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HOGAN & HARTSON L.L.P.
Columbia Square
555 Thirteenth Street, N.W.
Washington, DC 20004-1109
202/637-5600

M E M O

August 23, 2001

TO: Ms. V.A. Stevens

FROM: Ms. Joanne Rotondi

- For your information
- As you requested
- For your review and comment
- For your files
- Other

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prior to app. 2
FAA

We appreciate your interest in meeting with Mr. Patrick Raher to discuss the Bulk Oil Offshore Transfer System or BOOTS project. If possible, Mr. Raher would prefer to meet either this Friday, August 24th or Monday, August 27th, as he will be out of the office as of noon on Tuesday, August 28th.

Jim Banks

dupa-
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license

For your convenience, I have enclosed a packet of commercial materials on BOOTS, as well as a complete correspondence file. The correspondence file contains BOOTS' letter of intent to the U.S. Coast Guard and a series of correspondence between USCG, MARAD, and EPA. The regional offices and staff of 15 federal and state agencies have also been contacted, but those letters are not provided in the enclosed correspondence file.

Please contact me, at your convenience, to schedule the meeting. I may be reached, directly, at (202) 637-6470. I look forward to hearing from you.

Rear Admiral Paul J. Pluta
Ms. Margaret D. Blum
May 29, 2001
Page 2

concerning the use of Floating Production, Storage, and Offloading (FPSO) Systems in the Central and Western Planning Areas of the Gulf of Mexico. Finally, we have engaged two law firms – Hogan & Hartson L.L.P. in Washington, D.C., and Vinson & Elkins in Houston, Texas – to provide counsel and environmental permitting expertise.

We were very pleased to see that Vice President Cheney's recommendation -- set forth in the May 16 National Energy Policy report -- for expediting approvals of energy-related projects already has been implemented by an Executive Order, released by the White House on May 18, 2001, establishing an Interagency Task Force. Because of the comprehensive federal, state and local consultation required by the Act, **BOOTS is precisely the type of energy project for which the new Task Force's efforts will be needed.** The Task Force will be chaired by the Council on Environmental Quality (CEQ) and headquartered at DOE. It will include a representative from the Department of Transportation and all other major departments and agencies involved in DWPA licensing. We look forward to discussing a workable coordination mechanism with your offices and the Task Force members.

We intend to complete and submit the license application and EA by March, 2002. To meet that objective, we will need to work very closely with the Maritime Administration, the Coast Guard, and many other federal departments and agencies, on a wide range of questions and issues. At the same time, we will be working with interested state agencies to assure compliance with statutory requirements, and to achieve optimal integration of local, state and federal concerns.

In the near term, meanwhile, our federal licensing team needs to gain a detailed understanding of the following concerns:

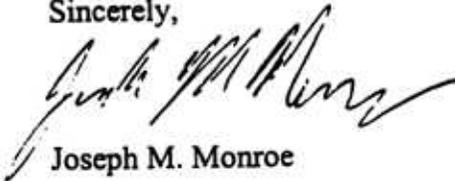
- how the ongoing revision of DWPA regulations might affect licensing requirements;
- the anticipated content and structure of the Department's EIS for BOOTS;
- the timing of the Department's anticipated EIS scoping process; and
- the Department's plans for inter-agency coordination and consultation in connection with licensing.

Following submission of the application, and in view of the Act's stringent deadlines for processing deepwater port license applications, I also have tasked the BOOTS leadership to coordinate closely with the Maritime Administration and the Coast Guard personnel during your review and preparation of the EIS. Only a joint effort which is well directed and coordinated will meet the deadline for this important new energy transportation option.

Rear Admiral Paul J. Pluta
Ms. Margaret D. Blum
May 29, 2001
Page 3

The Company is fully committed to licensing and constructing BOOTS on schedule, and we look forward to working with the Maritime Administration and the Coast Guard toward that end. We appreciate that expedited consideration of our application will require an extraordinary effort on the part of all concerned, and stand ready to provide such assistance as may be needed. Given the renewed emphasis on America's energy security, to which BOOTS will make a substantial contribution, I know that we can count on the full cooperation of the Department, the Maritime Administration and the Coast Guard. Our team currently is endeavoring to schedule a follow-up meeting with Captain Richardson's and Ms. Bautch's offices to begin addressing the issues outlined above. If, following your review of this letter, there are any questions regarding the project, please do not hesitate to contact me.

Sincerely,



Joseph M. Monroe

ccs: Capt. Peter A. Richardson
Cdr. Mark Prescott
Raymond R. Barberesi
Doris Bautch

Unocal Pipeline Compr
A Unocal Company
14141 Southwest Freeway
Sugar Land, Texas 77478
Telephone (281) 287-7775
Facsimile (281) 287-7331



PIPELINE

May 29, 2001

Joseph M. Monroe
President

both of DOT

Rear Admiral Paul J. Pluta
Assistant Commandant
Marine Safety and Environmental
Protection
United States Coast Guard
2100 Second Street, S.W.
Washington, D.C. 20593

Ms. Margaret D. Blum
Associate Administrator
Port, Intermodal and Environmental Activities
United States Maritime Administration
400 Seventh Street, S.W.
Washington, D.C. 20590

Dear Admiral Pluta and Ms. Blum:

I am writing to follow up on our March 7, 2001 meeting with Coast Guard and the Maritime Administration officials concerning plans for development of a deepwater port in the Gulf of Mexico. The port will be known as BOOTS (which stands for the Bulk Oil Offshore Transfer System). To this end, Unocal Pipeline Company has formed BOOTS, L.L.C., which will construct and operate the port.

BOOTS will be a major vessel receiving facility and pipeline designed to handle ships of all sizes, including very large crude carriers. The current, preliminary design calls for three single-point moorings and a pumping platform located approximately 70 miles offshore in 90-100 feet of water with a 48-inch pipeline capable of transporting up to 1.25 MMBPD to shore, and then overland to terminal facilities in Nederland, Texas. We expect the port to commence operations in 2004.

As you know, BOOTS must be licensed by the Secretary of Transportation under the Deepwater Ports Act of 1974, as amended (DWPA, or "the Act"), and an Environmental Impact Statement (EIS) must be prepared prior to license issuance. The Company has begun an intensive program to design all components of the project, prepare the comprehensive license application, and develop the detailed Environmental Analysis (EA) required by federal regulations to support the application. We have retained Kellogg Brown & Root, Inc. to complete the design and route selection. We have engaged an environmental team to prepare the EA, and to support development of the application. The environmental team is led by Ecology & Environment, Continental Shelf Associates, and Det Norske Veritas – the same team which recently developed the EIS for the Minerals Management Service and the Coast Guard

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UNOCAL 

PIPELINE

May 30, 2001

Joseph M. Monroe
President

The Honorable Rick Perry
Governor of Texas
State Capitol
P.O. Box 12428
Austin, Texas 79711

Dear Governor Perry:

I am writing to inform you of plans for development of a deepwater port offshore Texas in the Gulf of Mexico. The port will be known as BOOTS (which stands for Bulk Oil Offshore Transfer System). Unocal Pipeline Company has formed BOOTS, L.L.C., which will construct and operate the port.

BOOTS will be a major vessel receiving facility and pipeline designed to handle ships of all sizes, including very large crude carriers. The current, preliminary design calls for three single-point moorings and a pumping platform located approximately 70 miles offshore Texas in 90-100 feet of water with a 48-inch pipeline capable of transporting up to 1.25 MMBPD of product to shore, and then overland to existing terminal facilities in Nederland, Texas. We expect the port to commence operations in 2004.

We have had a preliminary meeting with the United States Coast Guard and the United States Maritime Administration to discuss various issues that relate to the requirements of the federal Deepwater Ports Act of 1974, as amended (DWPA, or "the Act"). Under the Act, the BOOTS project will require a federal deepwater port license application and an Environmental Impact Statement. In addition, the federal permitting process will require significant federal, state and local interagency coordination and consultation.

While we are still in the information-gathering process, we wanted to alert you to the fact that once we file a federal deepwater port application (expected in spring, 2002), there will be a number of issues that will affect the State of Texas. Governors of states determined to be adjacent to the proposed deepwater port are provided with an opportunity to review the federal deepwater port license application for

*Gov. Perry's
point
coordinates*
*Bill Phelan
Kelly McCormick, JSC*

Governor Rick Perry

May 30, 2001

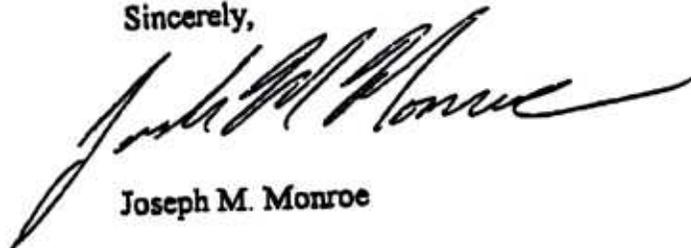
Page 2

consistency with state laws/regulations relating to environmental protection, land and water use and coastal zone management. The Texas Deepwater Port Procedures Act of 1995 (TDPPA) describes this comprehensive review process. Under the provisions of the TDPPA, the Governor, the Attorney General, the Commissioner of the General Land Office and the county judge of the adjacent coastal county are all involved in the process of reviewing the federal deepwater port license application.

Given the extensive federal, state and local involvement in the license application and approval process, we would like to meet with you to discuss the BOOTS project and how we can best work with the State of Texas. We believe that BOOTS is precisely the type of energy project that Vice President Cheney's May 16, 2001 National Energy Policy report hopes to expedite through the newly created Interagency Task Force.

I have asked Ms. Nancy Sauer, Unocal Corporation's State Government Relations Director, to contact your office to arrange a meeting if your schedule permits. We look forward to working with you and your staff on this significant energy transportation project.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph M. Monroe", with a long, sweeping underline.

Joseph M. Monroe

Attachment: May 29, 2001 letter to United States Coast Guard and
United States Maritime Administration

HOGAN & HARTSON
LLP.

PATRICK M. RAHER
PARTNER
(202) 637-5682
PMRAHER@HHLAW.COM

COLUMBIA SQUARE
555 THIRTEENTH STREET, NW
WASHINGTON, DC 20004-1109
TEL (202) 637-5600
FAX (202) 637-5910
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May 30, 2001

By Hand Delivery

Linda J. Fisher
Deputy Administrator
United States Environmental Protection Agency
Room 3412
Ariel Rios Federal Building
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Dear Ms. Fisher:

I am writing to request your assistance in establishing a central point of contact for coordinating the Agency's consideration of licensing issues related to a major new energy project in Texas. Our client, Unocal Pipeline Company, intends to develop a new crude oil deepwater port in the Gulf of Mexico. The deepwater port will be connected by pipeline to existing terminal facilities in Nederland, Texas, in order to serve refineries along the Gulf coast. The port, which will be called BOOTS (Bulk Oil Offshore Transfer System), is described more fully in the enclosed letter from the Company's president to senior officials in the Maritime Administration and U.S. Coast Guard.

This facility will be licensed by the Secretary of Transportation under the Deepwater Ports Act, 33 U.S.C. §§ 1501, et seq. The Act provides that an application filed with the Secretary shall constitute an application for all Federal authorizations required for ownership, construction, and operation of a deepwater port. 33 U.S.C. §§ 1504(c)(2). The Secretary must consult other departments and agencies with relevant jurisdiction, and their input to the licensing process must be provided within very brief timeframes. Id.

Regional Administrator's Office

Linda J. Fisher

May 30, 2001

Page 2

The Act contains several references to EPA and/or to considerations that are relevant to the Agency's jurisdiction. These include:

- the need for a finding that the construction and operation of the facility will be in the national interest and will meet objectives including environmental quality;
- the need for a determination that, based on an environmental review, the facility will employ best available technology to prevent or minimize adverse impact on the marine environment;
- an evaluation by EPA of whether the project is consistent with the Clean Air Act, the Clean Water Act, and the Marine Protection, Research and Sanctuaries Act;
- the need to resolve potential Clean Water Act and Clean Air Act permitting issues; and
- the evaluation of environmental consequences of the project in connection with the Department of Transportation's preparation of an Environmental Impact Statement.

In view of the Agency's important and diverse roles in the licensing process, we anticipate that multiple EPA program offices will become involved. In order to facilitate the Agency's involvement, we intend to consult with the appropriate program staff throughout our client's development of the license application and accompanying Environmental Analysis so that EPA's interests and concerns will be addressed prior to submittal of the application and commencement of the review process. Our ability to meet that objective and assure a comprehensive and well-developed programmatic review of this project would be greatly enhanced by having a senior Agency official serve as the central point of contact to assure timely coordination of EPA involvement. In addition, as indicated in the enclosed letter to MARAD and the Coast Guard, we intend to ask the new Interagency Task Force for expediting approvals of energy-related projects, created under Executive Order 13212, to assist with the extensive consultation process required by the Deepwater Ports Act. We would hope that EPA's delegate to the Task Force and the senior EPA coordinator for BOOTS are either the same person or can work closely together to help assure the timely review of this critical energy project.

HOGAN & HARTSON L.L.P.

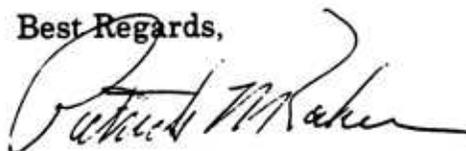
Linda J. Fisher

May 30, 2001

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We look forward to working with the Agency to efficiently carry out this licensing effort, and I would appreciate your help in moving the effort forward by designating a point of contact whom we can contact to begin the process in the near future. If you or your staff have any additional questions, please do not hesitate to contact me. In view of the timeline required by statute and the pressures created by the President's energy program, we hope to hear soon from the EPA regarding this request.

Best Regards,

A handwritten signature in black ink, appearing to read "Patrick M. Rahe". The signature is fluid and cursive, with a large initial "P" and "M".

Patrick M. Rahe

Enclosure

HOGAN & HARTSON
L.L.P.

