



United States Department of the Interior

BUREAU OF OCEAN ENERGY MANAGEMENT, REGULATION AND ENFORCEMENT

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

AUG 4 2011

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

Dear Ms. Childs:

The Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) has reviewed Shell's revised OCS Lease Exploration Plan, Camden Bay, Beaufort Sea, Alaska (EP) dated May 2011 and supporting information. The BOEMRE hereby approves the revised EP subject to the eleven conditions below.

- 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 BOEMRE regulations and Notice to Lessees 2010- N10.
- 2) No drilling activities may be conducted beyond each casing shoe unless approved by BOEMRE. 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 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 concludes that Shell has demonstrated that its oil and gas exploration drilling activities will be scheduled and will be located to prevent unreasonable conflicts

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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 Regional Supervisor 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 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 BOEMRE contact number (907) 334-5300 in the Subsistence Advisory Handbook with specific instructions for the Subsistence Advisor to call 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 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 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 BOEMRE. The 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 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 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 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 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 this office for approval.

As provided by 30 CFR 250.284, the BOEMRE will periodically review the activities conducted under the approved EP and may require Shell to submit updated information or revise the approved EP. 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) 334-5300.

Sincerely,



Jeff Walker

Regional Supervisor, Field Operations