United States Department of the Interior

BUREAU OF OCEAN ENERGY MANAGEMENT
WASHINGTON, DC 20240-0001

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Memorandum

To: Principal Deputy Assistant Secretary - Land and Minerals Management

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

Subject: Record of Decision for the Gulf of Mexico's Outer Continental Shelf Eastern Planning Area Oil and Gas Lease Sale 225 (March 2014)

1. INTRODUCTION

The purpose of the proposed Federal action is to offer for lease certain Outer Continental Shelf (OCS) blocks located in the Gulf of Mexico's (GOM) Eastern Planning Area (EPA) that may contain economically recoverable oil and gas resources. Under the OCS Oil and Gas Leasing Program for 2012-2017 (Five Year Program), two GOM sales are scheduled to be held in a very small portion of the EPA. Proposed EPA Lease Sale 225 is the first lease sale of the two and will provide qualified bidders the opportunity to bid on blocks in the Gulf of Mexico OCS EPA in order to explore, develop, and produce oil and natural gas.

Proposed EPA Lease Sale 225 was evaluated in the *Gulf of Mexico OCS Oil and Gas Lease Sales: 2014 and 2016; Eastern Planning Area Lease Sales 225 and 226; Final Environmental Impact Statement* (EPA 225/226 EIS). The EPA 225/226 EIS tiers from the *Proposed Final Outer Continental Shelf Oil and Gas Leasing Program: 2012-2017; Final Programmatic Environmental Impact Statement* (Five Year Program EIS) and incorporates by reference relevant parts of the *Gulf of Mexico OCS Oil and Gas Lease Sales: 2012-2017; Western Planning Area Lease Sales 229, 233, 238, 246, 248; Central Planning Area Lease Sales 227, 231, 235, 241, and 247; Final Environmental Impact Statement* (2012-2017 WPA/CPA Multisale EIS) and *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 Alternative A, which is defined as the Proposed Action and the Bureau's preferred alternative in the EPA 225/226 EIS. BOEM will hold EPA Lease Sale 225 and offer for lease all unleased blocks within the EPA proposed lease sale area for oil and gas operations.

3. THE PREFERRED ALTERNATIVE

The EPA proposed lease sale area covers approximately 657,905 acres (approximately 175 whole and partial blocks) and includes those blocks previously included in the EPA Lease Sale 224 Area and a triangular-shaped area south of the EPA Lease Sale 224 area. The EPA proposed lease sale area is currently bordered to the north by the southern boundary of the Sale 181 area, to the west and south by the CPA boundary, and to east by the Military Mission Line (86°41′ W. longitude). All blocks are more than 125 miles (201 kilometers) offshore. As of November 2013, approximately 465,200 acres (approximately 134 whole and partial blocks) of the EPA proposed lease sale area are currently unleased. The estimated amount of natural resources projected to be developed as a result of proposed EPA Lease Sale 225 is 0-0.071 billion barrels of oil and 0-0.162 trillion cubic feet of gas.

BOEM considered the oil and gas resource potential in the EPA proposed lease sale area and the likelihood of industry to develop those oil and gas resources in the context of social, economic, and environmental values, impacts, and concerns. BOEM concluded that Alternative A 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 also concluded that Alternative A is subject to adequate environmental safeguards, as detailed in the EPA 225/226 EIS, and is consistent with the maintenance of competition and other national needs. BOEM notes, however, that resources could be negatively impacted to varying degrees by routine activities (e.g., anchor placement), accidental events (e.g., diesel leaks), and a low-probability catastrophic spill, which is neither reasonably expected nor part of the proposed action. Possible adverse impacts include: wetland, coastal, and benthic/pelagic habitat degradation; behavioral changes to fish, sea turtles, marine mammals, and birds; individual mortality of sensitive species; and minor impacts to air and water quality.

