

## CAPITAL WIRELINES

# MMS should suspend subsalt leases only in certain situations

**Brian T Petty, Senior Vice President-Government Affairs**

**GOM Subsalt Lease Suspensions (Washington)**—IADC submitted comments to the US Minerals Management Service addressing its proposed rule which would under limited circumstances consider requests by lessees for lease term suspensions in subsalt areas of the western planning area of the Gulf of Mexico. IADC has broadly opposed lease suspensions or extensions in the US and in the UK where operators sought to avoid drilling commitments for reasons driven primarily by their own internal financial considerations. However, certain leaseholders in this area have argued that the very difficult seismic interpretation of subsalt formations has made it difficult, if not impossible, to fulfill their drilling commitments under existing lease terms. IADC reluctantly agreed not to oppose this rule, which would require those leaseholders to demonstrate very strictly that their requests for lease suspensions are justified. IADC's comment to the record on the proposed rule is as follows:

"MMS expressed a desire in its draft proposed 5-Year OCS Program (2002-2007) to provide a reasonable level of certainty for lessees, and by inference the contractors who support their activities. For drilling contractors, the most critical element of that objective lies in assuring that leases are drilled as agreed under the terms of lease sales, and if lessees fail to do so, those fallow leases be returned to the federal inventory for offering again in a later sale. The offshore drilling industry has embarked on a vast and expensive program to improve and expand the drilling fleet available to explore for new sources of oil and gas vital to this nation's security. That financial commitment in the most substantial way depends on the resolve of MMS to insist that lessees abide by the terms of their lease obligations to the federal government. Waivers and extensions of drilling commitments operate to unsettle the drilling market and its sources of financing.

"IADC accepts the intention of MMS to insist that applicants for subsalt lease suspensions meet various rigorous tests before consideration is given to any request for lease suspension. We ask that MMS dedicate resources to vigorously scrutinize such requests, and that every element set forth under the proposed rule for justifying such suspensions be fully satisfied. Moreover, we ask that MMS regard this as a unique circumstance requiring a unique response, and not a precedent for other lease suspension requests that are essentially motivated by the financial or strategic priorities of a given lessee."

**WTO Energy Services (Geneva)**—World Trade Organization (WTO) Secretary-General designate **Dr Supachai Panitchpakdi** on a recent visit to Washington met privately with Energy Services Coalition (ESC) chairman **Brian Petty** and members of the ESC Executive Committee, including **ExxonMobil** and **Halliburton**, to discuss the way forward at the WTO for expanding trade in energy services, including drilling services, and a parallel process of making government procurement and customs levies transparent and consistent. Dr Supachai expressed enthusiastic support for ESC's agenda, and he noted particularly his interest in bringing investment to his home country of Thailand. The seven countries (including the European Union) that have thus far tabled requests for negotiations in energy services met late March in Geneva to consider ways to attract more countries to embrace the cause of energy trade liberalization. Brian Raggatt of the Brussels office of the International Association of Oil and Gas Producers (OGP), participated in that meeting on behalf of the ESC. Also, IADC's Mr Petty addressed an Extraordinary General Meeting of the OGP in Kuala Lumpur on the subject at the same time. OGP operator members have expressed growing interest in the developments at the WTO as the producers have come to understand the benefits to them of broadly liberalizing energy trade, and in removing bureaucratic barriers to contractors serving them around the world. ■