



United States Department of the Interior

BUREAU OF OCEAN ENERGY MANAGEMENT

Alaska OCS Region
3801 Centerpoint Drive, Suite 500
Anchorage, Alaska 99503-5823

APR 16 2012

Ms. Susan Childs
Shell Offshore, Inc.
3601 C Street, Suite 1000
Anchorage, AK 99503

Dear Ms. Childs:

On August 11, 2011, the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) approved the Shell's revised OCS Lease Exploration Plan, Camden Bay, Beaufort Sea, Alaska (EP) dated May 2011. The BOEMRE approved the revised EP subject to 11 conditions.

On October 1, 2011 BOEMRE split into two independent agencies: the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE). This letter is to provide clarification of the lead agency authority relating to Shell's EP approval. The 11 conditions from the August 11 approval are repeated below; new language is underlined, deleted language is struck-out.

- 1) No exploratory drilling activities may be conducted without an approved Application for Permit to Drill (APD). Shell is advised that its APD must comply with all applicable BSEE ~~BOEMRE~~ regulations and Notice to Lessees 2010- NIO.
- 2) No drilling activities may be conducted beyond each casing shoe unless approved by BSEE ~~BOEMRE~~. BSEE ~~BOEMRE~~ will evaluate the condition of the well, results of safety equipment tests, the nature and duration of the next phase of the drilling program, existing and forecasted environmental conditions, and the procedures under an approved contingency plan [30 CFR 250.417(c)(2)] that addresses design and operating limitations of the drilling unit as well as the actions necessary (i.e. suspension, curtailment, or modification of drilling or rig operations) to remedy various operational or environmental situations in order to maintain safety and prevent damage to the environment; including implementing well capping and containment or relief well drilling plans.
- 3) No exploratory drilling activities can be conducted until Shell receives an approved Marine Mammal Protection Act (MMPA) authorization from the National Marine Fisheries Service (NMFS) and the U.S. Fish and Wildlife Service and the BOEM ~~BOEMRE~~ has received a corresponding Endangered Species Act (ESA) Incidental Take Statement (ITS).
- 4) No exploratory drilling activities can be conducted until Shell receives a New Source Review (NSR)/Title V Outer Continental Shelf air permit or a Prevention of Significant Deterioration (PSD) permit from the EPA, as appropriate.

- 5) The BOEMRE conclude[d] 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's 195 and 202 Lease Stipulation No. 5.

No exploratory drilling activities may be conducted until Shell has documented to the satisfaction of the BOEM Regional Supervisor, Leasing & Plans (BOEM RS/LP) that the monitoring and mitigating measures detailed in the Plan of Cooperation (POC) to prevent unreasonable conflicts with subsistence activities are in place and operational prior to the Camden Bay program drilling season.

Shell must provide BOEM ~~this office~~ with daily summaries on the POC activities and daily monitoring results, including, but not limited to Marine Mammal Observer's and local Subsistence Advisors reports and notifications and Shell's responses to each incident. Shell must include the BOEM's 24-hour toll free Alert Line ~~BOEMRE~~ contact number 855-334-5297 ~~(907) 334-5300~~ in the Subsistence Advisory Handbook with specific instructions for the Subsistence Advisor to call BOEM ~~BOEMRE~~ if they are unable to contact Shell and/or if any subsistence uses conflict has not been resolved. A copy of the handbook must be submitted to the BOEM RS/LP ~~this office~~ prior to commencement of exploratory drilling operations.

- 6) 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 Lease Stipulation No. 4. As provided for under this stipulation, Shell is seeking an Incidental Harassment Authorization (IHA) from the NMFS in lieu of meeting the requirement of Stipulation No. 4. The BOEM ~~BOEMRE~~ will coordinate with the NMFS to assure that the IHA monitoring program and peer review process satisfy the requirements of Stipulation No. 4.
- 7) Exploratory drilling operations must be suspended by August 25. Exploratory drilling operations may not resume until after Nuiqsut and Kaktovik have completed their bowhead whale subsistence hunting activities and Shell has received approval from BOEM ~~BOEMRE~~. The BOEM ~~BOEMRE~~ will consult with the NMFS to confirm that subsistence hunting activities have been completed.
- 8) Prior to commencement of exploratory drilling operations, Shell must confirm the final staging location and schedule for mobilizing the designated relief well rig to the drill site and that the response times for commencement and completion of a relief well are consistent with the approved EP.

Prior to commencement of drilling operations, Shell must demonstrate that the relief well drilling unit meets the requirements of 30 CFR 250.417 and BSEE ~~BOEMRE~~ must approve the relief well drilling unit for use in the Beaufort Sea.

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

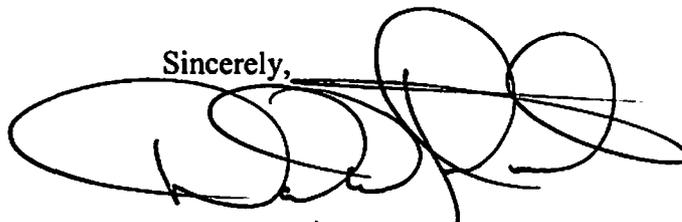
Prior to commencement of exploratory drilling operations, Shell must confirm in writing that relief well equipment and supplies as described in the EP are available and will be made available in time to implement the relief well drilling program.

- 9) Shell has committed to having a subsea well capping and containment system. The system is currently in the design stage. Prior to commencement of exploratory drilling operations, Shell must provide documentation that the system is designed for the projected worst case discharge conditions for approval by BSEE BOEMRE. Shell must also submit documentation on the procedures for deployment, installation and operation of the system under anticipated environmental conditions, including the potential presence of sea ice for approval by BSEE BOEMRE. Shell will also be required to conduct a field exercise to demonstrate Shell's ability to deploy the system.
- 10) No exploratory activities may be conducted until BOEM BOEMRE completes Endangered Species Act consultation with the U.S. Fish and Wildlife Service regarding the polar bear critical habitat.
- 11) Shell's fuel-transfer plan does not fully comply with the requirement of Lease Stipulation No. 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 plans 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 the BOEM RS/LP ~~this office~~ for approval.

As provided by 30 CFR 250.284, the BOEM RS/LP BOEMRE will periodically review the activities conducted under the approved EP and may require Shell to submit updated information or revise the approved EP. The BOEM RS/LP BOEMRE plans to conduct this review annually, prior to each subsequent open water season, but may review the plan earlier if it receives substantial new information at an earlier date.

If you have any questions regarding this action, please contact me directly at (907) 334-5273.

Sincerely,



Regional Supervisor, Leasing and Plans

cc: Mark Fesmire, BSEE
Pauline Ruddy, Shell
Greg Horner, Shell