JAMES T. BANKS
PARTNER
(202) 637-5802
JTBANKS@HHLAW.COM

June 15, 2001

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Mark Prescott, Commander
Chief, Vessel & Facility Operating
Standards Division (G-MSO-2)
USCG Headquarters -- Room 1210
2100 Second Street, SW
Washington, D.C. 20593-0001

Doris Bautch
Chief, Division of Ports
Maritime Administration
400 Seventh Street, S.W.
Room 7201
Washington, DC 20590

RE: Designation of BOOTS L.L.C. Working Group Members

Dear Commander Prescott and Ms. Bautch:

Pursuant to our discussion on June 6, 2001, I am writing to provide you with the names of individuals who will represent BOOTS L.L.C. in the Working Groups we hope to establish with your agencies for managing the BOOTS licensing effort. As discussed, the purpose of these Working Groups is to promote the efficient development, submission and review of the BOOTS Deepwater Port License Application and Environmental Analysis. By assigning various components of the application process to separate Groups comprised of both government and private members with the requisite expertise, we believe that information sharing and issue resolution can be managed quickly and effectively.

We propose that three technical Working Groups be established, and that they would be coordinated by a Process Management/Interagency Coordination Group. To facilitate the application process, the management and coordination Group should be comprised of individuals with decision-making authority and the ability to direct resources. The three technical Groups would address different aspects of the license development and review process: Environmental Analysis/ Environmental Impact Statement; Design/Construction of the Port; and Operation/Navigation issues. Ideally, these three technical Groups will be comprised of individuals who have both the relevant expertise and decision making authority.

Mark Prescott
Doris Bautch
June 15, 2001
Page 2

Attached is a copy of the proposed Working Group organizational chart, in which we have entered our designations for BOOTS L.L.C. participation. We also have provided a brief description of the role of each individual, as well as their contact information. As discussed, we are eager to receive a similar list of the government designees who will be participating in the Working Groups.

Your prompt consideration of this suggested structure would greatly appreciated. Please feel free to contact me or Joanne Rotondi with any questions you may have. Joanne is reachable via phone at (202) 637-6470, fax (202) 637-5910 and email (jrotondi@hhlaw.com).

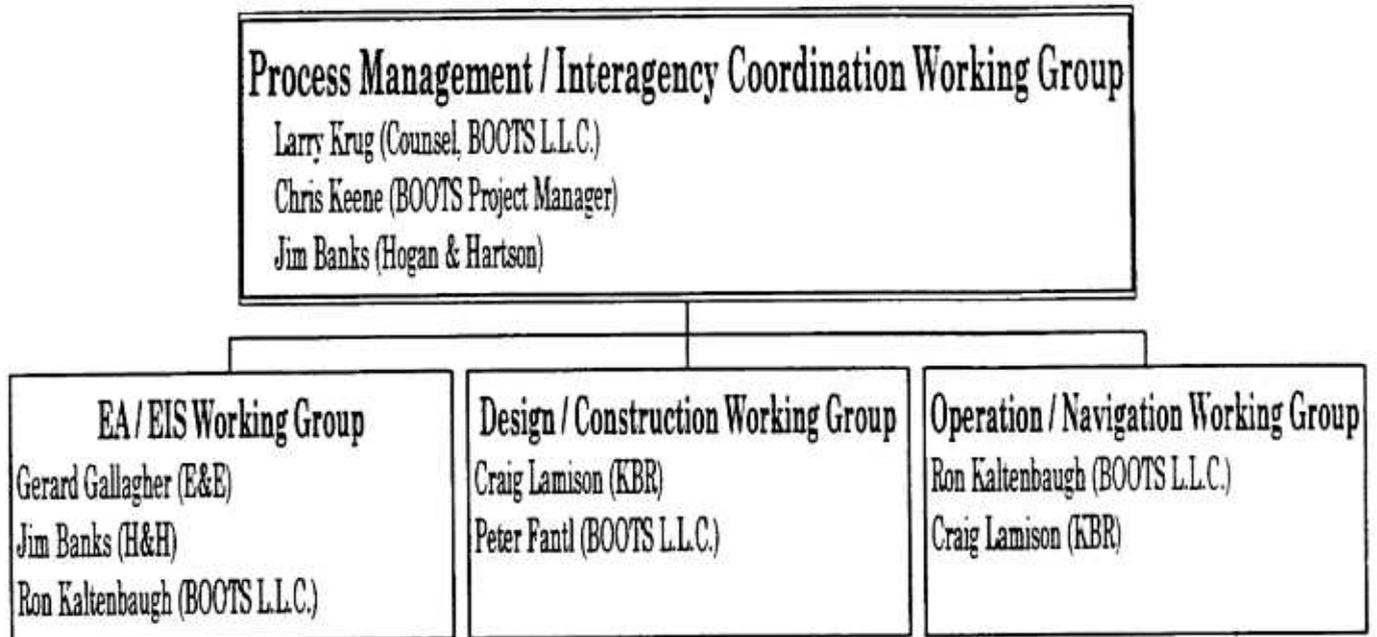
Thank you.

Sincerely,


James T. Banks

cc: Josh Peters, USCG
Charles Srioudom, USCG

**PROPOSAL FOR AGENCY-BOOTS LLC
WORKING GROUP ORGANIZATION**



PROPOSED WORKING GROUP SCHEDULE

- June 15 -- Designation of Group Members
- June 25 -- Selection of Tasks and Priorities
- June 30 -- Kick-off Meetings / Schedule Development
- Biweekly -- Regular Progress Meetings / Conference Calls

Contact Information for BOOTS Working Group Members

Jim Banks – (Counsel) Hogan & Hartson, Washington DC Office

Phone: 202-637-5802, Fax: 202-637-5910, Email: JTBanks@hhlaw.com

Peter Fantl – (Manager, Engineering & Construction) BOOTS L.L.C.

Phone: 281-287-7605, Email: pcfantl@unocal.com

Gerard Gallagher – (Environmental Consultant) Ecology & Environment

Phone: 850-574-1400, Fax: 850-574-1179, Email: gagallagher@ene.com

Ron Kaltenbaugh – (Manager, Midstream Services) BOOTS L.L.C.

Phone: 281-287-5964, Fax: 281-287-7327, Email: kaltenbaugh@unocal.com

Christopher Keene – (BOOTS Project Manager) BOOTS L.L.C.

Phone: 281-287-5437, Fax: 281-287-7331, Email: chris.keene@unocal.com

Larry Krug – (Counsel) BOOTS L.L.C.

Phone: 281-287-7694, Fax: 281-287-7116, Email: lkrug@unocal.com

Craig Lamison – (Engineering Consultant, Offshore) Kellogg, Brown & Root

Phone: 281-575-5211, Fax: 281-575-5066, craig.lamison@halliburton.com

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July 6, 2001

Mark Prescott, Commander
Chief, Vessel & Facility Operating
Standards Division (G-MSO-2)
USCG Headquarters -- Room 1210
2100 Second Street, S.W.
Washington, D.C. 20593-0001

Doris Bautch
Chief, Division of Ports
Maritime Administration
400 Seventh Street, S.W.
Room 7201
Washington, D.C. 20590

**RE: Suggested Tasks and Priorities for Agency-BOOTS L.L.C.
Working Groups**

Dear Commander Prescott and Ms. Bautch:

Pursuant to our discussion on June 6, 2001, we are forwarding for your consideration our suggestions for the tasks and priorities of the proposed Agency-BOOTS L.L.C. Working Groups that we hope to establish for managing the BOOTS licensing effort. We had expected to send you these suggestions by early last week. We apologize for the delay.

We also had proposed to begin "kick-off" meetings of these joint Working Groups as early as June 30, 2001. Please let us know when it will be possible to establish the Agency-BOOTS Working Groups and to begin holding Working Group meetings.

The attached, updated Working Group document sets forth our suggestions for the tasks and priorities that should be assigned to each group. We also have provided suggestions for the agencies that should be represented in each group. As discussed, we are eager to receive a similar list of tasks and priorities from your offices, as well as your lists of government designees for each of the Working Groups.

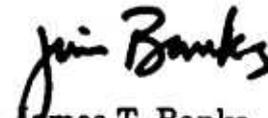
HOGAN & HARTSON LLP

Mark Prescott
Doris Bautch
July 6, 2001
Page 2

We would appreciate your consideration of this suggested structure and task list at your earliest convenience. Please feel free to contact Joanne Rotondi or me with any questions you may have. Joanne is reachable via phone at (202) 637-6470, fax (202) 637-5910 and email (jrotondi@hhlaw.com).

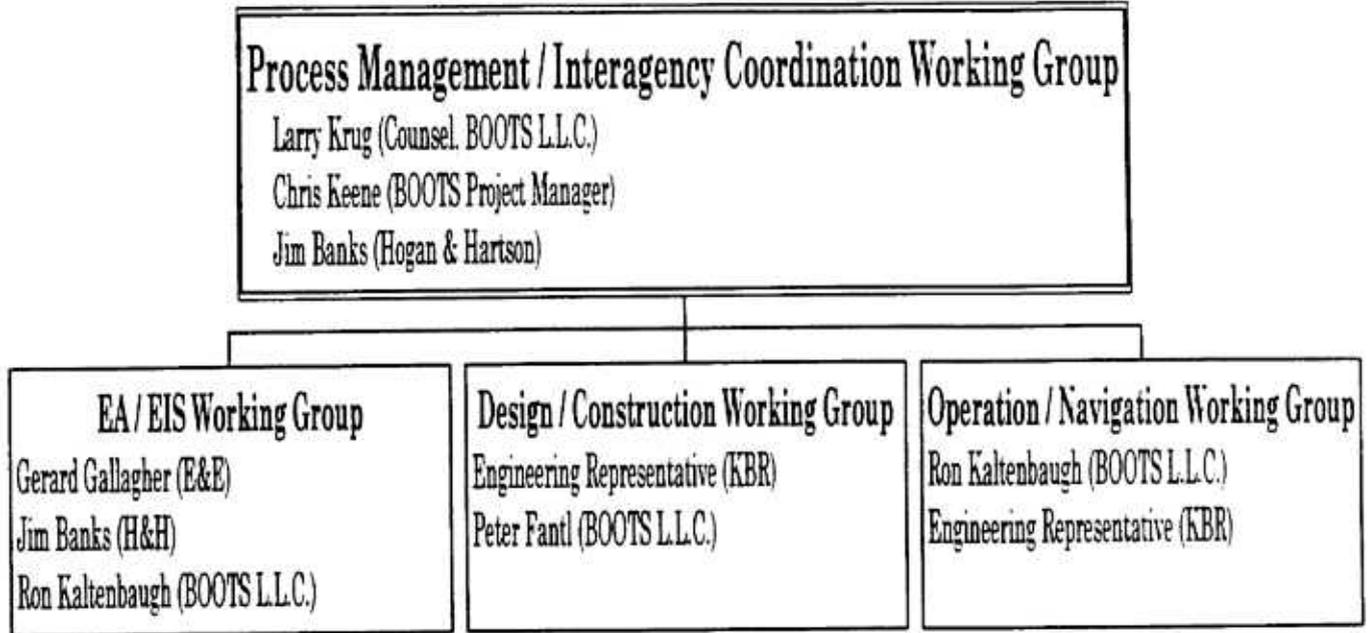
Thank you.

Sincerely,


James T. Banks

cc: Josh Peters, USCG
Charles Srioudom, USCG

**PROPOSAL FOR AGENCY-BOOTS LLC
WORKING GROUP ORGANIZATION**



PROPOSED WORKING GROUP SCHEDULE

- June 15 -- Designation of Group Members
- June 25 -- Selection of Tasks and Priorities
- June 30 -- Kick-off Meetings / Schedule Development
- Biweekly -- Regular Progress Meetings / Conference Calls

Contact Information for BOOTS Working Group Members

Jim Banks – (Counsel) Hogan & Hartson, Washington DC Office
Phone: 202-637-5802, Fax: 202-637-5910, Email: JTBanks@hhlaw.com

Peter Fantl – (Manager, Engineering & Construction) BOOTS L.L.C.
Phone: 281-287-7605, Email: pcfantl@unocal.com

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Ron Kaltenbaugh – (Manager, Midstream Services) BOOTS L.L.C.
Phone: 281-287-5964, Fax: 281-287-7327, Email: kaltenbaugh@unocal.com

Christopher Keene – (BOOTS Project Manager) BOOTS L.L.C.
Phone: 281-287-5437, Fax: 281-287-7331, Email: chris.keene@unocal.com

Larry Krug – (Counsel) BOOTS L.L.C.
Phone: 281-287-7694, Fax: 281-287-7116, Email: lkrug@unocal.com

Engineering Representative -- Kellogg, Brown & Root

Working Groups Tasks & Priorities

Process Management / Interagency Coordination

Working Group

Primary Goal – Ensure that BOOTS Application is complete and meets all statutory conditions for issuance of a deepwater port license. Ensure that BOOTS project is in the national interest and consistent with energy security goals.

General Tasks

- ◆ Coordinate Federal and state agency consultation and review of permit application; coordinate interaction with consultants; and facilitate and coordinate cooperation between applicant, its consultants, and public agencies.
- ◆ Work with agency staff to define standard for Secretarial determination that the BOOTS project is in the “national interest.”
- ◆ Oversee EA/EIS, Design/Construction and Operation/Navigation Working Groups.
- ◆ Allocate resources, as required, to assure prompt completion of assigned tasks.
- ◆ Provide oversight of application development process.

Specific Priorities

- ◆ Manage development of DRAFT Application: consistently review, drafts of the BOOTS Application, make sure that relevant agency staff and consultants review and comment on applicable sections in a timely and complete manner.
- ◆ Create and manage Application development and review schedule.
- ◆ Facilitate agency/BOOTS LLC coordination by arranging meetings, conducting follow-up, and maintaining constant communication.
- ◆ Provide administrative support, as necessary for the achievement of the development and review schedule.

Suggested Participants:

Government: USCG, MARAD, DOT Secretary's Office

BOOTS LLC: Larry Krug, Chris Keene, Jim Banks (H&H)

In addition to ensuring that the BOOTS Application is complete and that the BOOTS project conforms to all applicable laws, the technical working groups should also have the specific enumerated goals and tasks.

