

# Shell gets OK to start Chukchi Sea drilling

Surprise announcement does not allow company to reach any oil.

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The Obama administration on Thursday made a surprise announcement that it will allow Shell Oil Co. to begin drilling in the Chukchi Sea before its unique oil spill containment barge is ready -- just not deep enough to reach oil.

For weeks, the problematic barge has held up Shell's drilling plans in the Alaska Arctic. It's undergoing final work and inspections at a shipyard in Bellingham, Wash.

U.S. Interior Secretary Ken Salazar told reporters in a news briefing that the newly approved drilling will reach 1,400 feet or so under the sea floor and is limited to specific preparatory work.

"Today's action does not allow Shell to drill into potential oil reservoirs," Salazar said.

Environmental groups immediately criticized the decision as too risky for the fragile Arctic. Alaska Sens. Mark Begich and Lisa Murkowski and Gov. Sean Parnell praised it as a long awaited step forward.

The oil spill containment barge, the Arctic Challenger, must be completed, clear inspections, and make the long ocean journey to drilling sites before Shell can drill all the way to oil-rich zones, Salazar said. Those zones are perhaps 5,500 feet or so below the sea floor, according to Shell.

Still, allowing Shell to begin well construction at its prized Burger prospect is an enormous step, said Pete Slaiby, Shell's vice president for Alaska. He and other Shell officials in the Frontier Building in Midtown Anchorage learned the news by listening on speaker phone to the Interior Department's press conference. Some cheered, he said. There was an undercurrent of disbelief, a Shell spokesman said.

"Ladies and gentleman, there's no other way to couch this. Today's announcement is extremely exciting," Slaiby told reporters in a separate briefing. "We've been waiting for this for about six years."

## INSPECTORS AROUND THE CLOCK

The U.S. Geological Survey estimates a potential resource of 25 to 27 billion barrels of oil in the Chukchi and Beaufort Seas.

It is highly unlikely that Shell will be able to complete a well this year in the Chukchi Sea without an extension of the drilling season, which it is seeking. But foundational well work begun this year will give Shell a head start in 2013.

The chance of a spill is virtually nonexistent because of the distance from oil-rich layers, Shell and regulators agree. While officials acknowledge Shell could hit a natural gas pocket, they said that risk is also small.

Regulators will still hold Shell's "feet to the fire," Salazar said. Inspectors from the Bureau of Safety and Environmental Enforcement will be on Shell drilling rigs 24 hours a day as the work is being done, he said.

And while the containment barge won't yet be stationed nearby, the foundational work approved Thursday includes installation of a blowout preventer designed to seal the well if drillers lose control of the pressure.

Other oil response equipment is already in place on the outside chance of a spill, Slaiby said. A specialized oil spill response vessel already is in the Chukchi, and another vessel there is carrying a capping stack. That's the type of apparatus that

eventually killed the out-of-control well after the Deepwater Horizon drill rig exploded two years ago.

"There is no doubt that any exploratory activities will be conducted under the closest oversight and most rigorous safety standards ever implemented in history of the United States," Salazar said.

## **DETAILED WELL WORK**

Under the drilling permit issued Thursday for the "Burger A well," Shell says it first will drill a pilot hole, 1,300 feet deep but just 8 1/2 inches in diameter, to reveal physical obstructions, gas pockets or anything else that didn't show up in seismic studies and shallow hazard surveys already done.

A bigger hole will be drilled part way down, and steel conductor pipe will be encased in cement. Using a tool weighing several tons, crews will excavate a mud-line cellar 40 feet deep to hold the blowout preventer. Shell says the cellar will be deep enough to prevent scouring from ice, one of the issues raised by environmentalists. A 20-inch-diameter hole then will be drilled down to 1,300 or 1,400 feet, and workers will install casing, again surrounded in cement, to add structure to the well. Drillers can either go deeper from there, or cap the well for later work.

Shell's effort in the Arctic has been checkered with problems. The major hurdle relates to the oil spill containment barge, the Arctic Challenger. Slaiby characterized the work left as "meat and potatoes stuff" including an issue with power generators. Some 45 "very seasoned" Shell engineers and technicians are in Bellingham working with the barge owner, Superior Energy Services, Slaiby said.

Shell also still must resolve issues with an air pollution emissions permit for its Chukchi drilling ship, the Noble Discoverer. This summer that ship dragged anchor in Dutch Harbor. Earlier in the season, lingering sea ice was a concern, delaying efforts to stage in the Arctic.

Shell also has asked to extend its drilling season by a couple of weeks. Under previous approvals, it can't keep drilling deeper in the Chukchi Sea past Sept. 24, but can cap the well already begun and finish it next year.

Salazar said no decision will be made on the extension until the Challenger barge is ready.

## **ENVIRONMENTALISTS FIRED UP**

Thursday's decision doesn't affect Shell's plans in the Beaufort Sea, where its prospect is much closer to shore. While drilling there already can go until Oct. 31, Shell cannot begin its Beaufort work until after whaling season.

Oceana, the Center for Biological Diversity, the Audubon Society, Earthjustice and the Pew Environment Group were among the organizations quick to criticize the development.

"It is disappointing that our government continues to bend over backward to accommodate a company that is still not ready to drill," Oceana said in a statement. "Shell, and only Shell, is responsible for the situation in which the company now finds itself. Shell's problems are extensive and well-documented."

"The biggest lesson we learned from Deepwater Horizon was the need to have a capping and containment system specifically designed to stop a spill on site and ready to go," said Marilyn Heiman, director of Pew Environment Group's U.S. Arctic Program. "This is particularly important in the remote Arctic. If you add this to the missteps and delays and requests for last-minute changes that have occurred, it does not inspire confidence."

But Slaiby and Salazar both said Shell is being held to high standards.

Asked whether the timing had anything to do with the Republican National Convention, which wrapped up Thursday in Tampa, Salazar said it did not and that he didn't consider politics in his decision. Begich, a Democrat, joined with Republicans Murkowski and Parnell in praising Salazar's action.

"Today's decision shows flexibility while not sacrificing safety," Begich said in a statement. "This allows us to get one step closer to understanding and moving forward on the energy potential of the Arctic."

Shell already has spent more than \$4.5 billion in its quest to drill in the Alaska Arctic. More than 2,000 Shell employees and contractors are working directly and indirectly on the Arctic program, Shell spokesman Curtis Smith said. Worker camps in Barrow, Wainwright and Deadhorse are full, Smith said. The Wainwright camp alone houses about 40 oil spill response workers and 20 scientists, he said.

The Noble Discoverer, a retrofitted log carrier, left Dutch Harbor on Saturday, headed to the Chukchi. It should arrive in the area late Friday. It will refuel and stock up before connecting to anchors already set on the sea floor. The earliest it could begin drilling is midweek, and it takes 20 to 24 days to complete a well, Slaiby said.

Unless Shell gets an extension, it would be nearly impossible to complete a well this year in the Chukchi.

As Salazar issued his decision, the Interior Department's Ocean Energy Safety Advisory Committee was meeting in Anchorage, working on oil spill prevention and response.

The group, which includes Shell's former chief well scientist -- who is now retired -- as well as government regulators, other industry leaders and a Wilderness Society Arctic expert, is recommending that the government adopt Arctic-specific rules for exploration and drilling. It also agreed to form a special subcommittee to work on the Arctic.