Three comment letters were received by BOEM on the Final EPA 225/226 EIS. The comment letters were considered carefully by BOEM in the decision process. A letter from the United States Environmental Protection Agency (USEPA) reiterates concerns about potential impacts to air, coastal ecosystems, wetlands, mitigation, and environmental justice. The content of the letter did not offer any new relevant information that changed analyses or the conclusions made in the Final EPA 225/226 EIS. However, BOEM's Gulf of Mexico OCS Region continues to work with the USEPA to address their concerns, particularly their onshore air quality issues. Two comment letters sent via e-mail from private citizens offered negative opinions about offshore oil and gas development.

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 response, the Department of the Interior has implemented more stringent 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 is not 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 preferred alternative (Alternative A in the EPA 225/226 EIS) addresses the nation's demand for domestic energy sources and fosters an economic benefit that would be realized through oil and gas exploration and development in the EPA, specifically the very small EPA proposed lease sale area. 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.

4. ALTERNATIVES FOR PROPOSED EPA LEASE SALE 225

Other Alternatives Analyzed in the EPA 225/226 EIS

Alternative B (the No Action alternative) would cancel the proposed EPA lease sale and eliminate most potential effects described for Alternative A (Chapter 4.1 of the EPA 225/226 EIS). The incremental contribution of a proposed lease sale to cumulative environmental effects would also be avoided, but the effects from other OCS activities, including other past and future potential OCS lease sales, would remain.

Under the OCS Lands Act (OCSLA), if a single proposed EPA lease sale (e.g., Lease Sale 225) would be cancelled, then BOEM would separately consider any other proposed lease sales remaining in the current Five Year Program or proposed as part of a future Five Year Program. The leasing decision point occurs at the individual proposed action or lease sale stage. Therefore, as required by the OCS Lands Act, a decision to cancel one lease sale will not alter future decision points for lease sales in the EPA, nor preclude activity related to past lease sales. There are a number of currently leased blocks within the proposed lease sale area with proposed plans, and BOEM anticipates another decision point for the next proposed lease sale (i.e., proposed EPA Lease Sale 226) in 2016, which is part of the current Five Year Program.

The need for national domestic energy sources and the subsequent positive regional and national economic impacts from exploration and production, including employment, would not be realized under Alternative B, albeit this lease sale would make a very minor overall contribution. The cancellation of a proposed EPA lease sale would also not significantly change the environmental impacts of overall OCS activity in the Gulf of Mexico. Revenues collected by the Federal Government (and thus revenue disbursements to the states), though slight, would be reduced.

Other sources of energy would likely substitute for the lost production. Principal substitutes would be additional imports, conservation, additional domestic production, and switching to other fuels. These alternatives, except conservation, have different negative environmental impacts. In particular, imports by tanker of alternative supplies of oil and gas increases the potential risk for oil spills from the transportation of these alternate oil supplies over long distances. BOEM did not select Alternative B because the bureau is directed by the OCSLA to advance expeditious and orderly development of OCS mineral resources subject to adequate environmental safeguards and consistent with the maintenance of competition and other national needs. BOEM has concluded that those requirements are met.

Other Alternatives and Deferrals Considered but Not Analyzed in the EPA 225/226 EIS

Chapter 2.9 of the Five Year Program EIS includes a description of alternatives considered during development of the Five Year Program, but not analyzed in the EPA 225/226 EIS, including the following: expand the oil and gas leasing program to include more or all OCS planning areas beyond those previously identified; hold additional lease sales in some OCS planning areas; delay leasing until further data on improvements to oil-spill response and drilling safety are available; delay leasing until the state of the Gulf of Mexico's environmental baseline is known; develop alternative/renewable energy sources as a complete or partial substitute for oil and gas leasing on the OCS; add spatial exclusions and temporal deferrals; reduce the lease sale sizes to smaller than areawide; and defer deepwater leasing. The justifications for not carrying these alternatives and deferrals through detailed analyses in this EIS are the same as those used in the Five Year Program EIS, or are outside the scope of the lease sale decision, and BOEM has identified no new information that changes these conclusions.

