



United States Department of the Interior



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

OCT 16 2009

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

Dear Ms. Childs:

The Minerals Management Service (MMS) has reviewed the Shell Offshore Inc. (Shell) proposed 2010 Outer Continental Shelf Lease Exploration Plan Camden Bay, Alaska (EP) dated June 2009 and supporting information detailed in the transmittal letter dated July 22, 2009, and the amendment submitted September 18, 2009. The MMS hereby approves the EP subject to the conditions below:

1. 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 250.281(d).
2. 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 and the U.S. Fish and Wildlife Service for the specific activity and the MMS has received a corresponding Endangered Species Act Incidental Take Statement (ITS) for threatened, endangered and protected species.
3. MMS concludes that Shell has demonstrated that its oil and gas exploration drilling activities will be scheduled and will be located to prevent unreasonable conflicts with subsistence activities in compliance with Lease Sale 195 and 202 Stipulation 5.

No exploratory drilling activities may be conducted until Shell has documented to the satisfaction of the Regional Supervisor that the monitoring and mitigating measures detailed in the 2010 Plan of Cooperation (POC) to prevent unreasonable conflicts with subsistence activities for the Camden Bay 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 195 and 202). These measures include communications centers and Subsistence Advisors located in each community, the cessation of all drilling activities on August 25, 2010, and continuing until after the bowhead whale subsistence hunts at Kaktovik and Nuiqsut have been completed, and to relocate the drilling rig and support vessels to a pre-

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determined location sufficiently far enough away from the bowhead whale subsistence hunting areas during this period to prevent unreasonable conflicts.

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.

4. No exploratory drilling activity can be conducted from August 1 through October 31 without an approved site-specific bowhead whale monitoring program in accordance with Stipulation 4 (Lease Sales 195 and 202). As provided for under Stipulation 4, Shell is seeking an Incidental Harassment Authorization (IHA) from the National Marine Fisheries Service (NMFS) in lieu of meeting the requirements of Stipulation 4. 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. The 2010 monitoring program is consistent with the program NMFS approved in its October 25, 2007 IHA for Shell's proposed 2007 Beaufort Sea Exploration Program. The MMS concludes that the level and scope of the 2010 monitoring program will enable Shell to assess when bowhead whales are present in the vicinity of lease operations and the extent of behavioral effects on bowhead whales due to these operations. MMS will coordinate with the NMFS to assure that the NMFS IHA monitoring program and peer review process satisfy the requirements of Stipulation 4.
5. Exploratory drilling operations must be suspended by August 25, 2010. Prior to drilling out each casing shoe, Shell must submit a plan to this office that demonstrates the process and schedule to drill to the next casing point or target depth and the ability to secure the well by August 25, 2010.

Exploratory operations may not resume until after Nuiqsut and Kaktovik have completed their bowhead whale subsistence activities. MMS will consult with the NMFS/Office of Protected Resources to confirm when subsistence activities have been completed.

6. 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 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.

Prior to commencement of exploratory drilling operations, Shell must document that it has the capability to construct a well cellar if deemed necessary as part of the relief well planning effort.

Prior to commencement of exploratory drilling operations, Shell must confirm in writing that relief well equipment and supplies as described in the EP are available and will be made available in time to implement the relief well drilling program.


7. 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.
8. MMS concludes that the orientation programs described in the EP, section 11, will satisfy the requirements of Lease Stipulation 2 (Lease Sales 195 and 202). Shell must submit a final 2010 orientation program to MMS for approval prior to or with the APD. The EP, Section 11.0, states that Shell is currently implementing an Orientation Program developed in accordance with Lease Stipulation 2 (Lease Sales 195 and 202), and will re-submit the program to the MMS for approval prior to or with the APD's. 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.
9. All vessels must maintain cruising speed not to exceed 9 knots while transiting the Beaufort Sea. This measure would reduce the risk of ship-whale collisions.
10. The MMO's on vessels underway in the Beaufort Sea must monitor the ocean waters near the vessel for surfacing whales. If a surfacing whale is observed within 300 ft (100 m), 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.
11. If Shell resumes exploratory drilling in the Beaufort Sea after the bowhead whale hunt, Shell must meet with the communities of Kaktovik and Nuiqsut to ascertain if it would be preferable to relocate the helicopter route closer to the coast or offshore to avoid localities where subsistence harvest is taking place. Before August 25, the helicopter route is directed inland on the eastward leg to avoid effects on subsistence. After the fall bowhead whale hunt, the subsistence activities of the Iñupiat of Nuiqsut and Kaktovik move from the coast to the interior, with both groups using the foothills to the south of Deadhorse. Relocating the helicopter route away from seasonally used subsistence activity areas could reduce impacts to subsistence harvesters and effects on inland subsistence activities in the remote likelihood that bad weather required flights to travel at a lower altitude.

12. Shell's fuel-transfer plan does not fully comply with the requirement of Lease Stipulation 6 to surround the fuel barge with oil-spill containment boom before fuel transfer. Prior to conducting exploratory drilling operations, Shell must either modify their fuel-transfer plan to comply with the stipulation or provide justification of how their proposed alternative configuration would provide an equivalent level of response preparedness. This information must be submitted to this office for approval.

The MMS is reviewing the Beaufort Sea Regional Oil Discharge Prevention and Contingency Plan and will respond under separate cover in accordance with 30 CFR 254.

The MMS concurs with Shell's assessment of hydrogen sulfide potential and hereby agrees to classify the objective zones for both well sites as "H₂S absent" in accordance with 30 CFR 250.490(c).

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



Jeff Walker
Regional Supervisor, Field Operations

cc: Don Perrin, State of Alaska
Mayor Edward Itta, NSB
Harry Brower, AEWC
President, Inupiat Community of the Arctic Slope
President, Native Village of Barrow
President Native Village of Kaktovik
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Mike Payne, NMFS/OPR