

Why Alaska's OCS, Why now?

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The Federal 5-year Outer Continental Shelf (OCS) oil and gas leasing program calls for lease sales in 17 basins, and nine of them are offshore Alaska. The plan calls for lease sales to take place in the seas off Alaska's coasts from 1982 through 1987 as follows: Bering Sea, 9 sales; Beaufort Sea, 3 sales; Chukchi, 2 sales; and Gulf of Alaska, 2 sales.

Many people have asked why the government plans to hold lease sales in these relatively remote, difficult and sensitive areas. After all, increased drilling in the Lower 48 has brought new discoveries, and there has been talk of an oil glut in the U.S.

It is true that we are currently importing less oil than we used to only a few years ago. This is due in part to conservation efforts and the current recession. The U.S. Department of Energy predicts that, despite projected future discoveries off Alaska shores, we will continue to depend on imports for about 40 percent of our petroleum needs up to the end of the century.

Without the projected commercial discoveries in the Alaska OCS, however, oil imports would undoubtedly increase significantly. Imported oil comes from some of the most politically unstable areas in the world. Thus, greater levels of dependence on imported oil would have serious implications for the nation's security and could jeopardize the future of the Free World.

The domestic supply problem is that, despite increased drilling and new discoveries in recent years in the Lower 48, the nation is still producing and using more oil reserves than it is finding to replace the oil produced. The reserves/production ratio has been declining since 1971. Recent high levels of drilling have not reversed that trend.

The number of new field discoveries increased 6.2 percent in 1981 over the record in 1980. However, 96 percent of the 1,423 new field discoveries were estimated to be in the significant category, having probably reserves of 1 million to more than 50 million barrels of oil. What is needed to improve the situation is the discovering of giant oil fields containing 500 million barrels or more of recoverable oil.

It is only with large accumulations, such as the Prudhoe Bay

and Kuparuk fields on the North Slope that our reserve/production picture can be significantly brightened. The Kuparuk field, near Prudhoe Bay, is a giant oil field. It is one of the ten largest fields ever discovered in the United States. The Kuparuk will rank second in U.S. daily production when it reaches 250,000 barrels a day in the late 1980s. Only Prudhoe Bay, a super-giant oil field (defined as having five billion barrels or more of recoverable oil) will be ahead of it.

On the North Slope, there are good chances of discovering more giant fields, perhaps even another super giant. There are indications that the geology found onshore at Prudhoe Bay and nearby extends offshore into the Beaufort Sea. Promising discoveries have been made at Point Thompson and Sag Delta in the Beaufort, and the high interest in Federal Beaufort Sea Lease Sale 71 demonstrates the industry's belief in the possibility of major discoveries in the area.

It is easy to be overly-optimistic, however, about the chances of oil discoveries and the cost of developing and producing those reserves once they've been found. In the Bering and Chukchi Seas, no oil company has ever drilled a well designed to find oil. The COST wells in the Bering Sea were deliberately drilled off-structure by government mandate. (COST wells are Continental Offshore Stratigraphic Test wells.)

From our visits to local communities adjacent to lease sale areas, we know some people hope nothing is discovered while others look forward to potential economic benefits from a commercial discovery.

Three factors should be remembered:

First, the government is holding the lease sales in order to reduce the nation's dependence on unstable sources of petroleum, and Alaska offshore holds the best promise of giant discoveries. The government wants the oil companies to find oil.

Second, there may be no oil, but the chances are that one or two basins may contain oil.

Third, it will be years after a lease sale is held before we know if a discovery is made and if it is commercial and can be produced. There is time to plan even after a lease sale takes place.