EA / EIS Working Group

Primary Goals – Ensure that project prevents or minimizes adverse impact on the marine and onshore environment and complies with all applicable environmental laws, state and federal, as well as the environmental review criteria of the Deepwater Port Act. Strive to streamline the environmental review process.

General Tasks

- ◆ Evaluate impact of project location, design, construction and operation on the environment.
- ◆ Coordinate communication among and between Federal and State agencies responsible for applicable environmental laws.
- ◆ Coordinate with Design / Construction and Operation / Navigation Working Groups to ensure that BOOTS project uses best available technology for siting, design, construction, operation, and land use.

Specific Priorities

- ◆ Establish comprehensive contact list for agencies that must be consulted and/or have jurisdiction over environmental laws, regulations and conditions of the license.
- ◆ Create comprehensive list of environmental permits/clearances that must be obtained from the above agencies.
- ◆ Schedule and hold meetings with applicable environmental agencies and BOOTS LLC representatives/consultants.
- ◆ Ensure that the BOOTS Environmental Analysis is consistent with the revised "Guide to Preparation of an Environmental Analyses for Deepwater Ports" document.
- ◆ Establish timeline for receiving offshore AND onshore permits/clearances.
- ◆ Establish timeline for the environmental review process and streamline the NEPA process, especially with regards to scoping, including by holding public meetings with interested environmental groups in the Gulf of Mexico region to ensure that stakeholder viewpoints are reflected and addressed in the final Environmental Impact Statement.
- ◆ Review and incorporate as appropriate streamlining initiatives from other agencies, such as FERC and FAA.
- ◆ Manage preparation of DRAFT Environmental Analysis: review drafts of Environmental Analysis and make sure that relevant Agency staff review and comment on applicable sections in a timely and complete manner.
- ◆ Facilitate incorporation, during early stages of the Environmental Analysis preparation, of existing data and analyses in the DOT EIS.

Suggested Participants:

Government: USCG, MARAD, EPA and MMS (EPA and MMS are suggested for their resources and experience with environmental reviews) and counterpart state agencies.

BOOTS LLC: Gerry Gallagher (E&E), Jim Banks (H&H), Ron Kaltenbaugh

Design / Construction Working Group

Primary Goal – Ensure that BOOTS project is designed and constructed using best available technology to prevent or minimize adverse impact on the marine environment.

General Tasks

- ◆ Minimize impact of project location, design and construction on the marine and onshore environment.
- ◆ Coordinate with EA / EIS and Operation / Navigation Working Groups to ensure that BOOTS project uses best available technology for siting, design, construction, operation, and land use.

Specific Priorities

- ◆ Work with DOI (MMS) and DOT to plan route for fairways, offshore terminal location and pipeline rights-of-way.
- ◆ Establish comprehensive contact list for agencies that must be consulted and/or have jurisdiction over laws, regulations and conditions of the license that pertain to design and construction of the deepwater port and its onshore components, including the pipelines.
- ◆ Create a comprehensive list of clearances that must be obtained from the above agencies and a schedule for integrating such clearances into the deepwater ports licensing process.
- ◆ Schedule and hold meetings with applicable agencies and BOOTS LLC representatives/consultants.
- ◆ Manage Design and Construction portions of the DRAFT Application: review draft design and construction portions of the BOOTS Application and make sure that relevant Agency staff review and comment on applicable sections in a timely and complete manner.

Suggested Participants:

Government: USCG, MARAD, MMS (New Orleans), RSPA (Office of Pipeline Safety), Army Corps of Engineers (Galveston District)

BOOTS LLC: Engineering Representative (KBR), Peter Fantl

Operation / Navigation Working Group

Primary Goals – Ensure that BOOTS project will operate so as to prevent or minimize adverse impact on the marine environment. Ensure that BOOTS will be compatible with navigation and other operations in the Gulf of Mexico and will operate safely.

General Tasks

- ◆ Minimize impact of project operation and resulting navigation on the marine and onshore environment.
- ◆ Coordinate with the EA / EIS and Design / Construction Working Groups to ensure that BOOTS project uses best available technology for siting, design, construction, operation, and land use.

Specific Priorities

- ◆ Consult with applicable departments (including DOT, Department of State and possibly Department of Commerce) regarding international navigation concerns and laws.
- ◆ Establish comprehensive contact list for agencies, state and federal, that must be consulted and/or have jurisdiction over laws, regulations and conditions of the license that pertain to operation of the deepwater port and its onshore components, excluding environmental laws.
- ◆ Create comprehensive list of clearances that must be obtained from the above agencies.
- ◆ Schedule and hold meetings with applicable agencies and BOOTS LLC representatives/consultants.
- ◆ Establish timeline for receiving offshore AND onshore operational permits/clearances.
- ◆ Manage preparation of DRAFT Operations Manual: review drafts of Operations Manual and make sure that relevant Agency staff review and comment on applicable sections in a timely and complete manner.

Suggested Participants:

Government: USCG, MARAD, RSPA, Department of State (for international/Law of the Sea expertise)

BOOTS LLC: Ron Kaltenbaugh, Engineering Representative (KBR),
Operational Consultant

HOGAN & HARTSON
L.L.P.

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July 19, 2001

Frank Esposito
U.S. Coast Guard Headquarters
2100 2nd Street, S.W.
Washington, DC 20593-0001

**Re: Guide to Preparation of Environmental Analyses for
Deepwater Ports**

Dear Mr. Esposito:

On behalf of BOOTS L.L.C., I am writing regarding the U.S. Department of Transportation (DOT) document entitled "Guide to Preparation of Environmental Analyses for Deepwater Ports," DOT, Coast Guard, Deepwater Ports Project, Office of Marine Env't. and Systems (1975) (hereafter "Coast Guard Guide" or "the 1975 Guide"). As you know, BOOTS L.L.C. plans to construct and operate a deepwater port facility capable of receiving ships of all sizes in the Gulf of Mexico, and will be preparing an Environmental Analysis in support of its Deepwater Port Act license application. Accordingly, we are interested in the requirements for preparation of such an analysis.

Together with the BOOTS environmental consultant, Ecology and Environmental, Inc., we have reviewed the 1975 Guide, and have identified a number of areas in which we believe it could be updated or improved. Our comments are outlined below. In general, the comments reflect our belief that the 1975 Guide should follow the organizational format used in environmental impact statements (EISs) undertaken pursuant to the requirements of the National Environmental Policy Act (NEPA). Such an approach not only would provide a preferable organizational format and a more streamlined method, but also would facilitate the DOT's subsequent preparation of an EIS for a proposed project. In order to help illustrate the advantages of the EIS format approach, we have prepared a chart comparing the 1975 Coast Guard Guide format with the traditional EIS format. The chart is attached as Attachment A to this letter.

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In addition to our comments on the 1975 Guide, we have prepared a sample detailed table of contents for a deepwater port Environmental Analysis, which incorporates our suggested revisions to the Environmental Analysis methodology and is consistent with the EIS format outlined in Attachment A. The sample table of contents is attached as Attachment B. We would appreciate having your response both to the concerns outlined below, and to the attached documents.

1. Required Data Collection

Chapter 2 of the 1975 Guide, entitled "Environmental Conditions," is aimed at the collection of comprehensive information on the basic environmental conditions of the area that may be affected by a deepwater port project. As an initial matter, we note that this chapter of the 1975 Guide divides the potentially affected environment into three zones: terrestrial, marine, and terrestrial/marine interface (or coastal). We recommend that the analysis be divided into two zones, marine and on-shore, rather than three. Since the area impacted by a deepwater port project is largely coastal, any attempt to separate out coastal environmental conditions from marine or on-shore conditions is likely to be awkward and involve much redundancy. Rather, we suggest that coastal resources and systems be addressed as appropriate within the discussions of the marine and on-shore environments.

As noted, the objective of Chapter 2 of the 1975 Guide is to establish baseline environmental conditions, in order that any impacts on the marine environment caused by a deepwater port project may be adequately assessed by measuring them against this baseline information. Chapter 2 appears to envision that data on the baseline environmental condition of the potentially affected area will be field collected. For instance, Section 2.2 of the 1975 Guide requires a wide variety of baseline data on meteorology and climatology, as well as tides, currents, circulation and waves, and notes that "[d]ata on wind should be collected concurrently with data on water currents." Coast Guard Guide at 2-14. The 1975 Guide further requires that the baseline data cover at least one full year. See, e.g., id. at 2-1 ("[t]o be statistically valid, the information presented should be based on observations and measurements taken over an appropriate period to reflect natural variation (a minimum of one full year will be required to identify seasonal variations)").

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These requirements probably were appropriate when the Guide was drafted in 1975; however, since that time – during which there has been much offshore development and accompanying infrastructure construction in the northern Gulf of Mexico – a great deal of information concerning environmental conditions has become available. In fact, much of this type of information is available in published scientific literature, governmental databases, and previously completed Environmental Assessments (EAs) and EISs. For example, the many documents prepared pursuant to NEPA for oil and gas lease sales sponsored by the Minerals Management Service (MMS) of the Department of the Interior, as well as other deepwater development activities, provide a wealth of information on the marine environment in the northern Gulf of Mexico. See, e.g., MMS, Final Environmental Impact Statement, Gulf of Mexico OCS Oil and Gas Lease Sales 171, 174, 177, and 180 (May 1998); MMS, Deepwater Development: A Reference Document for the Deepwater Environmental Assessment, Gulf of Mexico OCS (1998 through 2007) (May 2000); MMS, Environmental Assessment, Deepwater Operations and Activities (May 2000). In addition, federal and state agencies, including the National Marine Fisheries Service, the U.S. Fish and Wildlife Service, and the Biological Resources Division (BRD) of the U.S. Geological Survey, have identified areas of importance for fish and shellfish spawning and growth, as well as zones of passage during migration. The MMS and BRD have funded research efforts on critical faunal groups in the northern Gulf of Mexico. Thus, ample current data already are available concerning the biological features and resources of offshore and nearshore marine areas in the northern Gulf of Mexico. We do not believe there is a need for additional field studies to evaluate these features and resources.

Moreover, a more streamlined approach to collection of baseline information would be consistent with other regulatory guidance concerning environmental analyses. For instance, the DOT Order regarding procedures for considering environmental impacts states that an environmental impact statement should "succinctly describe" the environment of the area affected by a proposed action, and that "[t]he amount of detail provided in such descriptions should be commensurate with the extent and expected impact of the action, and with the amount of information required at the particular level of decision making (planning, feasibility, design, etc.)." DOT Order 5610.1C, Att. 2 (Sept. 18, 1979). The DOT Order thus appears to recognize that collection of data concerning the existing environment may be appropriately tailored to the circumstances of the particular project. Similarly, the regulations implementing NEPA state that descriptions of the affected environment "shall be no longer than is necessary to understand the

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effects of the alternatives," and that agencies "shall avoid useless bulk in statements and shall concentrate effort and attention on important issues." 40 C.F.R. § 1502.15.

Accordingly, we believe that baseline data collection requirements for deepwater port projects should be streamlined to reflect the circumstances of an individual project, and should not impose broad information-gathering requirements for all situations, especially situations in which the information already is available. We therefore recommend that the Coast Guard Guide be revised to clarify that baseline environmental data may be provided by reference to existing documents or government materials, where such existing materials are sufficiently detailed, current, and applicable to the location of the proposed project to enable analysis of the effects of the proposed project on the environment. The Coast Guard Guide also should clarify that new field collections of data are not necessarily mandated. Of course, existing information may be verified or supplemented with new data collections where necessary and appropriate.

2. Evaluation of Alternatives

Chapter 4 of the 1975 Guide, titled "Reasonable Alternatives and Associated Environmental Impacts," addresses alternatives to a proposed deepwater port project. The stated purpose of the chapter is to "describe the reasonable alternatives to the project as proposed." Coast Guard Guide at 4-1. Although the Guide is not entirely clear, it appears to raise the expectation that an applicant will conduct detailed evaluations of a wide variety of scenarios for crude oil transport facilities and operations. For instance, the 1975 Guide requires that a "discussion of alternatives" be developed for each of the following: alternatives to deepwater port development; alternative deepwater port sites; alternative deepwater port design; alternative systems and components; alternative port construction; alternative port operation; and alternative port termination. *Id.* at 4-2.

The expectation of a broad evaluation of alternatives may have been reasonable when the Coast Guard Guide was written twenty-five years ago, when information concerning the best available technology for oil transport was quite limited. However, since the 1975 Guide was written, there has been a significant accumulation of knowledge and experience regarding the best available technology, and the potential range of choices for port design and operation simply is not as

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broad as the 1975 Guide would suggest. The particular features of a proposed project are determined by a number of factors, such as the need for alternatives to current transport methods, refinery market location, deepwater port economics (i.e., the potential oil transport cost savings associated with the proposed project), and physical setting. These factors limit the alternatives that reasonably may be available; different choices for port site or design are really not reasonable alternatives if they fail to meet the purpose and need for the proposed project. For example, if a deepwater port is proposed for a particular site in order to alleviate a localized oil transport inefficiency, moving the port to a different site may not meet the localized need for the port. Similarly, adopting an entirely different concept, such as expanding the capacity of an existing port or deepening an existing channel, would involve environmental and economic obstacles of such a magnitude that such options would not achieve the original goals of the project. Thus, the range of realistic alternatives to a proposed project is not nearly so broad as the 1975 Guide would imply.

The accumulation of knowledge regarding best available technology since the Coast Guard Guide was written also means that there are few proposals that would use unconventional or untested approaches to design, construction or operation. A full and detailed consideration of alternatives may be appropriate when a proposed project would use an unproven approach. However, when an applicant seeks to use conventional design, construction and operation methods, and the soundness of those methods already has been established, a detailed analysis and comparison of alternatives is not warranted.

