



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

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The Honorable Alan Lowenthal
Chairman
Committee on Natural Resources
Subcommittee on Energy & Mineral Resources
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed are responses prepared by the Bureau of Ocean Energy Management to the questions for the record submitted following the March 10, 2020, hearing concerning the FY 2021 Budget.

Thank you for the opportunity to provide this material to the Committee.

Sincerely,

Cole Rojewski
Director
Office of Congressional and
Legislative Affairs

Enclosure

cc: The Honorable Paul Gosar, Ranking Member
Committee on Natural Resources,
Subcommittee on Energy & Mineral Resources

**Questions for the Record
House Committee on Natural Resources
Subcommittee on Energy and Mineral Resources
FY 2021 Budget
March 10, 2020**

Questions from Chairman Alan Lowenthal

Question 1: In 2016, BOEM sent out 112 so-called sole liability letters, covering 687 properties where there was only one party responsible for paying for decommissioning. Did Energy XXI receive a sole liability letter? If so, how many sole liability letters did Energy XXI receive, and what was the forecast decommissioning costs of these sole liability properties?

Response: Yes. Energy XXI received a demand order reflecting total decommissioning liabilities of \$8,383,840. The financial assurance in place was \$3,268,000, leaving \$5,115,840 in decommissioning liabilities that required financial assurance.

Question 2: In February 2017, BOEM announced that it was withdrawing the sole liability orders that were issued to Outer Continental Shelf oil and gas lease and grant holders in December 2016. You stated in your March 2019 testimony that by rescinding the letters, in some cases, the companies that first received the letters no longer had to cover the additional bonding requirements. Furthermore, you stated in your March 2019 testimony that BOEM had since re-issued certain sole liability orders. Did BOEM re-issue any sole liability letter to Energy XXI? If so, how many sole liability letters and for which properties did BOEM re-issue to Energy XXI?

Response: No, BOEM did not re-issue any sole liability letters to Energy XXI.

Question 3: As of October 2018, did Energy XXI own any sole liability properties in the Gulf of Mexico? If so, how many properties and what were the forecast decommissioning costs of these properties?

Response: Yes. The breakdown of properties and sole decommissioning liabilities was as follows:

Leases: Energy XXI had 26 leases. Total decommissioning liabilities were \$69,680,314. The financial assurance in place was \$8,813,709, leaving \$60,866,605 that required financial assurance.

Rights of Way (ROWs): Energy XXI had 4 ROWs. Total decommissioning liabilities were \$4,063,787. The financial assurance in place was \$3,090,000, leaving \$973,787 that required financial assurance.

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Question 4: In October 2018, Cox Oil acquired Energy XXI. At the time of the sale, what were Energy XXI's asset retirement obligations in the Gulf of Mexico? What was BOEM's view of Energy XXI's financial strength before this sale?

Response: Per the June 2018 SEC Form 10-Q filing, Energy XXI's Asset Retirement Obligations (AROs) in the Gulf of Mexico were \$625M. This was the last public financial statement filing released prior to the Cox Oil/Energy XXI acquisition. (Please note that ARO data includes all related obligations of the company and therefore are not broken out into sole and non-sole liabilities. In determining the bond demand amount, BOEM refers to the sole decommissioning liability as determined by BSEE, rather than the ARO.)

Prior to the transaction with Cox Oil, the BSEE decommissioning liabilities were \$73,744,101, the financial assurance in place was \$11,903,709, leaving \$61,840,392 that required financial assurance.

On April 26, 2018, an evaluation of Energy XXI's financial strength was performed per 30 CFR 556.901(d). Based on this evaluation Energy XXI did not meet the criteria for Financial Capacity and Reliability.

Question 5: In October 2018, when Cox Oil acquired Energy XXI, did Cox Oil assume all the offshore decommissioning liabilities that were held by Energy XXI? If not, what company or companies are currently responsible for these decommissioning costs?

Response: Yes, Cox Oil assumed offshore decommissioning liabilities held by Energy XXI when it acquired the company.