BOEM received a public comment during the scoping period (refer to Chapter 5.3.1 of the EPA 225/226 EIS, Center for Biological Diversity letter, comment 2) stating that the EIS should consider an alternative that removes the EPA from the Five Year Program, and cancels proposed EPA Lease Sales 225 and 226 because "the area is directly adjacent to an area subject to Congressional moratorium from oil and gas leasing and any spills would directly and negatively impact the area under moratorium and frustrate the aim of OCSLA to 'balance the potential for environmental damage with the potential for the discovery of oil and gas' 43 U.S.C. § 1344(a)(3)." The requested alternative is functionally equivalent to and would result in the same environmental impacts as Alternative B (No Action), which will also be considered in evaluating proposed EPA Lease Sale 226. Therefore, the requested alternative was not analyzed as a separate and distinct alternative in the EPA 225/226 EIS.

5. ENVIRONMENTALLY PREFERABLE ALTERNATIVE

BOEM identified Alternative B, defined as the No Action alternative in the EPA 225/226 EIS, as the environmentally preferable alternative. The No Action alternative is considered environmentally preferable because not holding an individual lease sale could avoid or delay, and thereby reduce, certain OCS activities and related environmental effects in the GOM, albeit on a very small scale. BOEM expects that OCS activity would occur in the EPA and across the Gulf of Mexico under existing leases and the decision not to hold a single lease sale would equate to slightly less cumulative OCS activity. Assuming OCS activities in the EPA 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 reduction in the overall level of OCS activity. As stated previously, Alternative B was not selected because BOEM is directed by the OCSLA to advance expeditious and orderly development of OCS mineral resources subject to adequate environmental safeguards and consistent with the maintenance of competition and other national needs. BOEM concluded that those requirements are met. The decision is reinforced by potential negative environmental impacts of substituted energy sources and the Secretary of the Interior's ability to impose measures to mitigate impacts of Lease Sale 225.

6. MITIGATION MEASURES

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 mitigation measures that are routinely applied as conditions of individual plan approval. The various mitigation measures adopted for this proposed action, and those that may be applied during post lease reviews, are summarized below.

Lease Stipulations – Four lease stipulations are described in the EPA 225/226 EIS and will be announced in the Final Notice of Sale (FNOS). They are the Protected Species Stipulation, Military Areas Stipulation, Evacuation Stipulation, and Coordination Stipulation. These stipulations will be announced in the FNOS for this proposed lease sale and will be added as lease stipulations and terms to the lease instrument where applicable and will therefore be enforceable as part of the lease.

Post-Lease Mitigation Measures – There are other mitigation measures that have been developed through previous experience and environmental analyses. Many of these mitigation measures have already been adopted and incorporated in accordance with BOEM's regulations and/or guidelines governing OCS exploration, development, and production activities. For example, additional mitigation 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 and Bureau of Safety and Environmental Enforcement (BSEE). All plans for site-specific OCS activities (e.g., exploration and development plans, pipeline applications, and structure-removal applications) also go through another BOEM or BSEE review and approval to ensure compliance with established laws and regulations.

BOEM developed a list of over 120 conditions of approval that are often applied to plan or permit approvals. These conditions of approval include advisories, hazard survey reviews, inspection requirements, notifications, post-approval submittals, and safety precautions. Many of these conditions clarify existing mitigation requirements required by regulation, lease instrument, or site-specific reviews. The conditions cover such areas as: air quality; archaeological resources; artificial reef material; chemosynthetic communities; Flower Garden Banks; 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. BOEM or BSEE may also apply nonrecurring mitigation 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 mitigation measures 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. BSEE also has independent inspection and enforcement authority. Under BSEE's regulations at 30 CFR part 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.

7. CONCLUSION

For the reasons provided above, BOEM has decided to hold EPA Lease Sale 225 and offer for lease all unleased blocks in the EPA proposed sale area (Alternative A in the EPA 225/226 EIS).

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Date: 2-11-14