

MMS Alaska OCS Region

News Release

For Immediate Release-June 26, 2003

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Frontier Areas Generate No Interest in Oil and Gas Exploration

MMS received no expressions of interest in this year's Calls to hold oil and gas lease sales in the Norton Basin, Hope Basin, and the Chukchi Sea. Calls for Information and Nominations for both areas were issued on March 25, 2003, and closed on June 23, 2003.

Both Norton Basin and the Chukchi Sea/Hope Basin are made available through a "special interest" process that is new to the Alaska Region. The Call for Information and Nominations sought comments on a future sale proposal from industry and the public and requested that industry nominate specific areas where they were willing to commit to exploration, if they were interested.

"These frontier areas could have a great amount of resources, but because of their remoteness they also have high costs associated with exploring and developing any resources that might be found," said MMS Regional Director John Goll. "This approach allows us to test interest for access to the area without spending a lot of on a full upfront evaluation. We will ask again next year."

The areas of western Alaska are largely unexplored and have no developed infrastructure to support oil and gas exploration. Two deep stratigraphic test wells used to evaluate the geology were drilled in the Norton Basin in 1980 and 1982 and six exploration wells were drilled. Norton Sound is more gas prone, with conventionally recoverable amounts estimated at about 3 TCF (mean) and 9 TCF (5% chance). Companies also drilled five exploration wells in the Chukchi Sea on 378 tracts issued in sales held in 1988 and 1991. The Chukchi values are quite large: oil – 15 billion barrels (mean), 25 billion barrels (5%); and gas – 60 TCF (mean), 154 TCF (5%).

Since no industry interest was forthcoming this year, MMS will reissue the Call next year. Such Calls will be issued annually throughout the 2002-2007 5-Year Program to determine whether there is interest to hold a sale. This approach allows MMS and companies to take advantage of advancing technology, price changes, new information, and other factors that may change over time. Under the current 5-Year Program, only one round of leasing could occur in Norton Sound, while two rounds could occur in the Chukchi Sea/Hope Basin.

MMS is the Federal agency in the U.S. Department of the Interior that manages the nation's oil, natural gas, and other mineral resources on the Federal outer continental shelf. The agency also collects, accounts for, and disburses mineral revenues from Federal and American Indian leases. These revenues totaled more than \$6 billion in 2002 and nearly \$127 billion since the agency's creation in 1982. Annually, nearly \$1 billion from those revenues go into the Land and Water Conservation Fund for the acquisition and development of state and Federal park and recreation lands.

Additionally, the State of Alaska receives 27% of all revenues generated as a result of federal leases that lie within 3-to-6 miles offshore the Alaska coast, and 50% of this money goes into the Alaska Permanent Fund Account.

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