United States Department of the Interior

BUREAU OF OCEAN ENERGY MANAGEMENT
WASHINGTON, DC 20240-0001

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Memorandum

To: Acting Assistant Secretary - Land and Minerals Management

From: Walter D. Cruickshank Walter D. Cruickshank
Deputy Director

Subject: Record of Decision for the Gulf of Mexico's Outer Continental Shelf Western Planning Area Oil and Gas Lease Sale 233 (August 2013)

1. INTRODUCTION

The purpose of the proposed Federal action is to offer for lease certain Outer Continental Shelf (OCS) blocks located in the Western Planning Area (WPA) in the Gulf of Mexico that may contain economically recoverable oil and gas resources. Under the OCS Oil & Gas Leasing Program for 2012-2017 (Five Year Program), two Gulf of Mexico sales are scheduled to be held annually – one in the WPA and one in the Central Planning Area (CPA) – and two additional sales may be held in a small portion of the Eastern Planning Area (EPA) during the Five Year Program. Lease Sale 233 is the second lease sale in the WPA under the Five Year Program and will provide qualified bidders the opportunity to bid on blocks in the Gulf of Mexico (GOM) OCS in order to explore, develop, and produce oil and natural gas.

This proposed oil and gas lease sale was evaluated in the following documents: 1) *Gulf of Mexico OCS Oil and Gas Lease Sales: 2012-2017; Western Planning Area Sales 229, 233, 238, 246, and 248; Central Planning Area Lease Sales 227, 231, 235, 241, and 247; Final Environmental Impact Statement* (Multisale EIS); and 2) *Gulf of Mexico OCS Oil and Gas Lease Sales: 2013-2014; Western Planning Area Lease Sale 233; Central Planning Area Lease Sale 231; Final Supplemental Environmental Impact Statement* (WPA 233/CPA 231 Supplemental EIS).

2. DECISION

BOEM has selected a subset of Alternative A, defined as the Proposed Action and the Bureau's preferred alternative in the WPA 233/CPA 231 Supplemental EIS, for WPA Lease Sale 233. BOEM will offer for lease all unleased blocks within the WPA for oil and gas operations with the following exceptions:

(1) whole and partial blocks within the boundary of the Flower Garden Banks National Marine Sanctuary (i.e., the boundary as of the publication of the WPA 233/CPA 231 Supplemental EIS); and

(2) whole blocks and portions of blocks that lie within the former Western Gap and that lie within 1.4 nautical miles north of the continental shelf boundary between the United States and Mexico (the "1.4 nautical mile buffer").

The 1.4 nautical mile buffer on the Continental Shelf Boundary was not excluded from the lease sale area identified in Alternative A of the WPA 233/CPA 231 Supplemental EIS, in the event that a Transboundary Agreement (Agreement) signed by the United States and Mexico, which would allow for exploration and development in this buffer area, received the approvals necessary to allow the Agreement to enter into force. A Continental Shelf Boundary treaty provision currently in force in the Western Gap area of the GOM states that the exploration or development within 1.4 nautical miles of the Continental Shelf Boundary may not occur until January 17, 2014. However, the Agreement was signed by the United States and Mexico on February 20, 2012, and, upon entry into force, will supersede the prohibition on exploration or development in the 1.4 nautical mile buffer imposed by this treaty provision. As the Agreement has not received final approval such that it may enter into force, the 1.4 nautical mile buffer is not available for leasing; and BOEM is excluding the whole blocks and portions of blocks that lie within the former Western Gap and the 1.4 nautical mile buffer from the lease sale area.

All unleased blocks and partial blocks in the WPA that BOEM will offer for leasing in proposed WPA Lease Sale 233 are listed in the document "List of Blocks Available for Leasing," included in the Final Notice of Sale 233 package. The proposed WPA lease sale area encompasses virtually all of the WPA's 28.58 million acres. As of May 2013, approximately 20.6 million acres of the proposed WPA lease sale area are currently unleased. The estimated amount of resources projected to be developed as a result of the proposed WPA lease sale is 0.116-0.200 billion barrels of oil (BBO) and 0.538-0.938 trillion cubic feet (Tcf) of gas.