We do not mean to suggest that alternatives to a deepwater port project should not be considered; rather, a more targeted consideration of alternatives is appropriate. First, a proposed action should be compared to existing conditions (i.e., the no-action alternative). This comparison should be detailed and comprehensive. Second, a screening process should be used to identify alternatives that meet the goals of the proposed project; those alternatives that seem likely to fulfill the purpose, need and economic objectives for the project should be further evaluated. Those alternatives that do not seem likely to meet the objectives of the project should be eliminated, with an explanation provided of the reasons for their elimination. For those alternatives selected for further evaluation, the evaluation should consider the alternatives against three basic criteria: operational requirements, accident potential, and potential impacts to environmental quality. The evaluation of alternatives should be comparative. However, an in-depth,

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detailed quantitative analysis is not warranted unless the differences between alternative scenarios or components are substantial, and quantification is practical and useful for drawing important conclusions.

The approach suggested in the preceding paragraph is consistent with other environmental analysis guidelines. For example, NEPA requires agencies to "study, develop, and describe appropriate alternatives to recommended courses of action in any proposal which involves unresolved conflicts concerning alternative uses of available resources." 42 U.S.C. § 4332(2)(E). This mandate is entirely reasonable; it requires evaluation of appropriate alternatives when there are conflicts about uses of available resources. It does not impose a sweeping requirement for consideration of all aspects of every alternative. Similarly, the DOT Order concerning procedures for considering environmental impacts requires evaluation of "all reasonable alternative actions, particularly those that might enhance environmental quality or avoid some or all of the adverse environmental effects" of the proposed project. DOT Order 5610.1C, Att. 2 (Sept. 18, 1979). The Order states that the alternatives analysis should be "sufficiently detailed to reveal comparative evaluation of the environmental benefits, costs, and risks of each reasonable alternative." *Id.* Again, this is a more appropriate approach, in that it provides for consideration of alternatives that are reasonable and that have the potential to reduce adverse environmental impacts, rather than consideration of all alternatives. Moreover, the DOT Order provides for a "sufficiently detailed" analysis to allow comparative evaluation, but does not require an in-depth quantitative analysis.

We therefore recommend that the Coast Guard Guide clarify that it does not require a full-blown analysis of a wide variety of scenarios, regardless of whether they meet the objectives, purpose and need for the proposed project, and regardless of whether the proposed project would utilize sound and established approaches to design, construction and operation. Instead, the Guide should make clear that providing a detailed comparison of the proposed project with the no-action alternative, together with a full explanation of the screening process through which other alternatives to the proposed project were eliminated, satisfies the alternatives evaluation requirements of the EA.

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3. Risk Analyses

The purpose of Chapter 5 of the Coast Guard Guide, entitled "Accident Potential and Oil Spill Analysis," is to provide for detailed evaluation of the accident potential associated with a proposed project and its reasonable alternatives. The Guide appears to require a comprehensive analysis of a wide variety of potential impacts and types of accidents under different environmental conditions, for both the proposed site and in comparison with numerous alternatives. We firmly believe that a more targeted and focused approach is appropriate, and will provide the information necessary for decision-making. Specifically, we recommend a multi-phase approach similar to that outlined in the preceding section for evaluation of alternatives. Under this approach, the first step is analysis of the proposed deepwater port project. The hazards associated with all aspects of the proposed project would be identified, and the risk that failure will occur, causing a spill, would be quantified for each aspect of the project. The overall risks of the proposal would be quantified by calculating the frequency of occurrence of each component of the project. The risk analysis for the proposed action could then be compared to the existing conditions (i.e., the no-action alternative).

The next step under our recommended approach is to evaluate the risks associated with alternatives to the proposed project. This evaluation would involve identification of a range of reasonable alternatives for such characteristics as location, design, construction, operations and termination. (As detailed in the preceding section, the alternatives to be considered are those that reasonably may be expected to meet the goals of the project; evaluation of all possible alternatives should not be required.) At this stage, the risk evaluation should be qualitative – that is, an assessment of whether the particular alternative will increase or decrease the risk of an oil spill – or, if possible, semi-quantitative, stating the approximate magnitude of the increase or decrease in risk (i.e., double or half). If it appears that a specific alternative would significantly decrease the overall spill risk, that alternative should be subject to more detailed evaluation. We note that this type of approach was used recently by the MMS in preparing the EIS for the Proposed Use of Floating Production, Storage and Offloading (FPSO) Systems on the Gulf of Mexico Outer Continental Shelf. See MMS, Final Environmental Impact Statement, Proposed Use of FPSO Systems on the Gulf of Mexico and Outer Continental Shelf, § 4.4.1 (MMS 2000-90) (Jan. 2001).

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Accordingly, we recommend that the Coast Guard Guide set forth a more streamlined approach to risk analysis. Under this approach, an applicant would provide a quantified and detailed evaluation of the risks associated with the proposed project, and then would provide a qualitative or semi-quantitative evaluation of alternative scenarios. Alternatives that appear to significantly decrease the oil spill risk would be subject to more detailed evaluation. In addition, we recommend that the Coast Guard Guide clarify that a detailed quantitative analysis of all alternative scenarios is not required.

We also note that under the 1975 Guide, accidents include failures, errors or incidents "which result in threats to human safety." Coast Guard Guide at 5-1. However, the 1975 Guide does not specify the extent to which risk to personnel, such as workers or the public, is to be quantified. We believe that additional guidance is needed as to the level of detail expected regarding evaluations of a proposed development's risk to human safety.

4. Cost-Benefit Analysis

Pursuant to Chapter 6 of the 1975 Guide, "Economic Impact Analysis," the economic, social and environmental costs and benefits of a proposed deepwater port project must be fully analyzed. Although the 1975 Guide is not entirely clear, it appears to require a rigorous and comprehensive cost-benefit analysis capturing every possible, far-reaching economic consequence of each aspect of a proposed project, as well as its alternatives. This analysis would appear to include an assessment of all costs and benefits, including secondary, indirect and external costs and benefits. The assumption, seemingly, is that the impact of all factors involved in a deepwater port project can be quantified into monetary values, and then translated into an equation that gives a clear indication of the best alternative. We believe that this type of extensive economic analysis is not necessary or useful. Attempting to identify and quantify all levels of potential cost associated with myriad alternatives requires highly subjective modeling and involves many assumptions regarding future actions and economic conditions. Consequently, the results of such an economic assessment are neither focused nor meaningful. Instead, we believe the cost-benefit analysis should be more streamlined, to provide the information reasonably necessary for understanding the socioeconomic effects of the project and making a decision.

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To achieve this goal, we recommend an approach that would first identify and quantify the direct impacts of the project on a wide range of socioeconomic factors, such as employment, income, and local tax revenues. Next, the indirect and induced effects of the project would be identified and described. However, these effects would be presented in a semi-quantitative or qualitative fashion, and most likely would not be expressed in monetary values. This is because indirect and induced impacts may be dependent on future economic conditions and/or a variety of socioeconomic factors that are neither reasonably foreseeable nor attributable to the proposed project, and thus may not be accurately quantifiable. Both the direct and indirect impacts of the proposed project would be compared to the existing or no-action scenario. The direct and indirect economic impacts of the other alternatives selected for further evaluation (as described in section 2 above) also would be compared against the no-action alternative. Performing the analysis in this manner would provide a clear indication of potentially significant differences in cost, and would enable decision-makers to draw important conclusions, which should be the goals of the cost-benefit analysis.

A more tailored approach to cost-benefit analysis would be consistent with the EIS regulations issued by the Council on Environmental Quality (CEQ) pursuant to NEPA. The regulations state that "the weighing of the merits and drawbacks of the various alternatives need not be displayed in a monetary cost-benefit analysis and should not be when there are important qualitative considerations." 40 C.F.R. § 1502.23. The regulations recognize that a rigorous cost-benefit evaluation is not necessarily warranted or appropriate in all situations.

Therefore, we believe that the Coast Guard Guide should be revised to reflect the CEQ mandate by allowing a more streamlined economic analysis. It also should clarify that a monetary cost-benefit analysis is not necessarily required.

5. Applicable Laws

Appendix A of the Guide addresses the environmental laws related to the construction and operation of the proposed project, and lists the laws for which evidence of compliance must be provided. Coast Guard Guide at A-1. We believe that this Appendix should be updated to reflect developments in environmental law occurring since 1975. We suggest that the Coast Guard consider requesting from the other affected federal agencies updated comments as to their statutory responsibilities, as outlined in the Deepwater Ports Act, 33 U.S.C. § 1504(e)(1).

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These updated comments, in turn, can be used to revise the list of applicable laws found in Appendix A of the Guide.

* * *

We hope that you find these comments helpful, and we appreciate your consideration. We would be happy to discuss these issues with you at any time.

Sincerely,


James T. Banks

Attachments

Coast Guard 1975 EA Guide Format vs. Traditional EIS Format

Coast Guard 1975 EA Guide Format			NEPA EIS Format	Comments
Chapter	Chapter/Section Title	Section Number	Section Number	
1	Description of the Proposed project	1	1	
2	Environmental Conditions	2	3	
	Terrestrial Environment	2.1	3.1	
	Marine Environment	2.2	3.2	
	Marine-Terrestrial Interface Environment	2.3	Included within Sections 3.1 and 3.2.	More efficient and less redundant to consider coastal issues within the marine and onshore environment discussions.
3	Probable Impacts of the Proposed Project	3	4	Under a NEPA-like format, Section 4 would be entitled "Environmental Consequences, Cumulative Effects and Mitigation"
	Relationship Between Local Short Term Uses of the Human Environment and the Maintenance and Enhancement of Long-Term productivity	3.1	4.9	

Coast Guard 1975 EA Guide Format vs. Traditional EIS Format

Coast Guard 1975 EA Guide Format		NEPA EIS Format	Comments
Chapter	Chapter/Section Title	Section Number	Section Number
	Effect of Deepwater Port Development on the Marine Environment	3.2	4.1 Impact producing Factors
	Effect of Land-Based Developments Which are Related to Port Development	3.3	4.3 Environmental Impacts of the Proposed Action – Routine Operations <i>[Sections addressing: Air Quality, Water and Sediment Quality, Coastal Environments, Offshore Environments, Vegetation and Wildlife, Threatened and Endangered Species, Commercial Fisheries, Social and Economic Systems, Recreational Resources and Beach Use, Cultural Resources, Other Uses, Mitigation]</i>
	Human Health and Welfare	3.4	4.4 Environmental Impacts of the Proposed Action – Accident/Upset (Oil Spill) <i>[Sections addressing: Air Quality, Water and Sediment Quality, Coastal Environments, Offshore Environments, Vegetation and Wildlife, Threatened and Endangered Species, Commercial Fisheries, Social and Economic Systems, Recreational Resources and Beach Use, Cultural Resources, Other Uses, Mitigation]</i>
	Impacts to Existing and Possible Future Uses... Marine Life	3.5	4.2 Cumulative Impact Producing Factors 4.5 Cumulative Effects
	Impacts to Existing and Possible Future Uses... Onshore and other	3.6	4.2 Cumulative Impact Producing Factors 4.5 Cumulative Effects

Coast Guard 1975 EA Guide Format vs. Traditional EIS Format

Coast Guard 1975 EA Guide Format		NEPA EIS Format		Comments
Chapter	Chapter/Section Title	Section Number	Section Number	
	Impacts to Existing and Possible Future Uses...Marine Physical Environment	3.7	4.2 Cumulative Impact Producing Factors 4.5 Cumulative Effects	
	Energy Impacts	3.8	4.10	This section would also address the recent Executive Order on "Actions Concerning Regulations that Significantly Affect Energy Supply, Distribution, or Use" (E.O. 13211).
	Impacts on Historic, Archaeological and Cultural Sites	3.9	Addressed within both 4.3 and 4.4	
	Probable Adverse Impacts Which Cannot be Avoided	3.10	4.7	If this is the of section becomes section 4.7, then revise title to: "Unavoidable Impacts of the Proposed Project."
4	Reasonable Alternatives and Associated Environmental Impacts	4	2	In addition to screening alternatives for meeting "Purpose and Need" and environmental criteria, this section would include economic and cost benefit comparisons for alternative scenarios and design elements as required under Coast Guard Guide Chapter 6.

Coast Guard 1975 EA Guide Format vs. Traditional EIS Format

Coast Guard 1975 EA Guide Format			NEPA EIS Format	Comments
Chapter	Chapter/Section Title	Section Number	Section Number	
5	Accident Potential and Oil Spill Analysis	5	4. Environmental Impacts of the Proposed Project – Potential Accidents and Upsets (Oil Spill) 4.4.1 Risk Assessment 4.4.2 Oil Spill Risk Analysis 4.4.3 Marine Environment 4.3.4 Onshore Environment	
6	Economic Impact Analysis	6	1 and 2	This requirement would be addressed in sections 1 and 2 of the environmental analysis if it were prepared in a NEPA-type document format.
	General	6.1	1 (Economics of the Proposed Project) 2 (“With and Without” Analysis)	
	Reasonable Alternatives	6.2	2 (Description and Comparison of Alternatives against all criteria, including economic / cost benefit factors)	
	Environmental and Economic Analysis Tables	6.3	1 (Economics of the Proposed Project) 2 (Comparison of Alternatives)	
7	Measures to Ameliorate Adverse Impacts and Risks	7	4.6 Mitigation measures and Risk Reduction Measures	

Coast Guard 1975 EA Guide Format vs. Traditional EIS Format

Coast Guard 1975 EA Guide Format		NEPA EIS Format		Comments
Chapter	Chapter/Section Title	Section Number	Section Number	
8	Summary Comparison of Anticipated Impact of Proposed Port and Key Alternatives	8	2 (Comparison of Alternatives)	
			5 Regulatory and Administrative Framework	
			6 Consultation and Coordination	

BOOTS License Application Environmental Analysis Table of Contents

[Note: Where relevant, explanations of individual sections are provided in brackets.]

1. Description of the Proposed Project

1.1 Introduction

1.2 Purpose and Need

1.3 Proposed Project

[This section would provide a comprehensive and detailed description of the project so that all subsequent references to the proposed action may refer back to elements of the project disclosed here. The description would cover the following categories:]

1.3.1 Port Location

1.3.2 Port Design

1.3.3 Port Construction

1.3.4 Port Operation

1.3.5 Port Termination

2. Alternatives

2.1 Identification of Alternatives

[This section would discuss how screening was performed to identify reasonable alternatives that meet the criteria for satisfying the stated "purpose and need" for the project and afford Best Available Technology (BAT).]

