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

Attention: Regulations and Standards Branch (RSB)

RE: Technology Suspension

Gentlemen and Ladies:

On January 23, 2008, Chevron U.S.A. Inc. (CUSA) made a presentation at the Minerals Management Service (MMS) Suspension of Operations (SOO) Workshop in New Orleans in support of MMS moving forward with the issuance of a proposed rule to expand the current SOO regulations under 30 CFR §§ 250.168-177 (2006). As you are aware, the term of an offshore oil and gas lease may be extended when a lessee requests and the MMS grants an SOO. Currently, the regulations allow SOOs to be granted to allow a lessee additional time to evaluate and potentially overcome events beyond their control and for certain geological challenges presented by offshore exploration and development. As companies have begun to explore for and develop oil and gas in deeper waters and at greater subsurface depths, new technological challenges have arisen in commercializing new resources that have been discovered. To encourage and enable companies to overcome these new technological challenges, we recommend amending the current SOO regulations to allow a technology-based SOO to be issued when technological innovation is necessary for a lessee to safely or efficiently solve the new challenges encountered with discoveries in frontier areas, and/or at significant subsurface depths. This need for technology-based SOOs is especially apparent in those areas and depths characterized by high temperatures and high pressures.

As stated during our Workshop presentation, the state of the offshore industry has significantly changed over the past 15 years. Chevron has been involved in operating in water depths exceeding 10,000 feet and drilling wells below 34,000 feet total vertical depth subsea. As discoveries have been made in deeper water depths on the outer continental shelf (OCS), new technologies have had to be developed and utilized to address developing these newly discovered resources. In many cases, higher than normal subsurface temperatures and pressures have been encountered which have caused us to rethink our approaches to developing discoveries, especially in ultra-deepwater. As water depths in which we operate continue to increase, our ability to use existing designs for platforms, risers, mooring lines, and other

equipment becomes limited. Thus, more often today than in the recent past, existing technology is insufficient to develop and commercialize new deeper resource accumulations. When these new technological challenges arise, additional time and research is needed to solve these problems. It is CUSA's belief that having the right equipment to operate safely is paramount -- if we cannot do something safely, we will not do at all.

During the SOO Workshop Chevron provided draft language to the MMS that could be used to amend to 30 CFR § 250.175 to clarify MMS' authority to issue a technology-based SOOs. We have made some slight modifications to this proposed language, as follows:

250.175(d)

- (d) The Regional Supervisor may grant an SOO to provide time for the development of new technology necessary to facilitate the safe and efficient development and production of oil and gas resources when you submit a reasonable schedule of work detailing the specific action you will take potentially leading to your commitment to develop the resources discovered and all of the following are met:
- (1) prior to the expiration of your lease's primary term, you have commenced the drilling of a well, or have drilled a well on the lease;
 - (2) the well drilled is determined to be producible according to § 250.115 or § 250.116;
 - (3) the discovered hydrocarbon-bearing formation contains resources in amounts believed to be sufficient to develop if:
 - i. a production test of the hydrocarbon-bearing sand or sands yields significant information to calculate volumes which could be used to justify further development; or
 - ii. new types of equipment must be developed, or existing types of equipment substantially modified, to allow for the production of the resources discovered; or
 - iii. to allow time to process geophysical data in order to confirm that sufficient hydrocarbons exist to justify development.

Importantly, under our proposed language the issuance of a technology-based SOO would be discretionary with the MMS. As they do under the existing discretionary SOO process, lessees would continue to be required to petition the MMS for an SOO providing justification for issuance, along with a firm activity schedule containing reasonable and achievable milestones. Under the proposed new SOO rule, the MMS would grant a technology-based SOO only if the lessee could prove the necessity for the SOO and provide the requisite commitments to action. If a lessee failed to meet its commitments, the MMS could limit the lessee's SOO or refuse to renew it. As we stated in the Workshop, the MMS would continue to control the length of time for which the SOO would be issued and be able to prescribe what activities must be completed for an SOO to remain in force. Thus, our proposed draft language will expand the MMS' authority and discretion to grant a technology-based SOO and in doing so ultimately serves the agency's mission as steward and facilitator of production of domestic oil and gas reserves.

As stated during the Workshop and reiterated in these comments, CUSA supports the MMS promulgating a regulatory amendment allowing for technology based SOOs to facilitate the development of the United States' domestic oil and gas resources on the OCS. By promulgating such a rule, the MMS will in fact be unleashing renewed human energy on the frontier areas and depths of the OCS, which cannot fail to bring forth new oil and gas resources at a time when they are desperately needed.

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Should you have any questions regarding our comments, please do not hesitate to contact me.

Yours truly,

A handwritten signature in blue ink, appearing to read "J. Keith Couvillion". The signature is stylized with a large initial "J" and a long horizontal flourish extending to the right.

J. Keith Couvillion

JKC/MMS Comment Letter –Technology SOO 2-20-08.doc