BOEM considered the oil and gas resource potential in the WPA and the likelihood of industry to develop those oil and gas resources in the context of social, economic, and environmental values, impacts, and concerns. The subset of Alternative A was chosen because it meets the purpose and need for the proposed action, balances regional and national policy considerations, and includes measures to minimize potential environmental and socioeconomic impacts. BOEM has determined that the potential benefits of holding proposed WPA Lease Sale 233 outweigh the potential environmental costs and risks for various oceanic and coastal resources (e.g. fish, birds, corals, and wetlands), as detailed in the Multisale EIS and the WPA 233/CPA 231 Supplemental EIS. Even with lease sale stipulations and appropriate mitigating measures required by BOEM, those resources could be negatively impacted to varying degrees by routine activities (e.g. anchor placement), accidental events (e.g. diesel leaks), and especially a low probability, catastrophic spill. Possible adverse impacts include habitat degradation; behavioral changes to fish, sea turtles, marine mammals and birds; individual mortality of sensitive species; and impacts to air and water quality.

BOEM analyzed and considered the environmental impacts of Alternative A, as presented in the Multisale EIS and WPA 233/CPA 231 Supplemental EIS, as well as the alternative potential negative impacts of other substitute energy sources. The impact conclusions related to routine activities and accidental events are summarized in the Executive Summary to the Multisale EIS and WPA 233/CPA 231 Supplemental EIS. BOEM has carefully considered all comments received on the EISs. Three comment letters were received by BOEM on the Final WPA

233/CPA 231 Supplemental EIS. The comment letters were considered by BOEM in the decision process. A letter from the United States National Park Service (NPS) highlights aesthetic concerns about the Gulf Islands National Seashore; which is located in the Central Planning Area and is not relevant to the lease sale considered here. A United States Environmental Protection Agency (USEPA) letter reiterates the concern that Outer Continental Shelf Lands Act air quality analysis requirements do not match with USEPA requirements and introduces a concern over potential cumulative impacts to nearshore wetlands and coastal areas. The content of the two letters did not offer any new relevant information that changed analyses or the conclusions made in the WPA 233/CPA 231 Supplemental EIS. However, the BOEM Gulf of Mexico Regional Office continues to work with the agencies to address their concerns. A third comment sent via e-mail from a private citizen offered negative opinions about lease sales in general.

To minimize the environmental impacts that could occur from OCS activities following a lease sale, BOEM is imposing mitigation measures that have proven to be effective in the past in mitigating similar impacts. Mitigation measures are further described below in Section 5. Since the *Deepwater Horizon* explosion, oil spill, and cleanup, the Department of the Interior has raised standards for offshore drilling safety and environmental protection to prevent and reduce the risk of such incidents and has improved the Federal Government's and industry's ability to respond in the unlikely event of another major oil spill. While offshore exploration and development cannot be made risk free, OCS activities can be conducted safely and responsibly with strong regulatory oversight and appropriate measures to protect human safety and the environment.

The chosen subset of Alternative A addresses the nation's demand for domestic energy sources and fosters an economic benefit that would be realized through continued oil and gas exploration ~~and development in the WPA. This decision promotes domestic energy and reduces oil imports.~~ Benefits flowing from OCS leasing include continued employment, labor income, tax revenues, and other economic impacts, and these benefits are widely distributed across the United States. Moreover, revenue sharing with applicable coastal states and political subdivisions can help mitigate environmental risks and costs assumed by the states and communities of the Gulf of Mexico region.

Balancing those benefits and potential costs, as evaluated in the Multisale EIS and the WPA 233/CPA 231 Supplemental EIS, BOEM has determined it is in the nation's best interest to hold WPA Lease Sale 233 in the manner described as the subset of Alternative A.