2.2 Description of Alternatives

[This section would define alternatives to the extent that each scenario or design element can be compared against the proposed action, distinguishing elements can be ascertained, and risks, impacts and benefits assessed.]

2.2.1 No Action

2.2.2 Deepwater Port Development

2.2.3 Deepwater Port Sites

2.2.4 Deepwater Port Design

2.2.5 Port Components and Configuration

2.2.5 Port Construction

2.2.6 Port Operations

2.2.7 Port Termination

2.3 Comparison of Alternatives

[This section would provide a summary comparison of economic, social and environmental benefits and costs.]

- 2.4 Selection of the Preferred Alternative (i.e., the proposed project)
[This section would set forth the basis for selection of the preferred alternative, as driven by "purpose and need," economic, social and environmental criteria.]

3. Description of Existing Conditions

3.1 Marine Environment

[The description of the marine environment that would be provided in this section would use and reference existing literature (i.e. studies and recently prepared NEPA documents), and, if necessary and appropriate, could be supplemented with site-specific data generated from or in conjunction with engineering surveys.]

3.1.1 Physical Elements

3.1.1.1 Meteorology, Climatology and Air Quality

[This section would utilize the extensive available database covering both normal and extreme meteorological events and climatology in the northern Gulf of Mexico.]

3.1.1.2 Water and Sediment Quality

[This section would rely on the extensive chemical oceanographic studies that have been conducted throughout the northern Gulf of Mexico, which provide a description of the major marine chemical constituents, pertinent trace metals, and petroleum compounds.]

3.1.1.3 Physical Oceanography

[This section would utilize existing data on the baseline physical oceanography for the continental shelf along the northern Gulf of Mexico, which is well established and has been extensively reviewed specifically for potential navigation hazards, pipeline installation, fate and effect of spilled oil, dredging, and biological impacts]

3.1.1.4 Bathymetry

[Detailed bathymetric charts from proposed facility locations, approaches, anchorage locations, safety zones, mooring locations, and along proposed pipeline routes, would accompany the permit application. In the environmental analysis section of the permit application, site-specific bathymetric data would be summarized and discussed with respect to the project's influence on circulation patterns and sediment transport. Wrecks or other features such as topographic highs or live bottom areas rising from the seafloor would be detected on hydrographic and hazard

surveys, and discussed under the appropriate sections of the EA. Additional field confirmation survey of such features may be necessary, and would be discussed as appropriate.]

3.1.1.5 Geology and Mineral Resources

[Site-specific geological studies, including hazard studies, would need to be conducted at any proposed alternative project sites and along any possible marine pipeline routes. This section would discuss information regarding the potential to impact future mineral/hydrocarbon resources extraction activities.]

3.1.2 Biological Resources

[This section would utilize the abundant existing baseline information on the biological features of offshore and nearshore marine areas in the northern Gulf of Mexico, including data collected the National Marine Fisheries Service, U.S. Fish and Wildlife Service, Biological Resources Division (BRD) of the U.S. Geological Survey, and many state environmental protection agencies. All these agencies would be consulted, and the pertinent data reviewed and summarized in the relevant EA subsections below.]

3.1.2.1 Benthic Community

3.1.2.2 Planktonic Community (Phytoplankton, Zooplankton)

3.1.2.3 Fish and Fisheries

3.1.2.4 Marine Mammals

3.1.2.5 Marine Birds

3.1.2.6 Marine Turtles

3.1.2.7 Coastal Communities

3.1.3 Cultural resources

[This section would rely on existing literature, SHPO consultation, and review of the results of engineering surveys (i.e., geotechnical and hazard survey.)

3.1.3.1 Prehistoric Resources

3.1.3.2 Historic Resources

3.2 Onshore Environment

[This section would utilize existing literature and documentation obtained from federal and state agencies, with certain subjects requiring field confirmation as indicated in the subsections below:]

3.2.1 Physical Elements

3.2.1.1 Air Quality

[Information on climate, meteorological conditions and air quality would be presented here. EPA and TNRCC sources regarding the status of attainment/non-attainment for each of the affected port regions would be utilized, as would special air quality designations associated with public lands in the vicinity.]

3.2.1.2 Water Resources

[This section would discuss the hydrology of the region, as well as water quality status and usage issues. A wetland delineation may be necessary, and would be included here.]

3.2.1.3 Geology and Soils

[The geologic profile and economic geology of the region would be summarized in this section, which would describe soil types, characteristics, and limitations, as well as soils considered to be prime farmland.]

3.2.2 Biological Resources

[This section would rely on the available literature to characterize the flora, fauna and habitats of the region. In addition, observations made during a wetland delineation survey would be used in conjunction with maps and photo imagery to describe communities present along the route.]

3.2.2.1 Vegetation

3.2.2.2 Wildlife

3.2.2.3 Threatened and Endangered Species

[Federal and state agency records of occurrence for threatened and endangered species would be used to identify known locations in proximity to the pipeline route; in addition, field confirmation of certain species and/or the existence of suitable habitats may be necessary]

3.2.3 Socioeconomics

[This section would utilize existing literature, Census, and other government data sources. Both the site of the proposed project and all affected port communities would be addressed with regard to the following: demographics, employment, income, revenues, taxes, schools and services].

3.2.4 Land Use and Aesthetics

[This section would address existing land use, local development controls, future land use plans, and public lands; recreation also could be addressed here as a land use activity]

3.2.5 Transportation and Infrastructure

[This section would describe marine and other shoreside transportation systems, and levels of service as relevant to the proposed project. This description would include the setting of overall marine transportation systems and the level of crude oil transport activity in all affected ports. The description of port infrastructure would follow the same approach.

3.2.6 Cultural Resources

[This section would rely on existing literature and SHPO consultation. In addition, field confirmation surveys likely may be necessary.]

3.2.6.1 Prehistoric

3.2.6.2 Historic

4. Environmental Consequences, Cumulative Effects, and Mitigation

4.1 Impact Producing Factors

4.1.1 Construction

4.1.2 Routine Operations

4.1.3 Decommissioning

4.1.4 Potential Accidents/Upsets

4.2 Cumulative Impact Producing Factors

[This section would identify the cumulative scenario for the Gulf of Mexico, identifying the context of past, present and reasonably foreseeable future actions within which the proposed project would occur.]

4.3 Environmental Impacts of the Proposed Project - Routine Operations

[This section would address the impacts of construction, operations and eventual decommissioning of the port. Existing and recent MMS NEPA documents contain relevant information regarding impacts of routine operations in the GOM, and would be used in this section. In addition, established definitions in recent MMS documents for duration/magnitude and "significance criteria" are relevant and would be utilized here. The potential for secondary and induced impacts and benefits to each resource or system would be explored, and described to the extent they are notable]

4.3.1 Marine Environment

4.3.1.1 Air Quality

- 4.3.1.2 Water and Sediment Quality
- 4.3.1.3 Physical Oceanography
- 4.3.1.4 Geology and Mineral Resources
- 4.3.1.5 Benthic Community
- 4.3.1.6 Planktonic Community (Phytoplankton, Zooplankton)
- 4.3.1.7 Fish and Fisheries
- 4.3.1.8 Marine Mammals
- 4.3.1.9 Marine Birds
- 4.3.1.10 Marine Turtles
- 4.3.1.11 Coastal Communities
- 4.3.1.12 Cultural Resources

- 4.3.2 Onshore Environment
 - 4.3.2.1 Air Quality
 - 4.3.2.2 Water Quality
 - 4.3.2.3 Geology and Soils
 - 4.3.2.4 Vegetation
 - 4.3.2.5 Wildlife
 - 4.3.2.6 Threatened and Endangered Species
 - 4.3.2.7 Socioeconomics
 - 4.3.2.8 Land Use and Aesthetics
 - 4.3.2.9 Transportation and Infrastructure
 - 4.3.2.10 Cultural resources

- 4.4 Environmental Impacts of the Proposed Project – Potential Accidents and Upsets (Oil Spill)
 - 4.4.1 Hazard Analysis and Risk Assessment
[This section would focus on the hazards, risks and risk reduction measures as addressed for the proposed action. The findings of this section would be presented in summary form in Section 2 (Alternatives) so that the relative hazards/risks of the various reasonable alternatives can be compared against the proposed project.]
 - 4.4.1.1 Methodology
 - 4.4.1.2 Hazard Analysis
 - 4.4.1.3 Risk Assessment
 - 4.4.1.3 Summary of Results

 - 4.4.2 Oil Spill Risk Analysis
[The oil spill risk analysis would examine the conditional probability that a hypothetical oil spill originating in the vicinity of the proposed terminal location could contact coastline areas and sensitive offshore receptors. This section would utilize data from the MMS FPSO EIS

oil spill model, which was run for numerous shipping fairway locations offshore of Sabine Pass.

Conditional probabilities for oil spill contact with Texas county and Louisiana Parish coastline segments would be provided, as well as for offshore sensitive areas (e.g., Flower Garden Banks, Steson Bank, the western winter menhaden spawning grounds, and Texas/Louisiana state waters, among others)

This section would rely on such sources as the proposed Deepwater Port Operations Plan, the MMS FPSO EIS oil spill response capability assessment, and the MMS dispersant studies to address the role of oil spill response in lessening the magnitude and impact of an oil spill event should it occur.]

4.4.2.1 Methodology

4.4.2.2 Conditional Probability of Contact

4.4.2.3 Oil Spill Response

4.4.2.4 Results

4.4.3 Marine Environment

[This section would address the environmental and socioeconomic impact of an oil spill should one occur. The MMS FPSO EIS is an excellent recent source of information on this topic, and would be utilized in this section. In addition, socioeconomic systems for coastal Texas and Louisiana counties and parishes may require more detailed examination.]

4.4.3.1 Air Quality

4.4.3.2 Water and Sediment Quality

4.4.3.3 Physical Oceanography

4.4.3.4 Geology and Mineral Resources

4.4.3.5 Benthic Community

4.4.3.6 Planktonic Community (Phytoplankton, Zooplankton)

4.4.3.7 Fish and Fisheries

4.4.3.8 Marine Mammals

4.4.3.9 Marine Birds

4.4.3.10 Marine Turtles

4.4.3.11 Coastal Communities

4.4.3.12 Cultural resources

4.4.4 Onshore Environment

4.4.4.1 Air Quality

4.4.4.2 Water Quality

4.4.4.3 Geology and Soils

- 4.4.4.4 Vegetation
- 4.4.4.5 Wildlife
- 4.4.4.6 Threatened and Endangered Species
- 4.4.4.7 Socioeconomics
- 4.4.4.8 Land Use and Aesthetics
- 4.4.4.9 Transportation and Infrastructure
- 4.4.4.10 Cultural resources

- 4.5 Cumulative Effects
[This section would place the proposed project into the context of past, present and foreseeable future actions expected to occur in the Gulf of Mexico region. MMS NEPA documents recently have examined cumulative effects over extended periods, and would serve as excellent data sources for this section. In addition, this section would examine more specifically environmental and socioeconomic trends for ports and port communities in the immediate region of the proposed projects that could be affected by project operations.]
- 4.6 Mitigation Measures
[This section would address both mitigation and risk-reduction measures, including a discussion of the potential environmental quality benefits associated with the project in terms of oil spill risk reduction and emissions reduction, compared to current crude oil transport methods.]
- 4.7 Unavoidable Adverse Impacts of the Proposed Project
- 4.8 Irreversible and Irretrievable Commitment of Resources
- 4.9 Relationship Between the Short Term Use of the Human Environment and the Maintenance and Enhancement of Long-Term Productivity
- 4.10 Energy Requirements of the Project and Conservation Potential

5 Regulatory and Administrative Framework

6 Consultation and Coordination

[This section would describe the various agency consultations undertaken during the EA development process and the basic status and results of those consultations, as well as summarizing any NGO coordination efforts.]



July 13, 2001

The Honorable Norman Y. Mineta
Secretary
Department of Transportation
400 Seventh Street, S.W.
Washington, D.C. 20590

Joseph M. Monroe
Chairman and CEO
BOOTS, LLC

Dear Mr. Secretary:

14141 Southwest Freeway

Sugar Land, Texas 77478

Phone: 281.287.7775

Fax: 281.287.7331

jmmonroe@unocal.com

I am writing to provide you with a brief overview of the major crude oil transportation project we are developing for the Gulf of Mexico off the coast of Texas. Due to the fact that the timeliness and energy benefits of this project are directly affected by the DOT's responsibility to coordinate all federal permitting, we respectfully request that you convene a meeting of representatives designated by you and the Secretary of Energy, Secretary of the Interior, and Administrator of EPA, in accordance with the President's recent energy message, to assure a coherent multi-agency approach to DOT's licensing process.

BOOTS (which stands for the Bulk Oil Offshore Transfer System) will be a deepwater port facility capable of receiving ships of all sizes. It will include ship moorings and a pumping platform located 70 miles offshore, together with a 48-inch pipeline capable of transporting up to 1.25 MMBPD to terminal facilities in Nederland, Texas. BOOTS will incorporate state-of-the-art equipment and operational controls to ensure environmentally safe crude oil transfer from vessels to on-shore terminal facilities. Our goal is to have BOOTS operational by 2004.

As you know, the President's Energy Policy places great emphasis on modernizing the nation's energy infrastructure and improving refinery capacity to ensure that energy supplies can be transported safely, reliably and affordably. The Policy also stresses the need to increase energy supplies from domestic sources and elsewhere in the Western Hemisphere, thereby enhancing our nation's energy security. BOOTS will address these needs by:

- improving energy transportation infrastructure by reducing bottlenecks in port facilities and maximizing the capabilities of vessels, terminals and onshore pipeline networks;



The Honorable Norman Y. Mineta
July 13, 2001
Page 2

- facilitating delivery of crude oil produced in deep waters of the Gulf of Mexico, and encouraging increased imports of crude oil from Mexico and South America by providing an economical, safe and secure delivery point;
- providing the capability to supply Strategic Petroleum Reserves in Texas and Louisiana;
- reducing environmental emissions and risks associated with near-shore vessel transport and repetitive transfer of oil to smaller ships for on-shore port delivery;
- lowering oil delivery costs by reducing demurrage, allowing customers to increase investments in refinery capacity expansion and on-shore infrastructure improvements, and to lower consumers' costs; and
- increasing supply reliability to Gulf Coast refineries.

