



<http://www.reuters.com/article/marketsNews/idUSN219710920091021>

MMS starts review of Shell's Chukchi drill plan

Wed Oct 21, 2009 7:15pm EDT

By Yereth Rosen

ANCHORAGE, Alaska, Oct 21 (Reuters) - The Minerals Management Service has launched its formal review of a plan by Royal Dutch Shell ([RDSA.L](#)) to drill two wells next year in the Chukchi Sea off Alaska's northwest coast, the company said Wednesday.

The notice from MMS, sent to Shell on Tuesday, starts a 30-day technical review in which the Interior Department agency will decide whether to approve the drilling plan, reject it or seek changes.

MMS's acceptance of the 1,414-page plan that Shell submitted is an important milestone in the effort to drill the lightly explored Chukchi, a company spokesman said Wednesday.

"This is one important step of many that must take place before we proceed with our 2010 drilling plan," Shell spokesman Curtis Smith said in an email.

Shell, which spent \$2.1 billion to acquire Chukchi exploration rights in a record-breaking 2008 lease sale, plans to drill two wells from a single rig positioned in the area during the summer and fall open-water season.

The company also plans to drill two wells next year in the Beaufort Sea off Alaska's northern coast. That Beaufort Sea drilling plan was cleared by the MMS on Monday, though the agency attached some conditions to its approval.

Both the Beaufort and Chukchi drilling plans are smaller than what Shell had proposed in the past.

The company had originally hoped to drill a dozen or more wells in the Beaufort over a three-year period and had proposed using two drill rigs in the Chukchi.

The reduction in exploration scope was in response to concerns from local Inupiat Eskimo villagers, who worried that offshore development was proceeding too quickly and too broadly, Smith said.

"It's our hope the successful execution of a scaled-back drilling program will begin to alleviate stakeholders' concerns, and demonstrate that Shell has the experience and technology to operate in a safe, environmentally responsible manner," Smith said.

Shell's plans to drill in the Chukchi and Beaufort have attracted opposition and legal challenges from environmentalists and Inupiat residents.

Brendan Cummings, an attorney with one of the environmental groups that has challenged the drilling plans, said Wednesday allowing oil development in the Chukchi is likely to harm polar bears, which are listed as threatened under the Endangered Species Act.

Cummings, who works for the Center for Biological Diversity, said any moves by MMS to approve Shell's exploration plan will contradict the goals of an imminent Interior Department rule aimed at protecting polar bears' critical habitat. That rule is expected to be announced Thursday by the U.S. Fish and Wildlife Service.

"It's hard to see how anybody can say that industrializing the Chukchi Sea is not adversely modifying the habitat for polar bears," Cummings said. (Editing by Christian Wiessner)