U.S. Department of the Interior, Fish and Wildlife Service

Record of Decision
for the
National Wildlife Refuge System
Revision of Regulations Governing Management of Non-Federal Oil and Gas Rights

Through this Record of Decision (ROD), the U.S. Fish and Wildlife Service (Service) selects implementation of the Final Rule: Management of Non-Federal Oil and Gas Rights, as its proposed final action. The final rule revises Service regulations at 50 CFR, Part 29. This ROD includes brief summaries of the alternatives considered, identification of the environmentally preferable alternative, the rationale for selecting Alternative B, measures to minimize environmental harm, monitoring and enforcement considerations, the public involvement process, and findings required by other laws and executive orders.

The Service’s final action on this rulemaking will be publication of the Service’s Final Rule: “Management of Non-Federal Oil and Gas Rights” in the Federal Register. This Final Environmental Impact Statement (FEIS) is programmatic in nature, which means that it provides a framework for taking a range of actions, but that site-specific actions taken by the Service in implementing these regulations for managing non-Federal oil and gas activities on NWRS lands and waters would require further site-specific analyses before they could be permitted. In considering proposals for new non-Federal oil and gas activities on NWRS lands and waters, additional analyses and environmental compliance, including consultation and an opportunity for public comments, would be completed under a separate National Environmental Policy Act (NEPA) and decision-making process.

Alternatives Considered

In the FEIS the Service evaluated three alternatives for revising regulations governing non-federal oil and gas activities on the NWRS, including a no-action alternative (Alternative A) as required under the Council on Environmental Quality’s regulations (40 Code of Federal Regulations [CFR] 1500-1508).

Alternative A. Under Alternative A, the no-action alternative, the Service retains the current level of regulation and oversight of oil and gas activities. Currently, the Service’s regulations at 50 CFR 29.32 apply to surface operations on NWRS outside of Alaska. This regulation does not apply to private property (inholdings), or where operators use directional drilling from private property to reach targets beneath Service fee title areas.

Service regulations do not currently provide for any formal permitting processes on operations outside of Alaska. The requirements of operators are described in general terms in the regulations and applied in various ways across the Service. The Service has been able to work in cooperation with operators in recent years to secure Special Use Permits (SUP) for the large majority of new operations on NWRS, including proposals for seismic surveys or new well drilling. However, only 115 of the approximately 4,000 non-Federal wells on refuges are subject to Service permits.
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Currently, oil and gas activities outside of Alaska are managed on an individual unit basis, with protective stipulations developed in a site-specific manner. This contributes to variation in oil and gas practices and the levels of environmental protections across the NWRS.

So, under Alternative A, we can expect that most operators would continue to be cooperative in obtaining a Special Use Permit for their operations, however, with varying standards for protecting refuge resources and uses. Additionally, the Service would continue not requiring performance bonds or access fees from operators. Under current conditions, if a transfer of rights and responsibilities for the operations has occurred, there are no general requirements to notify the refuge manager. The use of third-party monitors to ensure operator compliance is not addressed. Procedures for wells that are no longer active but not yet scheduled to be plugged would continue to vary by refuge and could result in well abandonment without plugging and site restoration in some cases. So, ultimately, under Alternative A, the success of protecting refuge resources and uses from non-Federal oil and gas operations outside of Alaska would be dependent on the Service’s ability to work with the operator on a case by case basis.

Refuges in Alaska are currently governed by title XI of the Alaska National Interest Lands Conservation Act (ANILCA; 16 U.S.C. 410hh–410hh-5, 16 U.S.C. 3101 et seq., 43 U.S.C. 1601 et seq.), and the Department’s implementing regulations and standards found at 43 CFR part 36. Under the ANILCA regulations, the Service requires an operator to: obtain a permit for operations on refuge lands, provide the Service with financial assurance, restrict the time, place and manner of activities as necessary to protect refuge resources and uses, and ensure the operation is properly plugged and reclaimed after production operations are complete.

