United States Department of the Interior

BUREAU OF OCEAN ENERGY MANAGEMENT
WASHINGTON, DC 20240-0001

FEB 1 1 2014

Memorandum

To: Principal Deputy Assistant Secretary - Land and Minerals Management

From: Walter D. Cruickshank
Deputy Director

Subject: Record of Decision for the Gulf of Mexico's Outer Continental Shelf Central Planning Area Oil and Gas Lease Sale 231 (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 Central Planning Area (CPA) in the Gulf of Mexico (GOM) that may contain economically recoverable oil and gas resources. Under the Outer Continental Shelf Oil and Gas Leasing Program for 2012-2017 (Five Year Program), two Gulf of Mexico sales are scheduled to be held annually – one in the CPA and one in the Western Planning Area (WPA) – and two additional sales may be held in a small portion of the Eastern Planning Area (EPA) during the Five Year Program. Proposed Lease Sale 231 is the second lease sale in the CPA under the Five Year Program and will provide qualified bidders the opportunity to bid on blocks in the Gulf of Mexico 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 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 proposed CPA Lease Sale 231. BOEM will offer for lease all unleased blocks within the CPA for oil and gas operations with the following exceptions:

(1) whole and partial blocks deferred by the Gulf of Mexico Energy Security Act of 2006;

(2) blocks that are adjacent or beyond the United States Exclusive Economic Zone in the area known as the northern portion of the Eastern Gap; and
(3) whole and partial blocks that lie within the 1.4 nautical mile buffer zone north of the Continental Shelf Boundary between the United States and Mexico.

All unleased blocks within the CPA that BOEM will offer for leasing in proposed CPA Lease Sale 231 are listed in the document "List of Blocks Available for Leasing," which is included in the Final Notice of Sale 231 Package. BOEM excepted from the lease sale area a one block setback in the area known as the Eastern Gap at the request of the State Department. BOEM also excepted from the lease sale area whole and partial blocks within the 1.4 nautical mile buffer zone due to the exchange of diplomatic notes by the United States and the United States of Mexico on January 17, 2014, which extends a treaty prohibition on exploration and development in this area until July 17, 2014, or on the day the Agreement between the United States of America and the United Mexican States Concerning Transboundary Hydrocarbon Reservoirs in the Gulf of Mexico enters into force, whichever is sooner. The CPA lease sale area encompasses about 63 million acres of the total CPA area of 66.45 million acres. As of December 2013, approximately 40 million acres of the CPA lease sale area are currently unleased. The estimated amount of resources projected to be developed as a result of the proposed CPA lease sale is 0.460-0.894 billion barrels of oil (BBO) and 1.939-3.903 trillion cubic feet (Tcf) of gas.

BOEM considered the oil and gas resource potential in the CPA 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 Multisale EIS and WPA 233/CPA 231 Supplemental 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 even a low-probability catastrophic oil spill, although such a spill is not reasonably expected as a result of the lease sale. 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.

BOEM has analyzed and considered the environmental impacts of Alternative A 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 Summary in the Multisale EIS and WPA 233/CPA 231 Supplemental EIS.

BOEM has carefully considered all comments received on the EISs. Three comments 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 U.S. National