In short, BOOTS is an outstanding energy transportation project that will meet the nation's needs in many ways.

As I noted at the outset of this letter, BOOTS must be licensed by the Department of Transportation pursuant to the federal Deepwater Ports Act. The Act is unusual in that it concentrates all necessary federal approvals in a single license, but it also mandates considerable consultation between DOT and many other departments and agencies within a very short time frame. DOT also must prepare an Environmental Impact Statement for the license decision.

Mindful of the significant commitment of resources the Department will need to make in support of this licensing proceeding, we have undertaken a series of steps to coordinate our efforts with officials of the Maritime Administration, the Coast Guard and the Office of Pipeline Safety within the Department's Research and Special Programs Administration, as well as with other relevant departments and agencies. I have outlined below several of the most important aspects of our initiatives to date:





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- The BOOTS licensing team, including our expert engineering and environmental consultants, have met with MARAD, USCG and OPS officials on two occasions. In these meetings, we provided engineering and route-selection briefings on the project, proposed an overall management structure for development of the license application, recommended several important procedural steps to streamline the licensing process, and began our efforts to clarify the BOOTS team's understanding of the Department's evolving regulations and technical guidance under the Deepwater Ports Act. In view of the abbreviated statutory licensing schedule, we also have proposed several specific measures that would enable the Department to streamline the environmental review process, not unlike the initiatives described in your May 18, 2001 report to the Congress in connection with airport improvement projects.

- On May 29, 2001, I wrote to Rear Admiral Pluta of the Coast Guard and Ms. Margaret Blum of MARAD describing the project, our schedule and our expert licensing team, and also highlighting several key licensing issues that we believe must be resolved expeditiously. A copy of this letter is enclosed for your information. We hope to brief Admiral Pluta and Ms. Blum personally on the project in the very near future.

- Because of the considerable interagency coordination required under the Act, we have undertaken two additional steps. First, we have consulted with several of the other key agencies (EPA, CEQ, Interior) to establish points of contact. Second, we have asked the Department of Energy and CEQ to direct the President's new Interagency Task Force - established pursuant to Executive Order 13212 for expediting the permitting of energy projects - to designate BOOTS as one of its first priorities, and to assist in ensuring that all relevant agencies are in a position to provide their input to DOT in a timely fashion.

We intend to submit the BOOTS license application, together with the extensive Environmental Analysis required by the Act, to the Coast Guard in the first quarter of 2002. To meet that objective, it will be imperative that the DOE, DOI, and EPA work closely with our experts and officials within the Department to address the





The Honorable Norman Y. Mineta
July 13, 2001
Page 4

management, procedural and regulatory issues outlined in my May 29 letter to Admiral Pluta and Ms. Blum. We believe those issues can and will be resolved expeditiously, and look forward to working productively with the Department and the other agencies to that end.

I have enclosed additional background information concerning BOOTS for your review. I am prepared to meet with you and the Secretaries of DOE and DOI, as well as the Administrator of EPA, at any time. In addition, I am prepared to have the BOOTS licensing team available to brief you or your staff at your convenience. I look forward to hearing from your office on the establishment of an effective and timely process for completing this critical energy project. If you have any questions, please do not hesitate to contact me directly.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph M. Monroe".

Joseph M. Monroe

Enclosures

cc (w/encls.): Rear Admiral Paul J. Pluta
Ms. Margaret D. Blum





Maritime
Administration

U.S. Department of Transportation



United States
Coast Guard

JUL 13 2001

Mr. Joseph M. Monroe
President
Unocal Pipeline Company
14141 Southwest Freeway
Sugar Land, TX 77478

Dear Mr. Monroe:

We are writing to acknowledge your letter of May 29, 2001, expressing your intention of developing a deepwater port in the Gulf of Mexico, under the Deepwater Ports Act, of 1974 (Act). This project will be know as the Bulk Oil Offshore Transfer System (BOOTS).

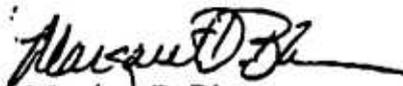
We appreciate your willingness to advise us of the progress of BOOTS during the development stages as you prepare to submit your application for a deepwater port license.

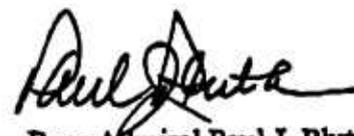
Because the Act provides a strict time line to process an application for a deepwater port license, we are in the process of preparing for the filing of your application in April 2002. Currently, the U.S. Coast Guard is revising its regulations governing licensing, construction, design and equipment, and operation of deepwater ports. We are also establishing contact with offices within our respective agencies and coordinating with other federal agencies that have responsibilities under the Act.

Through our mutual cooperation, your application for a deepwater port license will be processed in a timely manner.

We look forward to working with you in the future.

Sincerely,


Margaret D. Blum
Associate Administrator
for Port, Intermodal and
Environmental Activities
Maritime Administration


Rear Admiral Paul J. Pluta
Assistant Commandant
Marine Safety and Environmental Protection
United States Coast Guard

U.S. Department
of Transportation

United States
Coast Guard



Commandant
United States Coast Guard

2100 2nd St. S.W.
Washington, D.C. 20593-0001
Staff Symbol: G-MSO
Phone: (202) 267-0214
FAX: (202) 267-4570

16720

JUL 18 2001

Mr. Joseph M. Monroe
President
Unocal Pipeline Company
14141 Southwest Freeway
Sugar Land, Texas 77478

Dear Mr. Monroe:

This is in response to your letter of May 29, 2001 informing the Coast Guard and the Maritime Administration (MARAD) of your company's intention to submit an application for a Deep Water Port (DWP) license in early 2002. This letter is a follow-up to the previous joint response, signed by me and Ms. Margaret Blum of MARAD, in order to address those areas of concern that deal predominately with the Coast Guard. Your letter asked for feedback on four questions that are addressed below. First, let me say that we are keenly aware of the need to be prepared for the submission of a DWP application and have been moving forward in each of the areas of concern. The following information will provide further guidance on the status of each issue.

1. How the ongoing revision of DWP Act regulations might affect licensing requirements:

There are two issues here, first the content and second the timing. The next step in the rulemaking process for the subject regulations is to publish the Notice to Proposed Rulemaking (NPRM). The application process currently codified in 33 CFR 148 through 151 does not reflect changes to the DWP Modernization Act and the NPRM will provide the necessary update including any streamlining permitted. We are very close to completing the NPRM and hope to have it published later this summer. Following a comment period, we anticipate publishing a final rule early next year. We realize that it is important to publish the NPRM and a final rule as quickly as possible to eliminate any confusion between the requirements of the existing rules and the new rules. During the course of this regulatory process, we will work with you with the best available information.

2. The anticipated content and structure of the Department's EIS for BOOTS:

As you know there is an existing "Guide to Preparation of Environmental Analyses for Deepwater Ports." We are in the process of updating that guideline at this time and will make the revised guide available as soon as it is complete. In the meantime, it is my understanding that members of your environmental team have been discussing various issues with the Coast Guard's environmental law staff. We would welcome any suggestions you may have with regard to the Guidelines. Please address suggestions to Mr. Frank Esposito of the environmental law staff.

**Subj: UNOCAL'S LETTER OF INTEND TO SUBMIT AN APPLICATION FOR A DEEP
WATER PORT LICENSE**

3. The timing of the Department's anticipated EIS scoping process:

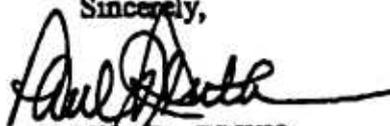
Regarding the timing of the scoping process for the EIS, we appreciate your concern that a normal EIS process usually takes multiple years and we are looking for ways to begin the process of evaluating the EIS prior to the official receipt of the application. As you know, we would be unable to provide anything further than a mere opinion prior to the official application submission. We are researching how other agencies have dealt with this process and are seeking creative solutions to this very difficult problem.

4. The Department's plans for inter-agency coordination and consultation in connection with licensing:

My staff has met with MARAD on several occasions to develop a plan to complete the application review within the period stipulated in the Deep Water Port Act. Both agencies are committed to ensuring that a Deep Water Port application is processed quickly and professionally. We are establishing points of contact within any other state or federal agency that will play a role in completing the application review process. I commend you for having your license application team in communication with my staff as this project moves forward.

For your information, MARAD has also been in touch with Department of Transportation staff to ensure that they are aware of the progress and concerns in developing a plan for reviewing a DWP application. I look forward to working with Unocal in the development and review of its Deep Water Port license application. If you would like to discuss any particular issue further, please contact Captain Michael Brown or Commander Mark Prescott at 202-267-0214.

Sincerely,



PAUL J. PLUTA

Rear Admiral, U.S. Coast Guard
Assistant Commandant for Marine Safety
and Environmental Protection



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

AUG 6 2001

OFFICE OF THE
ADMINISTRATOR

Mr. Patrick M. Raher
Hogan & Hartson, L.L.P.
Columbia Square
555 13th Street, NW
Washington, DC 20004-1109

Dear Mr. Raher: *Pat-*

Thank you for writing to request the designation of a central point of contact to coordinate the Environmental Protection Agency's consideration of licensing issues and the associated environmental review activities related to the development of a proposed new crude oil deepwater port in the Gulf of Mexico.

Since construction of the new facility is planned for approximately 70 miles offshore, with a pipeline extending to terminal facilities in Nederland, Texas, you will need to work with EPA's Region VI office in Dallas. To discuss the proposed project plans and EPA activities for the project, you should contact Gregg Cooke, Regional Administrator, or Rob Lawrence, Chief of the Office of Planning and Coordination.

You can write to Environmental Protection Agency, Region VI, 1445 Ross Avenue, Suite 1200 - Mail Code: 6EN-XP, Dallas, Texas 75202-2733; or you can call Mr. Cook, at (214) 665-2100, or Mr. Lawrence, at (214) 665-2258.

Again, thank you for writing. I appreciate your efforts to coordinate early with EPA, and I look forward to working with you.

Sincerely,

Linda J. Fisher
Linda J. Fisher
Deputy Administrator

cc: Gregg Cooke



August 10, 2001

Joseph M. Monroe
Chairman and CEO
BOOTS, LLC

14141 Southwest Freeway

Sugar Land, Texas 77478

Phone: 281.287.7775

Fax: 281.287.7331

jmonroe@unocal.com

Rear Admiral Paul J. Pluta
Assistant Commandant
Marine Safety and Environmental
Protection
United States Coast Guard
2100 Second Street, S.W.
Washington, D.C. 20593

Ms. Margaret D. Blum
Associate Administrator
Port, Intermodal and Environmental
Activities
United States Maritime Administration
400 Seventh Street, S.W.
Washington, D.C. 20590

Dear Admiral Pluta and Ms. Blum:

I am writing to acknowledge your joint letter of July 13, 2001, and Admiral Pluta's follow-up letter of July 18, 2001, concerning our intent to develop the Bulk Oil Offshore Transport System (BOOTS). I am very pleased that your staffs are preparing to undertake the coordination and communication necessary to prepare for submission of the BOOTS deepwater port application and to ensure prompt and efficient review of the application. We thank you for your attention to our concerns and your commitment to processing our application in a timely manner.

In addition, I am writing to address Admiral Pluta's specific responses to several of our concerns, as well as to inform both of you of our ongoing progress in developing the BOOTS application.

First, with respect to the upcoming revisions to the deepwater port regulations, we appreciate your recognition that the timing of these revisions will create an untenable moving target for the BOOTS project. We welcome the opportunity to work closely with Coast Guard staff during the revision process in order to provide input and receive feedback concerning the nature of the revisions. This will be very important to our efforts.

Second, as suggested by Admiral Pluta's July 18th letter, we have provided our detailed suggestions for revisions to the Coast Guard's "Guide to Preparation of Environmental Analyses for Deepwater Ports" to Mr. Frank Esposito. We also will continue to provide recommendations to assist Coast Guard staff in streamlining and modernizing this important environmental guidance document.



Rear Admiral Paul J. Pluta
Ms. Margaret D. Blum
August 10, 2001
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Third, we appreciate the Coast Guard's serious consideration of options for streamlining the environmental review process, particularly with regards to the scoping process. BOOTS, LLC is quite willing to devote the necessary resources to organizing and assisting your offices with the staffing of scoping meetings. We believe it is imperative to begin the environmental review process as early as possible in order to solicit input from the public at a point when it may be meaningfully incorporated into the design and construction of the project as well as the preparation of the Environmental Analysis. We await the Coast Guard's approval to initiate an effective and early scoping process.

Fourth, regarding inter-agency coordination and consultation during the pre- and post-application process, we appreciate your recognition of the importance of solidifying an organized plan for ensuring effective and efficient coordination. The Deepwater Port Act (DWPA) requires a large number of agencies and departments to provide concurrence and/or consultation on any proposed deepwater port license. The logistics of ensuring effective consultation among so many agencies could pose a significant source of delay in the review of the BOOTS application. For this reason, we have proposed joint working groups, comprised of both agency and BOOTS representatives, to meet frequently during the pre-application process. These working groups would help to ensure that BOOTS submits a complete and sufficient application with which all agencies can be comfortable. We have yet to receive a response to our proposal. Attached is a copy of the most recent working group proposal, which includes updated contact information. We would appreciate your consideration of this proposal, together with any other approaches your staff may have, for inter-agency coordination and communication with BOOTS team members.