Alternative B (The Rule). Alternative B is the Service’s proposed final action. As in Alternative A, wells drilled from outside refuge boundaries to bottomhole locations beneath a refuge, or operations on private inholdings, would be exempt in the rule.

Alternative B establishes a uniform process for when and how an operator must obtain an "operations permit." An operations permit from the Service would be required for all new oil and gas operations. Alternative B establishes the process for taking initial steps in developing a permit application, contents of the application, the Service’s review of the application including timelines, the Service’s approval standards, and the actions the Service may take on the application, including timelines.

Alternative B also establishes a suite of performance-based standards for avoiding or minimizing impacts to refuge resources or visitor uses during operations. Alternative B also includes standards for achieving successful surface reclamation once operations end. This regulatory approach provides flexibility to resource managers and operators over time to achieve standards across various environments, and uses of technology. In consideration of performance-based standards, operators will be required to conduct operations in a technologically feasible, least damaging manner. The rule defines technologically feasible, least damaging methods as those that the Service determines, on a case-by-case basis, to be most protective of refuge resources and uses while ensuring human health and safety, taking into consideration all relevant factors, including environmental, economic, and technological factors and the requirements of applicable law. The Service expects that utilizing these performance-based standards would result in a
consistently high level of protection for refuge resources and uses, and increased efficiencies in
the project planning and permitting stages. While operations in Alaska would continue to be
governed by ANILCA, ANCSA, and the Department’s implementing regulations, as in
Alternative A, the Service could consider these performance-based standards as guidance on a
case by case basis for inclusion in a right-of-way (ROW) permit to ensure protection of refuge
resources and uses in compliance with ANILCA, ANCSA, and the Department’s implementing
regulations.

Operations permits would be conditioned upon maintenance of financial assurance by the
operator. Financial assurance helps ensure an operator’s performance under their operations
permit and applicable provisions of the rule, and that the public does not become financially
responsible for well plugging and reclamation in the event of company insolvency.

Operators operating at the time of the publication of the final rule on NWRS with a Service-
issued permit may continue operating under the terms and conditions of that permit. However, if
they propose any new or modified operations outside the scope of that permit, then they must
amend their permit or obtain an operations permit in compliance with the Service standards
outlined in this rule for those new or modified operations.

Operators at the time of the publication of the final rule on NWRS without a Service permit are
defined as “pre-existing operators” and they may continue in the production phase without an
operations permit as long as they comply with Federal, State, and local laws and regulations.
However, any modifications to a pre-existing operation that would create new impacts to refuge
resources and uses (i.e., impacts outside the scope, duration or intensity of existing impacts) or
proposals for new operations would require the operator to obtain an operations permit for that
modification or new operation. Additionally, if an operator of a pre-existing well changes, the
new operator must obtain an operations permit that ensures those operations meet applicable
performance-based standards and general terms and conditions of the rule. This would include
posting financial assurance.

At the end of production operations, all operators (pre-existing, existing with a Service-issue
permit, or new) would be required to obtain an operations permit or amend their existing
Service-issued permit for plugging and reclamation and comply with all Service reclamation
standards.

Alternative C (The Modified Rule). Alternative C would include all the proposed changes in
Alternative B, with a few additions. Service jurisdiction would expand to regulate non-Federal
oil and gas operations that occur on private surface within the boundary of a refuge (i.e.,
inholdings) and to operations on non-Federal surface locations that use directional drilling to
access non-Federal oil and gas underneath the surface of a refuge. Under this expanded scope,
regulations again would only be applied to the extent necessary to protect Federal interests. The
Service could require actions, such as noise abatement or visual screening, which serve to reduce
cross-boundary effects on Service resources and uses.

Alternative C would use the same comprehensive permitting as the Alternative B framework but
there would be no permit exemption for pre-existing operations or existing operations with a
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Service-approved permit. Thus, the permitting requirement would apply to the 4,000 pre-existing wells, the 115 wells currently under a Service-issued permit, and as many as 200 additional wells on inholdings, and new wells on private property that use directional drilling to reach targets beneath Service fee title lands outside of Alaska. Also under Alternative C, performance-based standards and the permitting process would expand to actively regulate downhole operations such as well cementing, well casing, and well integrity testing.

