

September 12, 2007

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By Hand

Hon. Kathie Stein
Environmental Appeals Board
U.S. Environmental Protection Agency
1341 G Street, N.W.
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2007 SEP 12 AM 10:24
ENVIR. APPEALS BOARD

Re: *In re Shell Offshore Inc.*, OCS Appeal Nos. 07-01 & 07-02

Dear Judge Stein:

I am writing to advise you that Shell Offshore Inc. ("SOI") is beginning a limited reduction of staff, contract personnel, and equipment associated with SOI's planned 2007 drilling program. The staff reductions and contract releases will primarily focus on Dutch Harbor, Alaska, where the drill ship Frontier Discoverer and support and oil spill response vessels are anchored.

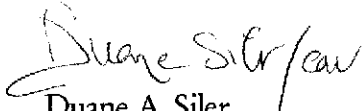
As we previously reported to the Board, on August 15, 2007, the U.S. Court of Appeals for the Ninth Circuit stayed the Minerals Management Service's approval of SOI's Beaufort Sea Plan of Exploration pending the Court's decision on the merits of challenges to that approval. On August 17, 2007, SOI filed a Request for Reconsideration and is awaiting the Ninth Circuit's decision whether to reconsider the stay. SOI is taking all reasonable steps to preserve its capacity to begin drilling during the 2007 open-water season, which is now forecasted to last through early December.

SOI continues to respectfully urge the Environmental Appeals Board to decide as soon as possible the above-referenced petitions for review of the OCS minor source air permits for SOI's Beaufort Sea drilling program. SOI has continued to pursue, and expects shortly to have received, all remaining necessary permits and authorizations to drill in the Beaufort Sea this season. Expedited review by the EAB is still needed so that, were the Ninth Circuit to grant SOI's request for rehearing and lift the stay, and the Board were to affirm the air permits, SOI would be able to proceed with some drilling activity without further delay and accomplish a portion of its program this year.

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SOI will continue to evaluate this situation on a daily basis and we will continue to advise the Board of any material developments.

Respectfully,


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