Finally, we would like to update you on the progress of the BOOTS project since our May 29, 2001 letter of intent. As you are aware, we are working diligently to meet our goal of submitting the deepwater port license application by April 2002. We have engaged both engineering and environmental experts to execute the design and siting of the project, as well as to satisfy the hundreds of regulatory requirements associated with a project of this scale. In addition, we have had several meetings and maintained communication with members of your staffs and points of contact in other federal and state offices, including Governor Perry's office in Texas, the Department of Energy, the Environmental Protection Agency, the Minerals Management Service and the Fish and Wildlife Service. Most recently,



Rear Admiral Paul J. Pluta
Ms. Margaret D. Blum
August 10, 2001
Page 3

on August 1, 2001, we met with State agencies and the regional offices of federal agencies at a joint processing meeting hosted by the Army Corps of Engineers in Galveston, Texas. In attendance were representatives from the Corps, FWS, Texas Parks and Wildlife, the Texas General Land Office, Texas Natural Resource Conservation Commission, MMS, MARAD and Coast Guard. We gave presentations on the status of the project and provided an opportunity for questions and comments. We hope to have several such meetings in the upcoming months, as well as meetings with individual agencies to discuss technical components of the project and receive feedback.

In addition, I am pleased to report that our team leader for environmental analysis, Ecology & Environment, has announced that Lt. Cdr. Bill Daughdrill, who is retiring from his post as Chief of the Coast Guard's Merchant Vessel Safety Branch, District 8, is joining E&E. Operational aspects of our BOOTS project will benefit enormously from Lt. Cdr. Daughdrill's considerable experience in the areas of vessel safety and OCS operations.

We would very much appreciate an opportunity to meet with and brief both of you and members of your staff. Please let us know when it would be possible to arrange for such a briefing at your convenience.

Again, we appreciate your continued attention to our concerns and your commitment to the prompt review of our license application for BOOTS. Please feel free to contact me with any questions or comments you may have.

Sincerely,

A handwritten signature in black ink, appearing to read 'Joseph M. Monroe'.

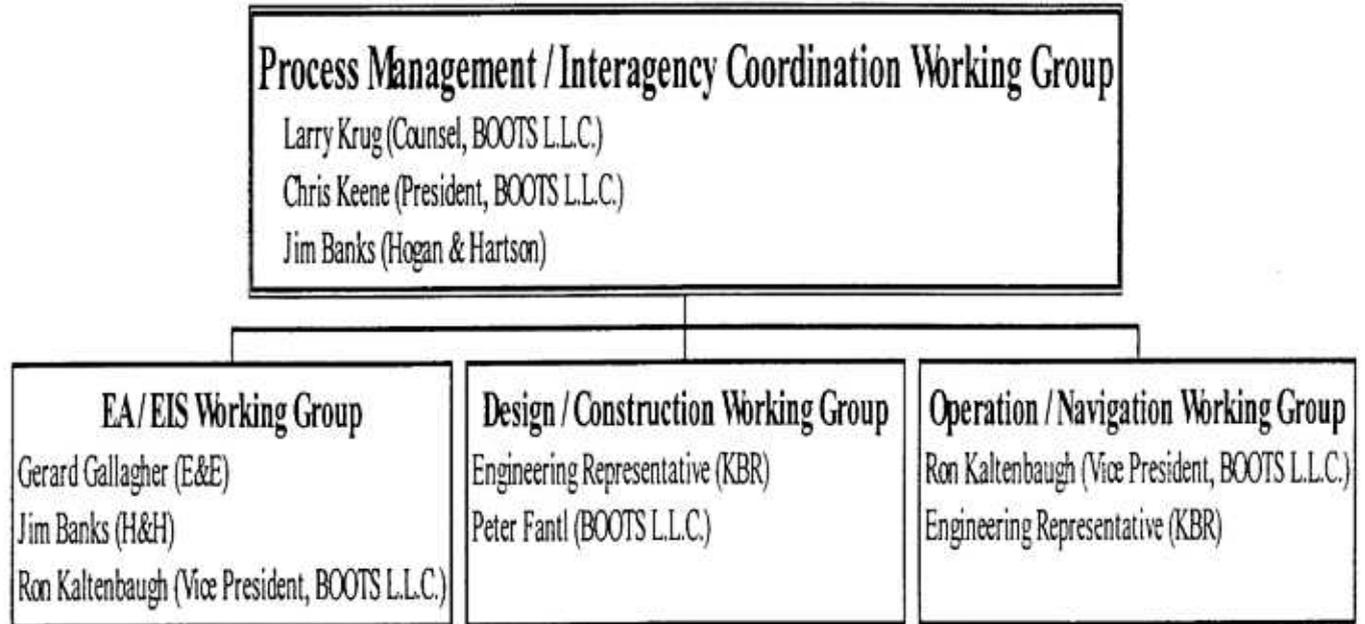
Joseph M. Monroe

Enclosures

ccs: Doris Bautch
Mark Prescott
Frank Esposito



**PROPOSAL FOR AGENCY-BOOTS LLC
WORKING GROUP ORGANIZATION**



PROPOSED WORKING GROUP SCHEDULE

- June 15 -- Designation of Group Members
- June 25 -- Selection of Tasks and Priorities
- June 30 -- Kick-off Meetings / Schedule Development
- Biweekly -- Regular Progress Meetings / Conference Calls



Contact Information for BOOTS Working Group Members

Jim Banks – (Counsel) Hogan & Hartson, Washington DC Office

Phone: 202-637-5802, Fax: 202-637-5910, Email:

JTBanks@hhlaw.com

Peter Fantl – (Manager, Engineering & Construction) BOOTS L.L.C.

Phone: 281-287-7605, Email: pcfantl@unocal.com

Gerard Gallagher – (Environmental Consultant) Ecology & Environment

Phone: 850-574-1400, Fax: 850-574-1179, Email:

gagallagher@ene.com

Ron Kaltenbaugh – (Vice President) BOOTS L.L.C.

Phone: 281-287-5964, Fax: 281-287-7327, Email:

kaltenbaugh@unocal.com

Christopher Keene – (President) BOOTS L.L.C.

Phone: 281-287-5437, Fax: 281-287-7331, Email:

chris.keene@unocal.com

Larry Krug – (Counsel) BOOTS L.L.C.

Phone: 281-287-7694, Fax: 281-287-7116, Email: lkrug@unocal.com

Engineering Representative -- Kellogg, Brown & Root



Working Groups Tasks & Priorities

Process Management / Interagency Coordination

Working Group

Primary Goal – Ensure that BOOTS Application is complete and meets all statutory conditions for issuance of a deepwater port license. Ensure that BOOTS project is in the national interest and consistent with energy security goals.

General Tasks

- ◆ Coordinate Federal and state agency consultation and review of permit application; coordinate interaction with consultants; and facilitate and coordinate cooperation between applicant, its consultants, and public agencies.
- ◆ Work with agency staff to define standard for Secretarial determination that the BOOTS project is in the “national interest.”
- ◆ Oversee EA/EIS, Design/Construction and Operation/Navigation Working Groups.
- ◆ Allocate resources, as required, to assure prompt completion of assigned tasks.
- ◆ Provide oversight of application development process.

Specific Priorities

- ◆ Manage development of DRAFT Application: consistently review, drafts of the BOOTS Application, make sure that relevant agency staff and consultants review and comment on applicable sections in a timely and complete manner.
- ◆ Create and manage Application development and review schedule.
- ◆ Facilitate agency/BOOTS LLC coordination by arranging meetings, conducting follow-up, and maintaining constant communication.
- ◆ Provide administrative support, as necessary for the achievement of the development and review schedule.

Suggested Participants:

Government: USCG, MARAD, DOT Secretary's Office

BOOTS LLC: Larry Krug, Chris Keene, Jim Banks (H&H)

In addition to ensuring that the BOOTS Application is complete and that the BOOTS project conforms to all applicable laws, the technical working groups should also have the specific enumerated goals and tasks.



EA / EIS Working Group

Primary Goals – Ensure that project avoids and/or minimizes adverse impact on the marine and onshore environment and complies with all applicable environmental laws, state and federal, as well as the environmental review criteria of the Deepwater Port Act. Strive to streamline the environmental review process.

General Tasks

- ◆ Identify and evaluate potential benefits and adverse impacts of the proposed project location, design, construction and operation on the environment.
- ◆ Coordinate communication among and between Federal and State agencies responsible for applicable environmental laws.
- ◆ Coordinate with Design / Construction and Operation / Navigation Working Groups to ensure that BOOTS project uses best available technology for siting, design, construction, operation, and land use.

Specific Priorities

- ◆ Establish comprehensive contact list for agencies that must be consulted and/or have jurisdiction over environmental laws, regulations and conditions of the license.
- ◆ Create comprehensive list of environmental permits/clearances that must be obtained from the above agencies.
- ◆ Schedule and hold meetings with applicable environmental agencies and BOOTS LLC representatives/consultants.
- ◆ Ensure that the BOOTS Environmental Analysis is consistent with the revised “Guide to Preparation of an Environmental Analyses for Deepwater Ports” document.
- ◆ Establish timeline for receiving offshore AND onshore permits/clearances.
- ◆ Establish timeline for the environmental review process and streamline the NEPA process, especially with regards to scoping, including by holding public meetings with interested environmental groups in the Gulf of Mexico region to ensure that stakeholder viewpoints are reflected and addressed in the final Environmental Impact Statement.
- ◆ Review and incorporate as appropriate streamlining initiatives from other agencies, such as FERC and FAA.
- ◆ Manage preparation of DRAFT Environmental Analysis: review drafts of Environmental Analysis and make sure that relevant Agency staff review and comment on applicable sections in a timely and complete manner.
- ◆ Facilitate incorporation, during early stages of the Environmental Analysis preparation, of existing data and analyses in the DOT EIS.



Suggested Participants for EA / EIS Working Group:

Government: USCG, MARAD, EPA and MMS (EPA and MMS are suggested for their resources and experience with environmental reviews) and counterpart state agencies.

BOOTS LLC: Gerry Gallagher (E&E), Jim Banks (H&H), Ron Kaltenbaugh



Design / Construction Working Group

Primary Goal – Ensure that BOOTS project is designed and constructed using best available technology to prevent or minimize adverse impact on the marine environment.

General Tasks

- ◆ Minimize impact of project location, design and construction on the marine and onshore environment.
- ◆ Coordinate with EA / EIS and Operation / Navigation Working Groups to ensure that BOOTS project uses best available technology for siting, design, construction, operation, and land use.

Specific Priorities

- ◆ Work with DOI (MMS) and DOT to plan route for fairways, offshore terminal location and pipeline rights-of-way.
- ◆ Establish comprehensive contact list for agencies that must be consulted and/or have jurisdiction over laws, regulations and conditions of the license that pertain to design and construction of the deepwater port and its onshore components, including the pipelines.
- ◆ Create a comprehensive list of clearances that must be obtained from the above agencies and a schedule for integrating such clearances into the deepwater ports licensing process.
- ◆ Schedule and hold meetings with applicable agencies and BOOTS LLC representatives/consultants.
- ◆ Manage Design and Construction portions of the DRAFT Application: review draft design and construction portions of the BOOTS Application and make sure that relevant Agency staff review and comment on applicable sections in a timely and complete manner.

Suggested Participants:

Government: USCG, MARAD, MMS (New Orleans), RSPA (Office of Pipeline Safety), Army Corps of Engineers (Galveston District)

BOOTS LLC: Engineering Representative (KBR), Peter Fantl



Operation / Navigation Working Group

Primary Goals – Ensure that BOOTS project will operate so as to prevent or minimize adverse impact on the marine environment. Ensure that BOOTS will be compatible with navigation and other operations in the Gulf of Mexico and will operate safely.

General Tasks

- ◆ Minimize impact of project operation and resulting navigation on the marine and onshore environment.
- ◆ Coordinate with the EA / EIS and Design / Construction Working Groups to ensure that BOOTS project uses best available technology for siting, design, construction, operation, and land use.

Specific Priorities

- ◆ Consult with applicable departments (including DOT, Department of State and possibly Department of Commerce) regarding international navigation concerns and laws.
- ◆ Establish comprehensive contact list for agencies, state and federal, that must be consulted and/or have jurisdiction over laws, regulations and conditions of the license that pertain to operation of the deepwater port and its onshore components, excluding environmental laws.
- ◆ Create comprehensive list of clearances that must be obtained from the above agencies.
- ◆ Schedule and hold meetings with applicable agencies and BOOTS LLC representatives/consultants.
- ◆ Establish timeline for receiving offshore AND onshore operational permits/clearances.
- ◆ Manage preparation of DRAFT Operations Manual: review drafts of Operations Manual and make sure that relevant Agency staff review and comment on applicable sections in a timely and complete manner.

Suggested Participants:

Government: USCG, MARAD, RSPA, Department of State (for international/Law of the Sea expertise)

BOOTS LLC: Ron Kaltenbaugh, Engineering Representative (KBR), Operational Consultant

HOGAN & HARTSON
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August 15, 2001

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Mr. Frank Esposito
U.S. Coast Guard Headquarters
2100 2nd Street, S.W.
Washington, D.C. 20593-0001

**Re: Evaluation of Alternatives in Preparation of
Environmental Analyses for Deepwater Ports**

Dear Mr. Esposito:

As you requested, I am writing to follow up on my letter of July 19, 2001 regarding the Coast Guard's Guidance for preparation of Environmental Analyses for deepwater ports. This letter provides further clarification of the second point made in the July 19 letter, regarding the evaluation of alternatives performed in connection with an Environmental Analysis. Specifically, this letter addresses three topics: (1) the determination of appropriate alternatives for consideration, (2) the definition of objectives for a project, which is essential in determining the available alternatives, and (3) the application of these principles to the BOOTS deepwater port project.

As you know, the Deepwater Port Act indicates that environmental review criteria for the construction and operation and deepwater ports should be established consistent with the National Environmental Policy Act (NEPA). See 33 U.S.C. § 1505(a). Accordingly, the analysis below relies on the standards and norms that have developed under NEPA regarding the consideration of alternatives in an environmental impact statement (EIS).

**1. Defining Appropriate Range of Alternatives for
Consideration**

NEPA caselaw is remarkably consistent with regard to the appropriate scope of the consideration of alternatives in an EIS. The scope is bounded by a "rule of reason" test, see, e.g., Vermont Yankee Nuclear Power Corp. v. NRDC, 435 U.S. 519, 551 (1978) (hereafter Vermont Yankee), that governs both which alternatives an agency must discuss, and the extent to which it must discuss them.