Environmentally Preferable Alternative

The definition of “environmentally preferable alternative” (40 CFR 1505.2 (b)) is different from that of the preferred alternative. Guidance from CEQ states that the environmentally preferable alternative means it is “the alternative that causes the least damage to the biological and physical environment; it also means the alternative which best protects, preserves, and enhances historic, cultural, and natural resources” (CEQ 1981). Alternative C, the Modified Rule is the environmentally preferable alternative as it will likely have incremental environmental benefits – primarily due to the regulation of pre-existing operations during the production phase – compared to Alternative B. The chosen alternative is not the environmentally preferable alternative for reasons described in the following “Basis for Decision” section.

Decision

The Service has selected Alternative B as described in the FEIS as its preferred alternative and its proposed final action. Alternative B has become the Service’s Final Rule: “Management of Non-Federal Oil and Gas Rights”. The final agency action will be concluded upon publication of the Final Rule in the Federal Register.

Basis for Decision

In determining the Service’s proposed final action, we considered the following:

- The degree to which each alternative meets the objectives for undertaking a rule revision;
- The impact analysis of each alternative as presented in the draft and final EIS for the rule revision, including the impacts of the proposed decision on natural resources, visitor use and experience, cultural resources, refuge management and operations, and socioeconomics (e.g., costs on operators for compliance); and,
- Relevant issues, concerns, and opportunities presented by agencies, organizations, and individuals throughout the public involvement process.

Both Alternatives B and C, the action alternatives, meet the Service’s purpose and need for the action, as well as the Service’s objectives to a large degree. Alternative B, the Service’s preferred alternative, meets the Service’s objectives to a greater degree than Alternative C. Alternative B imposes administrative and operational costs on both the regulated community and the Service in a manner that most efficiently and effectively protects refuge resources and uses. Table 1 is a comparison of how each of the alternatives described in this chapter would meet the Service’s objectives of the proposed decision.
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Referring to Table 1, Alternatives B and C are identical in how they address the majority of objectives, but differ in their treatment of directional oil and gas wells drilled beneath refuges from surface locations outside refuge boundaries (Objective No. 5) and regulatory requirements of pre-existing operations (Objective No. 8).

<table>
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<tr>
<th>Objectives</th>
<th>Alternatives</th>
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<td>A: No Action</td>
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<tr>
<td>1. Clarification of Service authority</td>
<td>NO</td>
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<td>2. Consistent, functional, and understandable procedures and provisions</td>
<td>NO</td>
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<td>3. Performance-based standards provide flexibility to resource managers and</td>
<td>NO</td>
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<td>operators to achieve resource protection</td>
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<td>4. Practical and effective means for dealing with acts of noncompliance or</td>
<td>NO</td>
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<td>with illegally conducted operations</td>
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<td>5. Regulation addresses directional oil and gas wells drilled beneath</td>
<td>NO</td>
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<td>refuges from surface locations outside refuge boundaries in a way that</td>
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<td>protects refuge resources and uses with incentive not to site operations</td>
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<td>on NWRS.</td>
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<td>6. All future operations on Service fee title and less than fee title</td>
<td>NO</td>
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<td>lands and waters utilize the least damaging methods to prevent or minimize</td>
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<td>damage to refuge resources and uses.</td>
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<tr>
<td>7. All existing operations on Service fee title and less than fee title</td>
<td>NO</td>
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<td>lands and waters do not create unnecessary impacts on refuge resources and</td>
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<td>uses by maintaining full compliance with Federal and State laws,</td>
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<td>regulations, and permits.</td>
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<td>8. The regulation addresses existing operations by balancing the</td>
<td>NO</td>
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<td>incremental level of protection for refuge resources and uses with the</td>
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<td>incremental administrative and cost burden imposed on both the</td>
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<td>regulated community and the Service.</td>
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<td>9. All operations are eventually reclaimed in a manner consistent with</td>
<td>NO</td>
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<td>the purposes for which the refuge was established.</td>
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<td>10. The public and refuge staff are fully protected from health and</td>
<td>NO</td>
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<td>safety hazards associated with operations.</td>
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*Objective No. 5 – Directional Drilling.* Service regulation of those operators who use directional drilling from private property to reach targets beneath Service fee title areas, as described in Alternative C, does not appear to be warranted. Both the Service and operators would incur
additional costs with only neutral to potentially notable adverse consequences to refuge resources and uses.

