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Department of the Interior
Minerals Management Service
ATTN: Regulations and Standards Branch (RSB)
381 Elden Street
MS-4024
Herndon, VA 20170-4817

Re: Leasing of Sulphur or Oil and Gas and Bonding Requirements
In the Outer Continental Shelf, 1010-AD06

Ladies and Gentlemen:

Shell Exploration & Production Company, together with its affiliates engaged in offshore exploration and production (Shell), is pleased to respond to the subject proposed rule on Leasing of Sulphur or Oil and Gas and Bonding Requirements in the Outer Continental Shelf. Shell is one of the largest leaseholders in the U.S. Outer Continental Shelf (OCS), including the Gulf of Mexico and Alaska, and one of the largest producers of oil and natural gas in the OCS. Shell supports Minerals Management Service's (MMS) efforts to streamline and clarify leasing and bonding regulations.

Shell is a member of the American Petroleum Institute (API) and is aware that API is submitting comments to the proposed rulemaking. Shell universally supports and endorses API's comments. In addition, Shell would like to emphasize the following issues:

1. MMS should remain committed to its stated purpose of "reflect[ing] the leasing process more efficiently." In several instances the proposed rule is a departure from prior regulations or policies, which is inconsistent with rulemaking that is limited to reorganizing, reordering, clarifying, and simplifying existing regulations.
2. Section 250.1717, Section §250.1729(d), Section 250.1743(b)(7)(8). As a lessee, Shell is willing to work with MMS so that the MMS can get an accurate understanding of abandonment costs. However, generally requiring submission of all "expenses" with "supporting documentation" as proposed in these sections would impose a significant burden. Further, given that there are no guidelines on what constitutes an "expense", MMS is likely to get inconsistent reporting from lessees.

Shell's preference is for the MMS to work directly with lessees to develop specific information desired by the MMS. Further, in submitting "supporting documentation", lessees should be permitted to exclude any confidential, trade secret, and proprietary information.

3. Section 256.306. The terms of an oil and gas lease are integral to the lessee/lessor relationship and lessees who are bidding millions of dollars on leases should have the right to know the lease terms in advance of submitting bids. Accordingly, Shell requests that the form of lease on which successful lease bids will be granted be attached to or referenced in the notice of lease sale.
4. In an effort to streamline the regulations, the proposed rule eliminates several sections that repeat provisions of the Act. But in other instances, the proposed rule adds language that is found in government statutes. MMS should carefully review the proposed rule and eliminate instances in which the substances of statutes are simply repeated. Specifically, MMS should consider proposed Sections 256.101, 256.200 (2nd sentence), 256.304(b), 246.402(b) in this regard.
5. MMS should reconsider allowing the MMS to collect the full amount bid in the event a successful bidder does not pay the remaining 4/5 of the bid. Currently, lessees are permitted to suffer the significant penalty of forfeiting the 1/5 advance payment and this process allows lessees to make an informed decision on leasing if information relating to the area becomes available after the bids are made.
6. The MMS should remove the last sentence of Proposed Section 256.616, which is ambiguous and which concept is addressed in Section 256.605. Also, proposed Section 256.605(a) is inconsistent with 256.606(c).
7. Requiring lessees to submit copies of agreements relating to the assignor's acquisition of the lease upon an assignment from one restricted bidder to another is unnecessary. The information requested is irrelevant to the joint bidding restrictions and the information requested is likely to be commercially sensitive. The MMS should be interested only in the timing of the agreement by which one restricted joint bidder assigns to another, not the manner in which the assigning lessee acquired the lease.

We appreciate the opportunity to submit these comments. If you have any questions, please contact me at 504-728-4252.

Very truly yours,



Philip B. Smith
Manager, Regulatory Affairs and Incident Command