

Minutes
Ocean Energy Task Force – Regulatory Subcommittee Meeting
March 13, 2009

I. Attendees

Sub Committee Members: Kathleen Leyden (subcommittee chair, SPO), Sean Mahoney (CLF), Bob Marvinney (MGS), Rep. Stacy Fitts, and Angus King

State staff: Dan Prichard (BPL), Catherine Carroll (LURC), Matthew Nixon (SPO), Jim Cassida (DEP), Steve Dickson (MGS)

Minerals Management Service: Jennifer Golladay, Gary Goeke, John Rodi, Mike Saucier

Others: Des Fitzgerald, Sean Casto, Sean McDermott (NOAA Fisheries), Emily Walsh, Vivian Newman, Marcia Bowen, John Ferland, Suzanne Sayer, Mike Johnston (NOAA Fisheries), Paul Martin, Dick Rozene, On the Phone: Jeff Thayler, Mark Dittrick, Tom Federle, Rita Heimes

II. MMS Presentation, *Jennifer Golladay, Minerals Management Service*

Ms. Golladay's presentation covered topics ranging from the Minerals Management Service (MMS) key topics for regulation to specifics regarding annual operating fee equations. MMS' reasons for participating in the subcommittee's activities centered around three major discussion points: reviewing MMS' proposed regulations, response to questions about proposed regulatory restrictions, and to aid in understanding the basis of MMS' proposal.

MMS' two types of leases were reviewed: Commercial Leases and Limited Leases. Corresponding to MMS' jurisdiction, all leases would take place outside of the 3 NM state marine boundary limit in Federal waters. Commercial leases correspond to a full development with power generation while a limited lease refers to developments applicable to resource assessment and technology testing facilities. Both leases include a project easement for any associated cables or pipelines. The competitive or non-competitive nature of these leases are based on whether or not the Secretary determines that there is more than one qualified interest in a particular lease area or portion of an area. The terms for these leases are as follows: a competitive commercial lease would involve a six month preliminary term, a five year site-assessment term, and a twenty-five year operations term. A competitive limited lease would utilize a six month preliminary term and a five year operations term.

There are two types of plans that the lessee must deliver depending on the type of lease after the six month preliminary process. Under the terms of a competitive commercial lease, the lessee must submit a Site Assessment Plan (SAP) describing assessment and survey activities needed to characterize the site for a commercial lease. After a NEPA review, MMS may either approve or disapprove the SAP. Within five years of SAP approval, the lessee must submit a Construction and Operations Plan. This plan involves

two separate reports: a facility design report and a fabrication and installation report. Under the terms of a competitive limited lease, the lessee must submit a General Activities Plan (GAP) after the six month preliminary term.

Other topics covered by Ms. Golladay included Rights of Way instruments, inspections, decommissioning, and financial assurance. Examples of lease payments and their subsequent equations can be found at:

http://www.maine.gov/spo/specialprojects/OETF/Documents/Subcommittees/Subc2_Regulatory/NPRfinalFR07-09-08.pdf

Ms. Golladay's presentation can be found at:

http://www.maine.gov/spo/specialprojects/OETF/Documents/Subcommittees/Subc2_Regulatory/Golladay_presentation.pdf

Further information on the Minerals Management Service and its policies and regulations can be found at: <http://www.mms.gov/offshore/alternativeenergy>

III. Discussion of MMS Presentation

Much discussion centered on financial agreements and locations applicable to revenue sharing with the state. Currently there is no legislative ability to share revenues beyond the 8G Marine Zone. Comments on these proposed rules will no longer be taken and the proposed four regional meetings are primarily for summarization of policies regarding alternative energy and oil and gas development.

The proposed limited competitive lease term, which is good for five years, is not transferable for a more permanent site. Comments centered on how willing a company would be to invest a large sum of money in an area for research and development purposes, only to have the bid go competitive and be outbid in the process.

Other questions focused on the lease area specifically. The lease term itself is connected only to the specific activity for which it was created. It does not preclude another lease being from being active in the same area, so long as it a compatible use and does not interfere with the initial lease. The lease process is estimated to take approximately 1.5 years from start to finish when dealing with a competitive lease and about 9 months with a non-competitive lease.

MMS has an environmental studies program that conducts specific research projects related to and of interest to potential lessees, states, and other concerned parties. Several projects are currently underway and are very broad in nature.

IV. Adjourn

There being no further questions or comments, Chair Kathleen Leyden adjourned the meeting.