The historical number of wells being drilled beneath refuge lands to reach non-Federal oil and gas is not maintained by the Service, but is thought to range from 1 to 5 wells per year. From the Cost Benefit Analysis for the draft rule and Chapter 4 of the EIS, the Service administrative costs to permit and monitor directional wells could be approximately $25,000 per well. Operator costs to obtain an operations permit and meet Service standards could range up to $70,000 per well. Environmental benefits derived from these expenditures could include noise abatement or visual screening, which serve to reduce cross-boundary effects on Service resources and uses. The Service might also require erosion control measures, spill prevention and control equipment and methods, or setbacks of surface locations from refuge boundaries. These measures serve to reduce the risk of impacts to refuge resources and uses from accidents or poor management practices.

However, these benefits to resources and uses could evaporate, and many adverse consequences could occur, if just a small percentage of wells that otherwise would have been located outside a refuge are drilled inside the boundary. Gains in resource protection under Alternative C would likely be lost due to loss of the incentive to locate operations outside the refuge.

This analysis therefore hinges on what operators might do if faced with Service regulation beyond the boundary of a refuge. The decision for an operator to use directional drilling from outside a refuge to develop its oil and gas beneath a refuge is based on both logistical and cost considerations, including the cost and time factors related to compliance with Service regulations. As described in Chapter 4 of the EIS, there is a clear incentive created for an operator to drill outside the boundaries of refuges by exempting operations on non-Federal surfaces from regulation. This is demonstrated by a National Park Service (NPS) review of 68 wells and the actual actions of operators who chose less favorable surface locations outside of NPS boundaries in nearly 3 out of 4 instances to avoid regulation. Therefore, Alternative B would result in fewer wells drilled inside refuges. As a result, analysis under all impact topics reveals a decrease in direct, indirect, and cumulative effects on refuge resources and uses from the exemption for operations on Non-Federal surfaces when compared to Alternative C.

Objective No. 8 – Regulation of Pre-existing Wells during the Production Phase. The incremental environmental benefits on refuge resources and uses of Alternative C’s component (to require pre-existing operations to obtain a permit, post a bond, and comply with operational standards during production) are described throughout the impact topics analyses and summarized below. There would be opportunities for improved protection of refuge resources and uses by addressing:

- Spill prevention and response;
- Erosion, sedimentation, contamination from poorly maintained pads and roads;
- Site security to reduce easy access by visitors or certain wildlife;
- Housekeeping issues such as abandoned oilfield equipment presenting visitor safety issues and reduced aesthetics;
- Poor equipment maintenance causing unnecessary emissions (odors), sounds, or visual intrusions on natural settings; or,
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- Fire hazards related to overgrown sites.

The economic costs are described in Management of Refuge Operations and Socioeconomics sections of Chapter 4. The Service’s approach to this rulemaking was to analyze the costs and benefits of each regulatory requirement and its alternatives, as required by Executive Order (EO) 12866. A general permit requirement would necessitate the Service to roughly double its oil and gas management resources from current levels. Operators could incur nearly $10 million incremental costs annually, of which nearly 75% would be administrative in nature (e.g., permitting, financial assurance) leaving only 25% of costs working to provide on-the-ground environmental benefits. Our analysis indicates these costs, in general, would be inefficiently applied and disproportionately high relative to the benefits to refuge resources and uses.