3. ALTERNATIVES FOR PROPOSED WPA LEASE SALE 233

Other Alternatives Analyzed in the Multisale EIS and WPA 233/CPA 231 Supplemental EIS

Alternative B (The Proposed Action Excluding the Unleased Blocks Near the Biologically Sensitive Topographic Features) was not selected because the impacts are expected to be nearly the same as the proposed action. The incremental contribution of the possible negative impacts of the proposed action is expected to be slight, and these negative impacts compared with those of Alternative B should be largely mitigated by application of the Topographic Features

Stipulation and site-specific, post-lease mitigation measures, the depths of the topographic features, and water currents in the topographic features areas. Alternative B, if adopted, would prevent all oil and gas activity in the blocks containing topographic features, precluding economic benefits of oil and gas that could be developed. All other aspects of the leasing scenario (*e.g.*, potential mitigating measures) and estimates of resource production are basically the same as for the chosen subset of Alternative A.

Alternative C (No Action) was not selected because, if the lease sale were to be canceled, the overall near-term level of OCS activity in the WPA would be reduced by only a small percentage at some time in the future. Not holding a single lease sale would not significantly change the overall activity levels in the WPA (*i.e.*, for those authorized under previous lease sales) and associated environmental impacts. Additionally, the need for domestic energy sources, and the subsequent positive economic impacts from exploration and production, including employment, would not be realized. Furthermore, revenue would not be collected by the Federal Government with subsequent revenue disbursements to the States. Although other sources of energy may substitute for the lost production, these sources may have significant negative environmental impacts of their own, such as increased risk of spills from the transportation of alternate oil supplies over long distances. Therefore, BOEM did not select Alternative C because the need for domestic energy sources and the economic benefits resulting from oil and gas exploration and development outweigh the potential environmental impacts of the proposed action.

Other Alternatives and Deferrals Considered but Not Analyzed in the Mutlisale EIS and WPA 233/CPA 231 Supplemental EIS

Several other alternatives and areal or temporal deferrals were initially considered for possible analysis in the Multisale EIS, including those identified in the *Proposed Final Outer Continental Shelf Oil and Gas Leasing Program: 2012-2017: Final Programmatic Environmental Impact Statement* (Five Year Program EIS). As explained in Chapter 2.2.1.1 of the Multisale EIS, BOEM determined that the suggested alternatives and deferrals did not merit individual or detailed analysis. BOEM included in the WPA 233/CPA 231 Supplemental EIS an alternative (Alternative B – The Proposed Action Excluding the Unleased Blocks Near Biologically Sensitive Topographic Features) designed to protect certain sensitive ecological features, which is related to an alternative tracked from the Five Year Program EIS. Sensitive topographic features are known and mapped and have been protected by application of the Topographic Features Stipulation for nearly 40 years. No other alternative considered would reduce the identified impacts of the proposed action further than the alternatives that were fully analyzed. As indicated in Chapter 2.2.1.1 of the WPA 233/CPA 231 Supplemental EIS, BOEM has identified no new information that changes the determination to consider but not analyze the other alternatives and deferrals described in the Multisale EIS.

4. ENVIRONMENTALLY PREFERABLE ALTERNATIVE

BOEM identified Alternative C, defined as the No Action Alternative in the WPA 233/CPA 231 Supplemental EIS, as the environmentally preferable alternative. The No Action Alternative is considered environmentally preferable because not holding an individual lease sale could delay the timing of, and thereby reduce, certain OCS activities and related environmental effects in the Gulf of Mexico. However, BOEM expects that significant OCS activity would continue to occur under existing leases and the decision to not hold a single sale would equate to only slightly less cumulative OCS activity. In the short-term, assuming OCS activities remain confined to acreage currently leased, OCS operators would likely reevaluate their exploration, delineation, and development strategies and reallocate resources accordingly. In contrast, deferring multiple lease sales, for example, an entire program of Gulf of Mexico lease sales, could have a discernible effect and reduce the overall level of OCS activity at some point in the future. As stated previously, Alternative C was not selected because the need for domestic energy sources and the economic benefits that would be realized through oil and gas exploration outweigh the expected environmental impacts of the proposed action, particularly in light of potential negative environmental impacts of substituted energy sources and the Secretary of the Interior's ability to impose measures to mitigate impacts of the proposed action.

