



**NATIONAL
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INDUSTRIES
ASSOCIATION**

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December 11, 2009

Dr. Marshall Rose
Chief, Economics Division
Minerals Management Service
381 Elden Street
Herndon, VA 20170-4817

Subject: Proposed changes in offshore lease terms

Dear Dr. Rose:

The National Ocean Industries Association is pleased to submit comments regarding the new lease terms, specifically the shortening of lease terms for certain water depths as announced in the Proposed Notice of Sale for the Central Gulf of Mexico which is to take place in the spring of 2010.

NOIA is the only national trade association that represents all companies engaged in the exploration for, and production of, traditional and alternative energy on the nation's Outer Continental Shelf. The NOIA membership comprises more than 300 companies engaged in activities ranging from producing to drilling, engineering to marine and air transport, offshore construction to equipment manufacture and supply, shipyards to communications, and geophysical surveying to diving operations. As such, our membership has a vested interest in the proposed changes to the lease terms.

In our opinion, the new length of the lease term raises a number of questions. First, it seems to indicate that the Department of the Interior (DOI) believes that the existing lease terms are too long and that this discourages companies from developing their lease tracts in a timely manner. We are hopeful the Administration has not embraced a "Use It or Lose It" policy that has been roundly rejected in Congress.

Second, shortening the lease terms raises concerns about how DOI will handle situations that are out of the companies' hands. Specifically, does the Minerals Management Service have the ability to provide suspensions or extensions of leases for factors outside of a company's control even if they have not drilled an exploratory well? Additionally, how will companies be granted suspensions or extensions for any of the following factors?

- A lack of drilling rig availability
- Litigation involving a permit or plan
- Delay of permit from another federal agency

- Delay of a consistency determination from a State
- Delay of a biological opinion from either the National Marine Fisheries Service or the Fish and Wildlife Service

In a time where the industry is facing an increase in inspection fees, the Administration's proposed tax increases on the offshore oil and gas industry and potentially shorter lease terms, we would urge the Minerals Management Service to provide certainty to the industry on possible suspensions of lease terms going forward.

We appreciate the opportunity to comment on these important considerations and remain available to answer questions as needed.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Michael Kearns', with a long horizontal line extending to the right.

Michael Kearns
Director, External Affairs