 2022

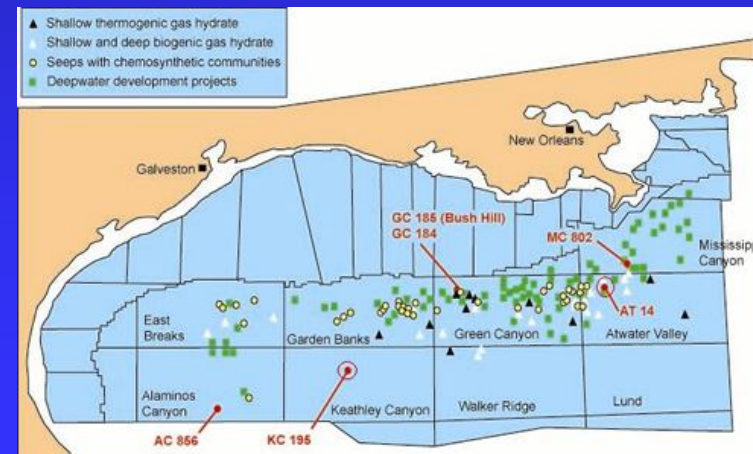
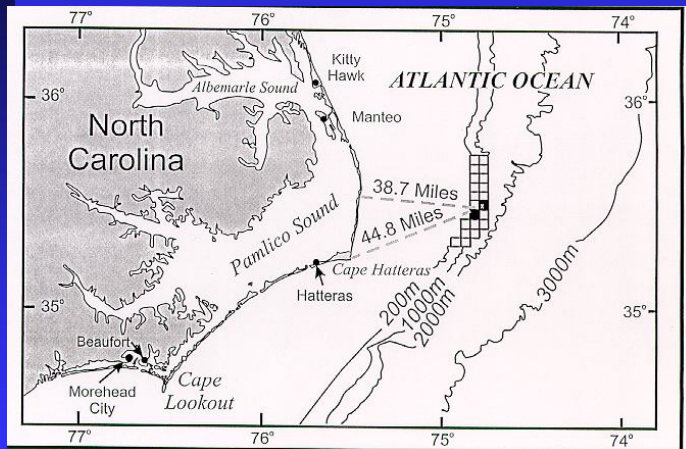


5-Year Lease Program

- Consists of a schedule of lease sales
- Blocks to be offered
- Size and location

Leases

- Period of 5 to 10 years
- MMS determines if bids are fair market value
- Each lease sale subject to state consistency



What's going on now?



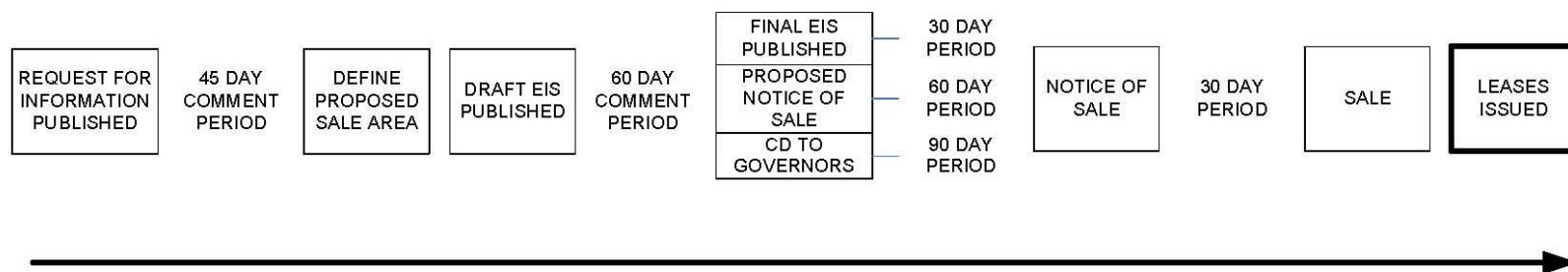
- MMS current 5 –Year Lease Plan 2007-2012
(Does not included moratoria areas).
- No projects have been proposed.
- Sec of DENR and Governor Easley submitted comments expressing NC concerns (Tourism & Fisheries).
- Supported the moratorium.
- VA Lease Sale – 25 miles north of NC border