Question 6: What role did Gulf Energy Alliance have in shaping the Risk Management, Financial Assurance and Loss Prevention proposed rule currently under review by the Office of Information and Regulatory Affairs?

Response: Prior to the decision to initiate the Risk Management, Financial Assurance and Loss Prevention rulemaking process, BOEM received numerous comments and papers regarding BOEM's financial assurance framework, reflecting a lack of consensus within the industry on what to recommend. BOEM's Risk Management Program reviewed and considered all comments and papers that were received.

Question 7: Dr. Cruickshank, is BOEM tracking the financial health of the companies operating on the OCS in the Gulf of Mexico? If so, if prices stay around \$30 per barrel, are any companies at imminent financial risk?

Response: BOEM tracks the financial health of companies through publicly available data and from sources such as S&P and Moody's. As of March 25, 2020, BOEM was not aware of any

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companies active on the OCS that posed an imminent financial risk. We will continue monitoring, knowing that there has been a recent downward spike in the price of oil.

Question 8: Dr. Cruickshank, it is my understanding that Congressman Keating sent you a letter in late January regarding Vineyard Wind, but he hasn't received a response back. Can you make a commitment that you will respond to his letter, which is attached?

Response: A response to Congressman Keating's letter was signed and sent to the congressman's office on March 27, 2020.

Question 9: Dr. Cruickshank, what is the status of the Vineyard Wind project and can they count on your latest commitment that all environmental reviews will be completed by the end of this year?

Response: The Vineyard Wind 1 Project is an ongoing work with cooperating agencies since the Vineyard Wind 1 Final EIS will serve as a model for the environmental reviews of future offshore wind projects, including the analysis of the expanded reasonably foreseeable scenario for offshore wind energy development. Developing offshore infrastructure requires close coordination and input from multiple stakeholder groups including, among others, the coastal states, the wind industry, ocean users, utility companies and transmission regulators. While efficiency is an important factor, ensuring enough time is allocated to receive and evaluate stakeholders' views is a necessary part of our process. For the latest project timeline status please visit <https://www.permits.performance.gov/permitting-projects/vineyard-wind>

Question 10: Dr. Cruickshank, what is the Department's plan to ensure that delays in this one project's permitting process don't affect other wind projects up and down the East Coast, many of which are necessary to reach state-mandated renewable energy targets?

Response: BOEM is still accepting Construction and Operations Plans (COPs) from other offshore wind developers while the supplement to the Draft EIS for the Vineyard Wind project is being developed. As part of the supplement, BOEM is completing a cumulative assessment that will consider state renewable energy targets, as well as new technology being proposed by the developers. In the long term, the delays being experienced now will create a path moving forward so that permits may be processed in a timely manner.

Question 11: Dr. Cruickshank, how are you working to ensure that you have all the relevant data to make sure that the cumulative analysis is valuable for assessing the impacts of future offshore wind farms?

Response: The cumulative assessment will include data from several sources including public meetings, ocean use industries such as the fishing community, and collaboration with other federal, state, and tribal stakeholders.

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Question 12: Dr. Cruickshank, the Department announced in a June 2019 a press release that it planned to publish an offshore wind whitepaper and a hold a workshop on deep water development in “early 2020.” Can you provide an update on that white paper and workshop, do you know when those are happening?

Response: Following the June 2019 press release, BOEM developed a request for proposals to draft a white paper on floating offshore wind technology. The procurement process to hire a contractor to complete the white paper is underway. The white paper will provide an assessment of the technological, environmental, and financial issues related to the development of floating offshore wind turbines on the OCS, including best practices in design and use of standards and industry guidelines.

Question 13: Dr. Cruickshank, where do things stand with the Department of Defense so BOEM can move forward with offshore wind leasing in California?

Response: BOEM is continuing its dialogue with DoD and the State of California to find areas that are appropriate for leasing offshore California’s central coast. On August 21, 2019, Congressman Carbajal hosted a meeting with senior officials from DoD, BOEM, the National Oceanic and Atmospheric Administration (NOAA), the California Energy Commission (CEC), and state and locally elected representatives to discuss a path toward finding a solution that accommodates a viable offshore wind industry on the Central Coast and meets the mission of DoD to test, train and operate. At the August 21, 2019, meeting, Congressman Carbajal, Congressman Panetta, Assistant Secretary of Defense for Sustainment, BOEM, NOAA, and the State of California (State) agreed to participate in a series of meetings, which commenced in March 2019, to identify solutions off the Central Coast.

