

ATTACHMENT A

ATTACHMENT D

DECLARATION OF PETER E. SLAIBY

Peter E. Slaiby declares as follows:

1. My name is Peter E. Slaiby. I have first-hand experience with, and personal knowledge of, the facts and matters discussed in this declaration.

2. I am the Vice President, Alaska Exploration & Appraisal, for Shell Energy Resource Company, an affiliate of Shell Gulf of Mexico, Inc. ("SGOMI") and of Shell Offshore Inc. ("SOI"). Both SGOMI and SOI indirectly are wholly-owned subsidiaries of Shell Oil Company ("SOC"). In this declaration, SGOMI and SOI are sometimes collectively referred to as "Shell".

3. I am also a businessman and an Alaska resident with approximately 30 years of experience working in the oil and gas exploration and production industry. I hold a BE degree in Mechanical Engineering from Vanderbilt University and have been employed since 1980 by various affiliates of SOI.

4. In my capacity as Vice President, I direct and supervise the exploration of oil and gas resources on the Alaskan Outer Continental Shelf, including exploration of federal oil and gas leases held by SGOMI in the Chukchi Sea and by SOI in the Beaufort Sea. I have personal knowledge of the matters set forth in this Declaration.

5. On December 11, 2008, SGOMI submitted an application to EPA Region 10 for a permit under Section 328 of the Clean Air Act and EPA's OCS air permitting regulations, 40 C.F.R. Part 55, authorizing emissions from SGOMI's planned exploration drilling activities during 2010 and subsequent years in the Chukchi Sea. On January 18, 2010, SOI submitted a revised application to Region 10 for a permit covering its planned exploration drilling activities in 2010 and subsequent years in the Beaufort Sea. SGOMI and SOI supplemented each

ATTACHMENT D

application multiple times at Region 10's request and the applications were determined to be complete on July 19, 2009 and February 11, 2010, respectively. Both applications sought permits authorizing emissions from the drillship *Frontier Discoverer* and from associated vessels, including ice management, supply, and oil spill response vessels.

6. In August, 2009, Region 10 issued for public comment a proposed permit for SGOMI's Chukchi operations. After conducting public meetings and receiving public comment during an extended comment period, Region 10 requested that SGOMI supplement the permit application, which SGOMI did. Region 10 issued a re-proposed permit on January 8, 2010 on which Region 10 received extensive additional comments. In all, the public comment period on the proposed and re-proposed permits totaled approximately 100 days. On March 31, 2010, Region 10 issued a final PSD permit for SGOMI's Chukchi operations.

7. On February 17, Region 10 issued for public comment a proposed PSD permit for SOI's Beaufort operations. Region 10 conducted public meetings and received extensive public comment on the proposed permit prior to the close of the comment period on March 22, 2010. As of the date of this Declaration, Region 10 has not yet issued a final PSD permit for SOI's Beaufort operations.

8. SOI originally applied to Region 10 in early 2007 for two air permits for exploration in the Beaufort Sea utilizing two drillships, the *Kulluk* and the *Frontier Discoverer*. Relying on guidance from Region 10, SOI submitted these original applications in the form of "minor source permits", with extensive owner-requested limits and controls on emissions from each drillship and its associated fleet of ice management, supply, and oil spill response vessels. SOI subsequently determined to proceed only with the *Kulluk* application.

ATTACHMENT D

9. In July 2007, Region 10 issued a minor source permit for the *Kulluk*'s operations in the Beaufort Sea. Petitions for review were filed and the Board granted SOI's request for expedited review. Following accelerated briefing on the petitions for the review and a hearing immediately thereafter, the Board issued a decision remanding the permit for further proceedings to address a single issue - under what circumstances should the *Kulluk*'s potential to emit for purposes of minor source classification reflect "aggregated" emissions at one or more drilling locations. *In re Shell Offshore Inc., Kulluk Drilling Unit and Frontier Discoverer Drilling Unit*, OCS Appeal Nos. 07-01 and 07-02, slip op. at 5, 69 (EAB, Sept. 14, 2007). On remand, Region 10 issued a revised permit addressing the Board's concerns. The revised permit was also appealed to this Board, but that appeal was dismissed at Region 10's request when SOI withdrew its air permit application in order to focus on new applications to the Minerals Management Service ("MMS") for new Exploration Plans for the two seas. *In re Shell Offshore Inc., Kulluk Drilling Unit*, OCS Appeal Nos. 08-01, 08-02, and 08-03 (EAB, Apr. 30, 2009). At that time, Region 10 recommended that Shell apply for PSD major source permits for its Beaufort Sea and Chukchi Sea exploration programs, which Shell did.