Virginia Lease Sale

- Sale to be held 2011
- 2.9 million acres
- 50 miles offshore
- DENR & Governor Easley Comments
 - Generalizations re: fisheries & mammals
 - Lack analysis of impacts on NC
 - NC exposed to risks with no benefits



PLANNING FOR SPECIFIC SALE



Abbreviations: CD, Consistency Determination; EIS, Environmental Impact Statement

New 5-Year Lease Program

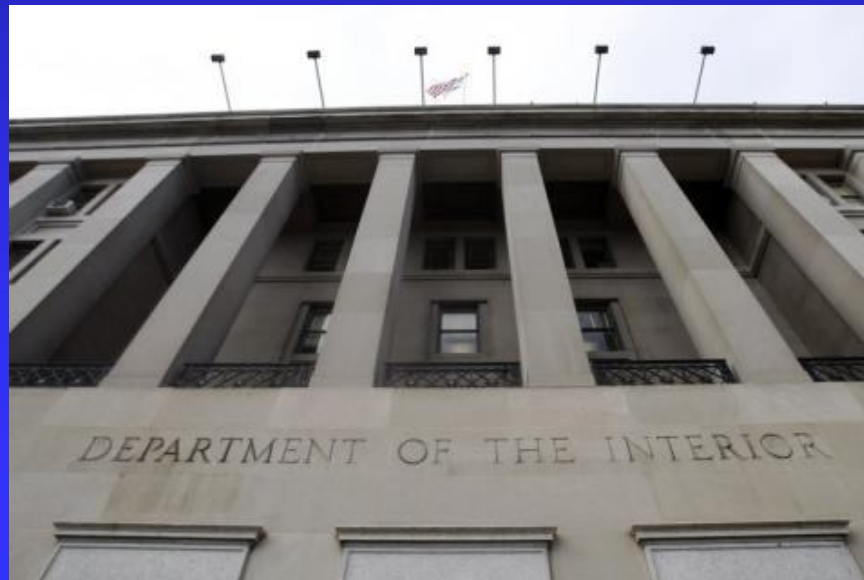
- MMS Began Process in August 2008
- Intention was to give the next administration a two-year head start
- Includes all federal waters
- Rationale
 - Nation is dependent on supply from too limited area
 - 27% US Oil, 15% US Gas from GOM
- DOI Extension on Comment Period
 - 180 days, Sept 21, 2009



■ Latest Actions

■ Geologic & Geophysical Activities

- • Programmatic EIS for Multiple Seismic Studies
- • Required for all exploration activities
- • PEIS to be completed
- • Opportunity for administration to implement new Program in 2010 – supersedes old Program



A wide-angle photograph of a beach at sunset. The sun is a bright orange orb on the horizon, casting a long, colorful glow across the sky in shades of orange, pink, and purple. The ocean waves are gently breaking on the shore. In the foreground, two people are standing on the wet sand, their silhouettes clearly visible against the bright light. Other people can be seen further down the beach. The sky is filled with soft, wispy clouds. The overall mood is peaceful and serene.

For More Information...

www.nccostalmanagement.net

What's it all mean?



- The states' share from offshore leases was \$75.8 million out of \$1.24 billion in total state receipts.
- States receive 27% of OCS receipts closest to state offshore lands under section 8(g)4 of the OCSLA.
- For onshore public domain leases, states generally receive 50% of rents, bonuses, and royalties collected. Alaska, however, receives 90% of all revenues collected on public domain leases.

Recent Activity

Energy Policy Act of 2005 (Coastal Provisions)



- **Preempts states from prohibiting LNG Terminals**
Can still review under CZMA
Tighter deadlines for CZMA appeals to FERC
- **Inventory of OCS Oil and Natural Gas Resources**
Paper inventory – no drilling
Includes National Marine Sanctuaries
Includes identifying programs, legislation, or processes restrict or impede development
- **Coastal Impact Assistance**
\$250M to producing states (% based)
35% to counties based on other formulas
- **Alternative Energy uses in OCS areas**
DOI/MMS to handle similar to oil & gas