Park Service (NPS) letter highlights aesthetic concern about the Gulf Islands National Seashore (GUIS), including two areas designated as wilderness (Petit Bois and Horn Islands). A U.S. Environmental Protection Agency (USEPA) letter reiterates the concern that Outer Continental Shelf Lands Act air quality analysis requirements do not match USEPA requirements and concerns over potential cumulative impacts to nearshore wetlands and coastal areas. The content of the two Federal agency letters did not offer any new relevant information that changed analyses or the conclusions made in the WPA 233/CPA 231 Supplemental EIS. However, as a result of communication between BOEM, the NPS, and the State of Mississippi, an Information to Lessees and Operators (ITL) has been created to inform lessees and operators that post-lease plans may be subject to additional review regarding visual impacts. BOEM may determine any necessary mitigation (e.g., changes in location, modifications to design or direction of structures, joint use of existing structures on neighboring blocks, and changes in color) to minimize or reduce visual impacts. The NPS, Southeast Regional Office, and nearby States may be consulted during the review of post-lease plans, as noted in the ITL. BOEM's Gulf of Mexico Region continues to work with the commenting Federal agencies to address their respective concerns. A third comment sent via email 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 response, the Department of the Interior strengthened 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 decision to hold CPA Lease Sale 231 addresses the nation's demand for domestic energy sources and fosters the economic benefit that would be realized through continued oil and gas exploration and development in the CPA. 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 WPA 233/CPA 231 Supplemental EIS, BOEM has determined it is in the nation's best interest to hold proposed CPA Lease Sale 231 in the manner described herein.

3. ALTERNATIVES FOR PROPOSED CPA LEASE SALE 231

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 environmental impacts of the proposed action is expected to be slight, and these negative environmental impacts compared with those of Alternative B should be largely mitigated by the application of the Topographic Features Stipulation and site-specific 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 mitigation measures) and estimates of resource production are basically the same as for the chosen CPA Lease Sale 231 decision.

Alternative C (No Action) was not selected because needed 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. Additionally, if the lease sale were to be canceled, the overall near-term level of OCS activity in the CPA would be reduced by only a small percentage. Not holding a single lease sale would not significantly change the overall activity levels in the CPA (i.e., for those authorized under previous lease sales) and associated environmental impacts in the near term.

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

Several other alternatives and areal or temporal deferrals were initially considered for possible analysis in 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 features that 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 fully analyzed. As indicated in Chapter 2.2.1.2 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 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 completion 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 231.

5. 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 plan approval. The various mitigation measures adopted for this proposed action, and those that may be applied during postlease reviews, are summarized below.

Lease Stipulations – All lease stipulations are described in detail in the WPA 233/CPA 231 Supplemental EIS and will be announced in the Final Notice of Sale Package. The ten lease stipulations for CPA Lease Sale 231 are as follows: Topographic Features Stipulation; Live Bottom (Pinnacle Trend) Stipulation; Military Areas Stipulation; Evacuation Stipulation; Coordination Stipulation; Blocks South of Baldwin County, Alabama, Stipulation; Protected Species Stipulation; Law of the Sea Convention Royalty

Payment Stipulation; Below Seabed Operations Stipulation; and Agreement between the United States of America and the United Mexican States Concerning Hydrocarbon Reservoirs in the Gulf of Mexico (Transboundary Stipulation). These stipulations will be included in the Final Notice of Sale Package 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 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 regulations and/or guidelines governing OCS exploration, development, and production activities. For example, additional mitigation measures may require post-lease 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 Conditions of Approval that are often applied to plan or permit approvals. These conditions of approval include advisories, conditions of approval, hazard survey reviews, inspection requirements, notifications, post-approval submittals, and safety precautions. Many of these conditions clarify existing requirements included in regulations or in the lease instrument. 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. Also, BOEM or the Bureau of Safety and Environmental Enforcement (BSEE) may also apply 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 under 30 CFR part 250 subpart N. The BSEE may impose penalties or other remedies on any lessee or any operator that fails to comply with the conditions of a lease, including stipulations and other mitigation measures.

7. CONCLUSION

For the reasons provided above, BOEM has decided to hold CPA Lease Sale 231 and offer for lease all unleased blocks in the CPA, except whole and partial blocks deferred by the Gulf of Mexico Energy Security Act of 2006; blocks that are adjacent or beyond the United States Exclusive Economic Zone in the area known as the northern portion of the Eastern Gap; and whole and partial blocks that lie within the 1.4 nautical mile buffer zone north of the Continental Shelf Boundary between the United States and Mexico (a subset of Alternative A in the WPA 233/CPA 231 Supplemental EIS).

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Date: 2/13/14