In terms of protecting refuge resources and uses from the ongoing impacts of production activities, our analysis indicates that Alternative B’s assimilation of State laws and regulations will help protect refuge resources and uses from many of these impacts, such as removal of waste, storage of chemicals, leak and spill prevention. Refuge Law Enforcement would be able to enforce state law on NWRS and any violation of State laws on NWRS would constitute a violation of Federal law under the rule and all applicable penalties and prohibitions would apply. Where individual States’ regulations do not specifically address an issue, the Service would continue to work cooperatively with State agencies and operators to reduce impacts or risks or impacts to refuge resources and uses. This approach enables managers to focus limited resources on those operations with the greatest possible impacts to refuge resources and uses rather than an indiscriminate administration of permits for the approximately 4,000 pre-existing operations. The Service would work cooperatively with State programs to enhance the efficiencies and effectiveness of both the Service’s and States’ programs.

Alternatives B and C are identical in requiring that all operations are eventually reclaimed in a manner consistent with the purposes for which the refuge was established (Objective No. 9). By requiring a reclamation standard for all operations, including pre-existing operations, both alternatives ensure long-term rehabilitation of habitat damaged by all operations.

Alternative C provides for greater environmental protections compared to Alternative B because the Service would be requiring an operations permit for all operations, including pre-existing and existing operations, and would ensure that those operations are done in compliance with all applicable performance-based standards of the rule. This would result in less, ongoing impacts from these pre-existing operations or existing operations whose permits do not include as stringent standards as the rule. However, it would not avoid the greatest impacts to refuge resources and uses from pre-existing operations that occurred when the operator originally chose the time, place and manner of operations on NWRS.

Alternative C is environmentally preferable relative to pre-existing operations. However, the administrative cost to both the Service and the regulated community of implementing Alternative C is much greater than the incremental environmental benefits derived. Therefore, Alternative C meets the regulatory objective of balancing the incremental level of protection for refuge resources and uses with the incremental administrative and cost burden imposed on both the regulated community and the Service to a much lesser degree than Alternative B.
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Summary of Basis for Decision

Alternative B, with the additional two components of Alternative C discussed above, was selected for implementation for the following reasons:

- Implementation of a final rule as describe in Alternative B provides clarity of the Service’s authority to regulate the exercise of non-Federal oil and gas rights.
- Alternative B will result in a higher and more consistent level of protections for refuge resources and use, both short-term and long-term, compared to the existing condition.
- Benefits will accrue primarily from reduced risk to resources and uses due to new operations being subject to a consistent permitting process that includes performance standards that ensure new operations are conducted in the most technologically feasible, least damaging manner.
- The Service will eliminate many of the ongoing, unnecessary impacts to refuge resources and uses resulting from pre-existing operations by assimilating State laws into the proposed rule and other proposed revisions to enforcement and penalties.
- The revised regulation maintains an incentive for operators to use directional drilling from a surface location outside a refuge by exempting such operations from the regulations. The exemption is expected to result in fewer wells drilled on refuge lands and waters.
- Alternative B would require that all operations are reclaimed to Service standards, such as plugging all wells, removing all above-ground structures, equipment, roads, well pads, and contaminating substances, reestablishing native vegetation, restoring conditions to pre-disturbance hydrologic functions, and restoring natural systems using native soil material that would reduce impacts to refuge resources and uses within the refuge units.
- Alternative B will best meet the purposes and needs of revising the existing rule and will provide the maximum protection of refuge resources when balanced with the cost to operators and to the Service for administration.
- By incorporating the requirement to permit pre-existing operations with their sale, the Service staggered the permitting burden across time. This improves our ability to respond to these actions and brings “grandfathered” pre-existing operations under permit.