Questions from Congressman Jared Huffman

Question 1: The Gulf of Mexico Marine Assessment Program for Protected Species (GoMMAPPS) was created in 2015 to collect information on the abundance, distribution, habitat use, and behavior of marine mammals, sea turtles, and seabirds in the Gulf of Mexico. The information from GoMMAPPS is used by the Bureau of Ocean Energy Management (BOEM) to meet its obligations under the National Environmental Policy Act (NEPA), the Marine Mammal Protection Act (MMPA), the Endangered Species Act (ESA), and the Migratory Bird Treaty Act to monitor and reduce potential impacts of human activities, including those related to offshore energy development, on living marine resources. In November 2019 BOEM announced that funding for GoMMAPPS would not be available for a second five-year phase, due to funding expected to be available from other Deepwater Horizon oil spill restoration-related sources. How does BOEM intend to meet its management needs under the Outer Continental Shelf Lands Act (OCSLA), NEPA, ESA, and MMPA in the absence of reliable information on the abundance, distribution, and habitat use of marine mammals and other living marine resources in areas of the Gulf subject to oil and gas exploration, leasing, and development?

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Response: BOEM continues to fund the Gulf of Mexico Marine Assessment Program for Protected Species (GoMMAPPS) in FY 2020, and the data collected through this program will be relevant and reliable for decades to come. As of March 24, 2020, BOEM was actively funding 11 research efforts in the Gulf of Mexico and had a total of 46 ongoing research efforts at various stages of development or completion across many scientific disciplines. GoMMAPPS is one of many studies BOEM uses to inform its activities and perform its environmental stewardship mission in the Gulf of Mexico. GoMMAPPS federal partners will continue to develop distribution and abundance models throughout the lifetime of each interagency agreement through FY 21. Upon delivery, BOEM will evaluate and then plan a strategy for complementary projects. This evaluation period is a fundamental step to inform the next iteration of projects in the Gulf of Mexico to inform BOEM's analysis and decision making under multiple applicable statutory requirements.

Question 2: Both the National Marine Fisheries Service (NMFS) and the Fish and Wildlife Service (FWS) consider data on marine mammal abundance that is more than eight years old to be outdated. Without continued funding for surveys and monitoring, data on marine mammal abundance will quickly become outdated. Some of the oil spill-related projects proposed for funding, or currently being funded, would contribute to a better understanding of the impacts of energy development and other human-caused stressors on marine mammals and other marine wildlife, but none are expected to be able to provide the long-term and broad-scale abundance and distribution data that BOEM needs for its NEPA documents and decision-making in the Gulf currently provided by GoMMAPPS. How does BOEM intend to meet its management needs under OCSLA, NEPA, ESA, and MMPA if marine mammal abundance data becomes out of date and new data sources are insufficient to meet BOEM's data needs for effective decisionmaking?

Response: GoMMAPPS provides unprecedented collaborative opportunities for federal and academic scientific communities, and BOEM expects that new and relevant scientific products will blossom from the project for years to come. BOEM has a proven record for developing strategic partnerships and utilizing new technologies to obtain the best available data and will continue to do so in order to meet its data needs. Ongoing BOEM studies and collaborative efforts with academia and other federal partners such as NOAA/NMFS are pushing the envelope to better enable scientists to determine the density and abundance of marine mammals. For example, one BOEM study is working with passive acoustic monitoring data to better enable scientists to determine the density of marine mammals, not just the number of calls. BOEM and NOAA are discussing how to obtain more meaningful data on species' density and distribution from the efforts of Protective Species Observers who are present on survey vessels. These efforts by BOEM will allow the best available science to be continuously applied to our decision-making process for balanced energy development projects on the Outer Continental Shelf moving forward.