10. Shell has made a tremendous effort over the last four years to commence an Arctic OCS exploration program. To meet the high standards expected by Shell, state and local governments, and the public at large, Shell has committed to use highly specialized rigs and support vessels to explore its leases in the Beaufort and Chukchi Seas. To this end, Shell has had to refurbish available Arctic rigs, commission new ice-class spill response and anchor-handling vessels, and commit to multi-year operating contracts before knowing whether exploration will proceed. In addition to the initial lease acquisition costs totaling \$2.2 billion, as of March 2010, Shell has invested nearly \$870 million to prepare for exploration of its Arctic leases.

ATTACHMENT D

These expenditures have included costs to conduct seismic exploration and scientific studies; engagement, refurbishment, and maintenance of offshore drilling and support vessels; broad-based logistics activities; and maintenance of oil spill response capabilities.

11. Shell is planning to conduct a 2010 summer Arctic OCS drilling program. To undertake this program, Shell has made and must continue to make significant advance commitments for new spending, with the largest commitments to be made in April and May, 2010. By May 31, 2010, Shell will have made a series of irrevocable financial commitments necessary for a 2010 drilling season, including mobilizing the *Frontier Discoverer* to the Arctic theater of operations, arranging and staging supplies and fuel, contracting for services, testing equipment, and mobilizing employees. After that date, Shell will have incurred these costs regardless of when or whether, it is ultimately able to begin drilling operations in 2010. Shell's additional out-of-pocket costs in 2010 to prepare to proceed with exploratory drilling this year, over and above the \$870 million discussed above, will substantially exceed \$300 million, including charges for new rig modifications, other direct costs associated with a drilling rig and equipment, charges for related support vessels and other logistics, additional costs associated with oil spill response vessels and equipment, and personnel and other overhead costs. In all, mobilization for the 2010 drilling season will involve more than 100 separate contracts, as many as 700 people either employed or contracted, and roughly 800,000 hours, the bulk of which Shell will be committed to by May 31, 2010. With few exceptions, once incurred during preparations to drill in 2010, these costs will be fixed even if Shell's drilling season is truncated or eliminated. These jobs are very important to the economy of Alaska and the communities in which we work, representing a significant opportunity for native Alaskan businesses.

ATTACHMENT D

12. Under the MMS-approved Plan of Exploration, SGOMI is authorized to begin exploration drilling in the Chukchi Sea on July 4, 2010, and to continue operations until October 31, 2010 – an effective potential drilling season of 120 days. As noted, between April 1 and May 31, 2010, Shell will commit to new funding well in excess of \$300 million to prepare for 2010 Arctic operations. Thus, in April and May 2010, Shell will incur 2010 out-of-pocket costs of, on average, \$2.5 million for each day of the 120-day drilling season, whether or not operations occur that day. Every day of delay in Shell's ability to begin the drilling season on July 4, 2010, will result in a lost day of potential operations in a finite drilling season, and the drilling that cannot be accomplished during this period of delay will have to be made up in subsequent seasons, and paid for a second time, at roughly the same \$2.5 million per day cost, or higher.

13. Shell's objective is to drill two wells in 2010. A delay that leaves Shell only enough time to complete one well will mean that Shell will forego in 2010 the additional data that would have been acquired from completing the second well – data that would have a high value in planning drilling locations for 2011. This loss of data could reduce the utility of the drilling season far more than merely the loss of a certain number of operating days.

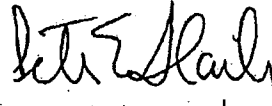
14. Moreover, there is a risk that Shell may not be able to make up such delays in subsequent seasons. Shell has access to its lease tracts in the Chukchi and Beaufort Seas only during the limited term of the leases. Generally, unless active oil development is underway on those leases at the expiration of their term, the leases will expire. Shell could re-bid on those leases if they were offered again, but there is no guarantee that the leases will be offered, or that Shell would be successful in obtaining them. Bidding could be highly competitive, given that competitors would be aware of Shell's exploration activities, and to prevail, Shell might have to offer new bonus lease payments even higher than Shell's initial payments.

ATTACHMENT D

15. Finally, successful exploration is a prerequisite to further oil and gas development projects. Every delay in the exploration of these leases therefore reduces Shell's opportunity to find other viable oil deposits and to bring its leases into production. In short, continued delays in exploration threaten the long-term viability of Shell's Alaskan offshore endeavors.

16. Shell is aggressively pursuing, and believes it will timely obtain all permits and authorizations from federal and state agencies needed in order to commence drilling in the Arctic promptly in July 2010 under the MMS-approved Exploration Plans. Unlike the Chukchi PSD permit (and the anticipated Beaufort PSD permit), which is effectively stayed by an appeal to EAB, each of these permits and authorizations will be fully effective upon issuance by the relevant agency.

I declare under penalty of perjury that the foregoing is true and correct.


A handwritten signature in cursive script, appearing to read "Peter E. Slaiby", is written above a horizontal line.

PETER E. SLAIBY

Executed in Anchorage, Alaska on April 2, 2010.