Alternative A was not selected as the preferred alternative for the following reasons:

- Under Alternative A, the current regulations and implementation practices would continue and result in no change in effects on refuge resources and uses from the existing condition.
- Unnecessary, adverse effects may continue to occur from operations not under SUPs, or from the inability to secure an operating standard in an SUP that provides adequate protection for refuge resources and uses.
- Ongoing impacts on refuge resources and uses from pre-existing operations would be expected during the drilling and production phases.
- The lack of consistent requirements or processes to ensure wells are plugged and sites are reclaimed to Service standards would continue to result in long-term, adverse impacts on natural and cultural resources, including ongoing contamination of soil, air, and water from leaking wells, and permanent damage to refuge landscapes and hydrology.
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- The lack of requirements under the current regulations for financial assurance, compensation for use of Federal property, and enforcement and penalties would continue to have indirect effects on refuge resources and uses, such as delays in reclamation because of lack of funding or enforcement.

Alternative C was not selected as the preferred alternative for the following reasons:
- Alternative C would result in relatively small, incremental environmental benefits but would impose significant additional administrative costs on the Service and operators.
- These costs, in general, would be inefficiently applied in general and disproportionately high in many instances relative to the benefits to refuge resources and uses.

Public Involvement

NEPA requires an “early and open process for determining the scope of issues to be addressed and for identifying the significant issues related to a proposed action (40 CFR 1501.7).” Refer to Chapter 5 of the Final EIS for a more detailed summary of the public comments received during public scoping. The description below provides a summary of this process.

Scoping began in January 2013 with the establishment of an interdisciplinary team composed of Service subject matter experts, practitioners, and natural and cultural resource management professionals to determine the purpose, need and objectives of new management actions for non-Federal oil and gas operations on Refuges. Public participation in the scoping process officially began through publication of an Advance Notice of Proposed Rulemaking and Notice of Intent to Prepare an Environmental Impact Statement (ANPR/NOI/EIS) in the Federal Register (79 FR 10080) on February 24, 2014. The Service also issued an official news release, advising the public of publication of the ANPR in the Federal Register. The ANPR included a 60-day comment period followed by a reopening of the comment period for an additional 30 days.

The majority of comments were in favor of strengthening and expanding the regulations to improve the protection of refuge resources and values. On December 11, 2015, the Service published the proposed rule and draft EIS in the Federal Register and included a 60-day comment period. Approximately 39,600 responses (mostly form letters) indicated general support regulating oil and gas activities on refuges and the proposed rule. However, many commented that the proposed rule did not go far enough in regulating these activities with some requesting a ban on any oil and gas activity, or at least hydraulic fracturing, in refuges. The Service received 12 letters from State agencies, oil and gas associations, oil companies, and one individual opposed to the proposed rule. The opposing entities believe that the Service lacks authority to regulate private oil and gas and that existing State and Federal regulations are sufficient to protect refuges.

On August 22, 2016, the Service released the Final EIS through a notice in the Federal Register (81 FR 56575). We released a Notice in the Federal Register to inform the public that the Final EIS was available and a Record of Decision would be issued no sooner than 30 days after publication of the Final EIS.
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Measures to Minimize Environmental Harm Including Monitoring and Compliance

Public concerns, potential impacts, and measures or stipulations to mitigate impacts are addressed in the Final EIS. Practicable measures to avoid or minimize environmental harm that could result from implementation of Alternative B have been identified and incorporated into Chapter 2, and Chapter 4. The rule includes specific provisions for reporting, prohibited acts and penalties. The Service will ensure environmental compliance, including additional consultation and an opportunity for public comments, under a separate NEPA and decision-making process at the project level (i.e., individual refuge or wetland production area proposed for oil and gas operations). In addition to the general provisions of the final rule, the specific requirements of an operations permit, including provision identified for monitoring and reporting, would be subject to the prohibited acts and penalties provisions of the rule.

Findings Required by Other Laws and Executive Orders


For Further Information


Questions about the ROD and Final EIS may be directed to Scott Covington, U.S. Fish and Wildlife Service, Division of Natural Resources and Planning, MS: NWRS, 5275 Leesburg Pike, Falls Church, Virginia 22043; telephone 703–358–2427.

[Signature]
Dan Ashe  
Director, U.S. Fish and Wildlife Service

[Signature]
Date