

Shell Oil Scales Back Arctic Drilling Plan

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ANCHORAGE, Alaska (AP) — Shell Oil Co. is downsizing its plan for offshore drilling in the Arctic this year amid delays completing a spill containment barge required by the federal government, a spokesman said Tuesday.

Shell now hopes to complete two wells in 2012 instead of five. One would be in the Beaufort Sea off the northern Alaska coastline, and the other in the Chukchi Sea off the northwest coast between Alaska and Russia.

The company's ambitious two-year goal of drilling 10 wells remains in place, company spokesman Curtis Smith said.

Valuable data derived from drilling the two wells still in the works will aid Shell with its drilling in 2013, he said.

Smith attributed the downscaling to delays in building and gaining certification of the containment barge in Bellingham, Wash.

Shell is working closely with the Coast Guard in what Smith said was a complicated, lengthy process. The barge will have to be in place in the Arctic before the company can begin drilling.

"We are not going to rush the barge," Smith said.

The barge would carry a containment dome that could be lowered to a wellhead in the event of a spill. Oil would then travel from the dome through an attached hose back to the barge for processing aboard the vessel.

Shell, a subsidiary of Royal Dutch Shell PLC, has drilling rigs and support vessels in Dutch Harbor in the Aleutian Islands waiting to travel to the Beaufort and Chukchi seas. The company is keeping watch on lingering sea ice in the Arctic — a threat that appears to be easing as the ice moves away, Smith said.

Shell also is working closely with the Environmental Protection Agency on an air permit also needed to drill this year. A problem arose when it was discovered that the generator engines on Shell's drill ship tested slightly above allowable levels for ammonia and nitrous oxide.

Smith said the company was confident it could reach an agreement with the EPA.

Environmental and Alaska Native groups are challenging the permit, claiming the drill ship and support vessels will pollute the air and worsen Arctic warming.

Shell estimates it has spent more than \$4 billion on Arctic offshore development to

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tap the estimated 26.6 billion barrels of recoverable oil and 130 trillion cubic feet of natural gas in the region.

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