

AlaskaDispatch

News and voices from the Last Frontier

Shell files new offshore drilling plan

By Patti Epler

Royal Dutch Shell filed a new exploration plan late Thursday that seeks approval to drill as many as six wells in the Chukchi Sea in the next two years.

Shell Alaska Vice President Pete Slaiby said Thursday the company hopes to sink at least two wells a year beginning in July 2012 and possibly a third each of those two years depending on ice conditions.

The exploration plan was submitted to the federal Bureau of Ocean Energy Management, Regulation and Enforcement, the regulator agency that pro-development groups say has been too slow in approving Arctic oil programs.

The Chukchi application comes a week after Shell filed an exploration plan for the Beaufort Sea where it also hopes to drill during the next two summer open-water



seasons. The company plans four wells in 2012 and 2013 on leases it owns in Camden Bay in the Beaufort near Kaktovik.

By working in both areas at the same time, Shell can take advantage of efficiencies offered by having two drill ships at work, sharing some logistical capabilities, Slaiby said.

Shell had wanted to drill in the Beaufort this summer, but was stymied by the lack of necessary federal permits, especially an air permit that was approved then overturned last year after Native groups and environmental organizations challenged it. The air permit covered work in the Chukchi, too.

And drilling in the Chukchi has been off limits for all oil companies since 2008 when the Native village of Point Hope and environmental groups successfully challenged the federal lease sale that had been held there. That lawsuit must be resolved before Shell can move forward in the Chukchi and federal regulators have said in court filings that it hopes to have it settled by late October.

Shell has spent billions of dollars in the past five years on its Arctic drilling plans and seems closer than ever to finally getting to go to work offshore. Congressional leaders in particular have been pressuring the Obama administration to more quickly resolve permitting hang-ups.

Slaiby said his company has done a number of things to satisfy the regulatory concerns over the air permit, including retrofitting the

drill ship that had been the subject of the legal challenge. That is in addition to other environmental safeguards that were already in place, he said, such as low-sulfur fuel and particulate-control devices on the engine.

“I feel good about the air permit,” Slaiby said, adding that Shell has been working with the Environmental Protection Agency on what he called procedural issues. The problem has been more about how to satisfy the technical requirements of the permit and not about the air quality, he said.

Is the Chukchi Sea ‘too special’ to industrialize?

Still, perhaps the biggest hurdle will be convincing regulators as well as environmental organizations that the company is prepared to clean up a significant oil spill should one occur during drilling. That issue was exacerbated by the Gulf of Mexico spill last summer, and environmental activists have used the Deepwater Horizon blowout as evidence that drilling should not be allowed in the Arctic where cleaning up a spill could be much more difficult.

BOEMRE director Michael Bromwich told reporters at a recent energy conference in Texas that Shell is “under pressure to demonstrate that it has adequate spill response capabilities to deal with a potential blowout in the Arctic,” according to a story in the Houston Chronicle.

Environmental groups have long been lined up against Arctic drilling, arguing that an oil spill would be much more catastrophic in a place that is more environmentally sensitive than the Gulf and where numerous species, including a few that are threatened and endangered, rely on a sensitive ecosystem for survival.

“Some places are too special to drill,” said Brendan Cummings, senior counsel for the Center for Biological Diversity. “The Chukchi is America’s last wild ocean. Industrializing the Chukchi makes it a less special place than it is.”

Cummings believes that despite Shell’s oil spill contingency plans, it is still not possible to clean up an Arctic spill. The technology and the capability doesn’t exist, he said.

“The oil spill response policy is definitely nothing more than crossing your fingers and hoping nothing happens,” he said.

Slaiby, obviously, disagrees and outlines a multi-layered response system that includes staging equipment like skimmers and chemical dispersants near the drilling ships so it would be ready to go if needed. The clean up gear could be deployed in an hour, he said.

Shell also has engineered additional equipment designed to cap the well in place, such as additional shear rams that are similar to blowout preventers. “We’ve always said we need to stop the oil at its source,” he said.

The company also plans to have a containment system in place that would allow it to funnel any leaking oil, gas and water to the surface and deal with it there, he said. That system also will be on site in Alaska for quick deployment.

Slaiby pointed out that the spill contingency plans have been in place since before the Deepwater Horizon and have been fully reviewed by both

the regulatory agencies and the courts. Since the Gulf spill last April, Shell has refined the response plan and is confident it will hold up under scrutiny.

The two drilling operations in the Beaufort and the Chukchi will each have their own oil spill cleanup gear staged near each operation, he said.

Slaiby and other senior Shell executives met recently with White House officials to talk about the administration's seeming reluctance to approve Shell's applications for the Arctic. Slaiby called the meeting "positive" and said he "sensed a real willingness to reach some timely decisions in moving forward."

Slaiby said Shell needs to have "certainty" by early October on approval of the exploration plan, the granting of an air permit and a process in place for "incidental harassment" authorization, which involves disturbing polar bears, walruses and other Arctic animals.

Shell will need to start making decisions on how to carry out the summer drilling program before October and "the bulk" of the effort will need to be committed to by the end of the year, he said.

The company would need to start moving ships and equipment to the area by April 2012, he estimated, but needs to make commitments for the equipment well before that because some of it needs to come from overseas.

"We're not going to go up there and work if we're not ready," he said.