5. MITIGATIONS

BOEM has adopted all practicable means to avoid or minimize environmental harm from the selected alternative at the lease sale stage. In addition, each exploration and development plan, as well as any new pipeline applications that may result from the proposed lease sale, will undergo a National Environmental Policy Act review, a State review under the Coastal Zone Management Act process, and additional project-specific mitigating measures that are routinely applied as conditions of individual plan approval. The various mitigations adopted for this proposed action, and those that may be applied during post-lease reviews, are summarized below.

Lease Stipulations – All lease stipulations are described in the WPA 233/CPA 231 Supplemental EIS and Final Notice of Sale. The five lease stipulations for WPA Lease Sale 233 are the Topographic Features Stipulation, Military Area Stipulation, Protected Species Stipulation, Law of the Sea Convention Royalty Payment Stipulation, and the Stipulation on the Agreement between the United States of America and the United Mexican States Concerning Transboundary Hydrocarbon Reservoirs in the Gulf of Mexico. These stipulations are included in the Final Notice of Sale for this lease sale. They will be added as lease stipulations and terms to the lease instrument where applicable and will therefore be enforceable as part of the lease.

Existing Mitigating Measures – There are other mitigating measures that have been developed through previous experience and environmental analyses. Many of these mitigating measures have already been adopted and incorporated into BOEM regulations and/or guidelines governing OCS exploration, development, and production activities. For example, additional mitigating measures may require surveys to detect and avoid archaeological sites and biologically sensitive areas such as pinnacles, topographic features, and chemosynthetic communities. All of these requirements must be incorporated and documented in plans and permit applications submitted to BOEM. All plans for site-specific OCS activities (e.g., exploration and development plans, pipeline applications, and structure-removal applications) also go through another BOEM review and approval to ensure compliance with established laws and regulations.

BOEM developed a list of over 120 "standard" Conditions of Approval that are often applied to plan or permit approvals. There are different "types" of conditions of approval, including advisories, hazard survey reviews, inspection requirements, notifications, post-approval submittals, and safety precautions. Many of these conditions of approval clarify existing mitigation requirements required by regulation, lease instrument, or site-specific reviews. The "categories" of conditions of approval include air quality, archaeological resources, artificial reef material, chemosynthetic communities, Flower Garden Banks National Marine Sanctuary, topographic features, hard bottoms/pinnacles, military warning areas and Eglin Water Test Areas, hydrogen sulfide, drilling hazards, remotely operated vehicle surveys, geophysical survey reviews, and general safety concerns. Also, BOEM or the Bureau of Safety and Environmental Enforcement (BSEE) may also apply nonrecurring mitigating measures that are developed on a case-by-case basis during the plan or permit approval.

Mitigation Monitoring and Adaptation – BOEM is continually revising applicable mitigations to allow the Gulf of Mexico OCS Region to more easily and routinely track mitigation compliance and effectiveness. A primary focus of this effort is requiring post-approval submittal of information within a specified timeframe or after a triggering event that is tracked by BOEM and/or BSEE (e.g., end of operations reports for plans, construction reports for pipelines, and removal reports for structure removals).

Enforcement – BOEM monitors operators' compliance with these conditions and refers violations to BSEE, which has the authority to inspect operations and enforce the conditions of any lease terms, including stipulations, as well as the conditions of any plan approval. Under BSEE regulations at 30 CFR 250 Subpart N, BSEE may seek penalties or other remedies from any lessee or any operator that fails to comply with the conditions of a lease, including stipulations and other mitigating measures.

6. CONCLUSION

For the reasons provided above, BOEM decided to select and implement the subset of Alternative A as described in Section 2.

Date: 7/17/13

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