

Shell Exploration & Production Company



RULES PROCESSING TEAM

MAY 23 2003

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May 23, 2003

Department of the Interior  
Minerals Management Service (MS 4024)  
381 Elden Street  
Herndon, Virginia 20170-4817

Attention: Rules Processing Team (RPT)

**Subject: Comments on MMS Proposed Rule – 30 CFR 250  
OCS Rights-of-Use and Easement and Pipeline Rights-of-Way  
1010-AC91, Rights of Use and Easement  
68 FR 20091**

Shell Exploration and Production Company (SEPCo) is pleased to submit comments on the subject proposed rule published April 24, 2003 in the Federal Register. SEPCo is a leading producer of oil and gas and a large leaseholder in the Gulf of Mexico. Additionally, we have an extensive asset base of offshore fixed, floating, and subsea structures and pipelines in the Gulf of Mexico, along with numerous ultra deepwater projects under development. As such, we are very interested in providing comments on the Minerals Management Service (MMS) proposed rule on rights of use, easement, and way.

Due to ever increasing activity in the deepwater areas of the Gulf of Mexico and the larger areas needed for infrastructure outside of areas leased, MMS has proposed right of use, easement, and way modifications of 30CFR250.160 in subpart A and 30CFR250.1009 in subpart J. The proposed changes clarify procedures for granting these rights for activities which require support facilities not directly covered under existing regulations. SEPCo supports the proposed regulation. These fees proposed for such rights appear to be in line with comparable fees for this type of activity.

Rights of use and easement, and pipeline rights of way will clarify the process for seeking rights of use and therefore will provide operators the impetus to place facilities on blocks that may not be currently under a lease thereby helping to optimize subsea field developments. An example is a facility which will act as a host for small satellite oil/gas fields in deepwater areas that needs to be located centrally to the various leases/fields but that has no oil/gas

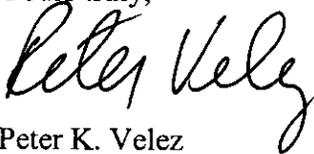
production located directly under it. In this case the facility may be located in an un-leased block or in part of a leased block that is owned by another lessee.

Another example is potential LNG receiving facilities which may bring LNG in ships, transfer the LNG to the facility, and then enter a pipeline(s) for distribution to markets in the United States. Locating this type of facility in the OCS allows easier access by the ships bringing the LNG and it lessens the burden on existing coastal ports that would be other potential locations for the LNG ships.

Under certain situations, it will be beneficial for MMS to remove specific OCS blocks or specific areas within an OCS block involved in easements from upcoming lease sales due to safety and environmental concerns of easement areas.

We appreciate the MMS' efforts in preparing and proposing the subject rule. If you have any questions, please don't hesitate to contact Rian Riche at (504) 728-6012 or me at (504) 728-6982.

Yours truly,

A handwritten signature in black ink that reads "Peter Velez". The signature is written in a cursive style with a large, stylized "V" and "Z".

Peter K. Velez

Manager Regulatory Affairs & Incident Command