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First, the range of alternatives that must be considered is a function of the objectives of the project for meeting a defined purpose and need for action. "When the purpose is to accomplish one thing, it makes no sense to consider the alternative ways by which another thing might be achieved." City of Angoon v. Hodel, 803 F.2d 1016, 1021 (9th Cir. 1986). See also Idaho Conservation League v. Mumma, 956 F.2d 1508, 1520 (range of alternatives is dictated by nature and scope of proposed action); Resources Ltd., Inc. v. Robertson, 35 F.3d 1300, 1307 (9th Cir. 1994) (hereafter Robertson) (in setting forest timber harvesting levels, no need to consider alternatives that are unlikely to be implemented because they are either unfeasible or contrary to management objectives).

Thus, the duty is to consider a reasonable range of alternatives given the purpose and need for a project. If an alternative does not fulfill the purpose of a project, it is unreasonable and need not be considered. See Citizens Against Burlington, Inc. v. Busey, 938 F.2d 190, 195 (D.C. Cir. 1991) (hereafter Busey) ("[t]he goals of an action delimit the universe of the action's reasonable alternatives"). Further, since a reasonable alternative is defined by reference to a project's objectives, if those objectives are a discrete project within the jurisdiction of one federal agency, the range of reasonable alternatives is narrower than if a proposed action is an integral part of a coordinated plan to deal with a broad national problem. See, e.g., City of Alexandria v. Slater, 198 F.3d 862, 867 (D.C. Cir. 2000) (hereafter City of Alexandria) (finding FHWA's decision not to consider 10-lane bridge as an alternative to agency's proposed 12-lane bridge did not violate NEPA because 10-lane bridge would not meet future transportation needs).

Second, it is well-established that the range of reasonable alternatives that must be considered also is bounded by feasibility. "To make an impact statement something more than an exercise in frivolous boilerplate the concept of alternatives must be bounded by some notion of feasibility." Vermont Yankee, 435 U.S. at 551. Thus, "[a]lternatives that are unlikely to be implemented need not be considered, nor must an agency consider alternatives which are infeasible, ineffective, or inconsistent with the basic policy objectives for the management of the area." Robertson, 35 F.3d at 1307 (internal quotation marks and citation omitted). An environmental analysis need not address "every alternative device and thought conceivable," but rather the concept of alternatives is an "evolving one, requiring the agency to explore more or fewer alternatives as they become better known and understood." Vermont Yankee, 435 U.S. at 551-53.

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Third, not all alternatives must receive equally detailed analysis. See City of Bridgeton v. Slater, 212 F.3d 448 (8th Cir. 2000) (upholding FAA elimination of certain proposed alternatives for expansion project from detailed consideration in final EIS). Indeed, the Council on Environmental Quality's regulations implementing NEPA provide that the discussion of alternatives should "rigorously explore" only the "reasonable alternatives," and merely "discuss the reasons [why other alternatives have been eliminated from detailed study]." 40 C.F.R. § 1502.14. A number of decisions have held that where an agency has examined a breadth of alternatives but has excluded from detailed consideration alternatives that would not meet the defined purpose and need for action, the agency has satisfied NEPA. See Concerned Citizens Alliance v. Slater, 176 F.3d 686, 706 (3d Cir. 1999) (discussing caselaw and finding that a proposed transportation alternative that was not feasible did not warrant a highly detailed examination).

Further, an agency is entitled to identify parameters and criteria, related to a project's purpose, for determining which alternatives should receive detailed consideration. "Without such criteria, an agency could generate countless alternatives." Mumma at 1522 (upholding agency's use of computer software to eliminate alternatives from detailed consideration). Indeed, courts have even held that an agency need examine only one alternative in depth if it is the only feasible one in light of the project's purpose. In Tongass Conservation Soc'y v. Cheney, 924 F.2d 1137 (D.C. Cir. 1991), the court found that the U.S. Navy's detailed consideration of only one site for a planned submarine testing range was reasonable because the studied location was the only site capable of meeting the needs of the testing range and therefore was the only feasible alternative. Id. at 1142. The court held that the Navy was not required to conduct environmental studies of other sites that were considered and rejected for non-environmental reasons; rather, it was sufficient that the Navy provided a "brief discussion" in the EIS of why these other sites were not reasonable alternatives. Id. Similarly, in Busey, the court upheld an FAA EIS that considered in depth only the proposed plan to expand an airport, and no action. Busey at 198.

2. Defining Appropriate Objectives for a Proposed Project

As the analysis above indicates, the appropriate range of alternatives for detailed consideration is a function of a project's defined purpose and need. Thus, courts have also reviewed whether an agency has appropriately defined the purpose and need for action, recognizing the difficulties associated with that determination. Here, the caselaw here is far less consistent, but it is clear that the

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definition of purpose and need is subject only to the rule of reason: i.e., whether the stated objectives are reasonable. Courts have indicated that NEPA does not substantially constrain an agency's measures for defining "purpose and need," nor require that the agency prioritize environmental goals in defining the purpose and need. City of Alexandria at 867. Rather, it is important that an agency consider the views of Congress, as found in the agency's statutory authorization to act and in other congressional directives, and then define its goals within a range of reasonable choices. Busey at 196. With regard to the range of objectives to be considered, the Busey court found that

an agency may not define the objectives of its action in terms so unreasonably narrow that only one alternative from among the environmentally benign ones in the agency's power would accomplish the goals of the agency's action, and the EIS would become a foreordained formality. . . . Nor may an agency frame its goals in terms so unreasonably broad that an infinite number of alternatives would accomplish those goals and the project would collapse under the weight of the possibilities.

Id. (internal citation omitted).

One case -- addressing the issue of defining appropriate objectives for meeting the purpose and need for action at an oil refinery and associated marine terminal -- drew a distinction between cases in which a project is purely privately funded and the agency is merely licensing or permitting it, and those in which the project is publicly funded. See Roosevelt Campobello Int'l Park Comm'n v. EPA, 684 F.2d 1041 (1st Cir. 1982). That court in essence upheld EPA's decision to apply a different standard to defining the project's objective -- respecting the private party's "purpose and need" definition and merely requiring consideration of alternatives that would determine whether the proposed site was environmentally acceptable -- in contrast to requiring EPA to determine whether the proposed site was the optimum one, as would be the case for a publicly funded project.

Subsequently, CEQ published additional guidance on this issue that explicitly addressed the Campobello case. The guidance is not entirely clear as to whether there are two different approaches, but states simply that the appropriate definition of objectives, and thus consideration of alternatives, is always bounded by feasibility, and "there is ... no need to disregard the applicant's purposes and needs and the common sense realities of a given situation in the development of alternatives." 48 Fed. Reg. 34263 at 34267.

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Thus, definition of an agency's objectives for addressing the purpose and need appears to be guided by principles of reasonableness and feasibility, just as the definition of the range of alternatives to be considered is governed by what is reasonable and feasible.

3. Objectives and Alternatives for the BOOTS Project

Applying the principles outlined above to the BOOTS project requires first an examination of the purpose and need for the project, including consideration of the underlying Congressional directive. As you know, the project involves construction of a state-of-the-art deepwater crude oil port. The project seeks to fulfill the Congressional objectives of "promot[ing] the construction and operation of deepwater ports as a safe and effective means of importing oil into the United States and transporting oil from the outer continental shelf while minimizing tanker traffic and the risks attendant thereto" and "promot[ing] oil production on the outer continental shelf by affording an economic and safe means of transportation" of oil to the U.S. mainland. See 33 U.S.C. § 1501(a). Specifically, the project is designed to fully address the purpose and need for action by accomplishing a number of objectives, including:

- reducing congestion in Gulf coastline port facilities;
- providing cost savings for refiners and customers by reducing transportation costs caused by port delays;
- improving supply reliability for Gulf Coast refineries;
- enhancing environmental performance by eliminating the need for repetitive crude oil transfers to smaller tankers, with the accompanying environmental risks, and reducing the number of tankers operating in environmentally-sensitive coastal areas;
- maximizing the capabilities of existing refineries, terminal facilities and other on-shore infrastructure;
- achieving a specified product throughput, which requires use of an optimum combination of pumping capacity and pipeline size; and

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- cost effectively accommodating certain size tankers, which requires that the marine site be within a certain range of water depth.

We believe that these objectives are fully consistent with the Congressional directive found in the Deepwater Port Act, and that they are neither "unreasonably broad" nor "unreasonably narrow." See Busey at 196. Therefore, the objectives appear to comply with the NEPA-based standard of reasonableness.

The foregoing objectives are essential for satisfying the purpose and need for action, and will shape the process of identifying and evaluating alternatives in connection with the Environmental Analysis for the project. As described in the first section of this letter, the standards developed under NEPA make clear that this evaluation must include a reasonable range of alternatives, taking into account the objectives of the project and what is feasible. Thus, the evaluation of alternatives to the proposed BOOTS deepwater port should focus on options that reasonably may accomplish the objectives outlined above. Moreover, consistent with NEPA caselaw, the evaluation need not provide equally detailed analysis of all alternatives, and, depending on whether reasonable and feasible alternatives exist, may even evaluate only the proposed project and the no-action alternative.

* * *

We hope you find this supplemental information helpful. Please feel free to call me with any questions.

Sincerely,


James T. Banks

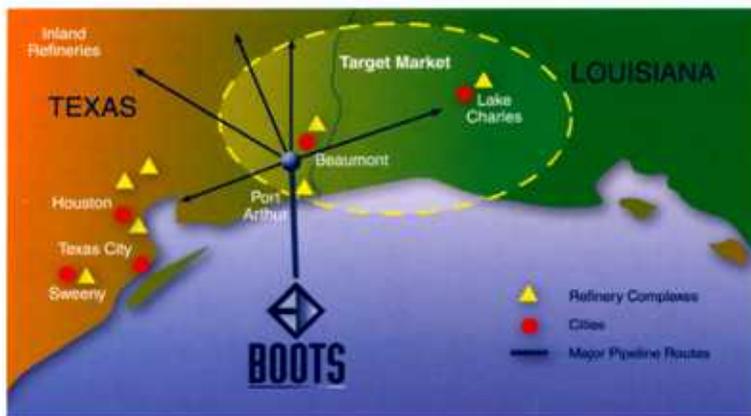
BOOTS

A Deepwater Port for Our Energy Future

BACKGROUND

President Bush's May 2001 National Energy Policy Report envisions a "comprehensive long-term strategy that uses leading edge technology to produce an integrated energy, environmental and economic policy." This strategy aims to provide the American people with reasonable, affordable, environmentally sound energy supplies. The Energy Policy Report also sets specific national goals for modernizing our energy infrastructure and improving refinery capacity so that energy supplies can be safely, reliably and affordably transported; increasing energy supplies, especially from the Western Hemisphere; and enhancing our nation's energy security. In alignment with the President's Energy Policy Report, BOOTS, LLC, a wholly-owned subsidiary of Unocal Corporation, plans to build a new deepwater

crude oil port in the Gulf of Mexico, which will be an efficient, reliable and safe system for expediting delivery of crude oil to Gulf Coast refineries and the Strategic Petroleum Reserve.



PROJECT DESCRIPTION

BOOTS is a state-of-the-art deepwater port with a pumping platform, three single-point moorings (SPMs) and

an approximate 100-mile, 48-inch diameter pipeline. The platform and SPMs will be located in the Gulf of Mexico about 70 miles offshore Texas in approximately 90 to 100 feet of water.

BOOTS will receive tankers delivering crude oil cargoes of up to two million barrels of oil, operating 24 hours a day. It also will receive shuttle tankers delivering crude oil from Floating Production, Storage and Offloading (FPSO) vessels. Crude oil is then transferred to existing terminals and pipeline infrastructure in the Beaumont/Port Arthur, Texas, area. These facilities, in turn, serve the Gulf Coast refinery complexes between Houston, Texas, and Lake Charles, Louisiana, as well as many inland refineries.

BOOTS will be working closely with federal, state and local regulatory bodies to obtain all necessary licensing with the goal of being operational in 2004.



BOOTS
Bulk Oil Offshore Transfer System



BENEFITS

Improved energy infrastructure – The proposed deepwater port offers improvements and efficiencies to the entire transit chain, from the load port to the refinery. BOOTS will receive and transfer large volumes of crude oil, reducing bottlenecks in coastline port facilities; increase supply reliability for refineries; and maximize the capabilities of the tankers, port terminals and onshore pipeline infrastructure.

Improved environmental performance – Large crude-carrying tankers offloading their cargo directly at BOOTS will reduce environmental risks created by repetitive transfers (or lightering) of crude oil to smaller tankers for delivery to coastal ports. It also reduces the number of tankers operating in and near our narrow and congested ship channels, and through environmentally-sensitive coastal areas.

Increased energy supplies – Supplies of domestic crude oil will be greatly enhanced as deepwater Gulf of Mexico resources become available. BOOTS, with its deep draft capability, will be the ideal solution for transferring this deepwater crude from FPSOs to refineries quickly and efficiently via shuttle tankers. In line with President Bush's desire to encourage trade with Latin America, BOOTS will provide an economical alternate delivery point for crude from Western Hemisphere sources, such as Mexico and South America.

National energy security – BOOTS will have the potential to supply the Department of Energy's Strategic Petroleum Reserves located in Texas and Louisiana.

Lower costs – Tankers using BOOTS can reduce transportation costs by avoiding current port delays caused by draft restrictions, one-way traffic, daylight restrictions and LNG vessel traffic, which translates into dollars that can be invested in refinery capacity expansion, onshore infrastructure improvements and/or lower costs for consumers.

To learn more about the BOOTS project, please call 281.287.5437.



BOOTS

Bulk Oil Offshore Transfer System

Who is Unocal?

UNOCAL 

- Leading Independent E&P Company
- Operating for Over 110 Years
- 6,800 Employees
- Market Cap of \$9.4 Billion
- Revenue \$9.2 Billion
- EBIT \$1.2 Billion
- Pipeline, Terminal, Storage & Trading Operations
- 35 Companies
- 14,000 Miles of Pipe
- 12 Million Barrels of Storage
- 224 Employees
- EBIT \$92 Million



BOOTS



With Oil Offshore Transfer System

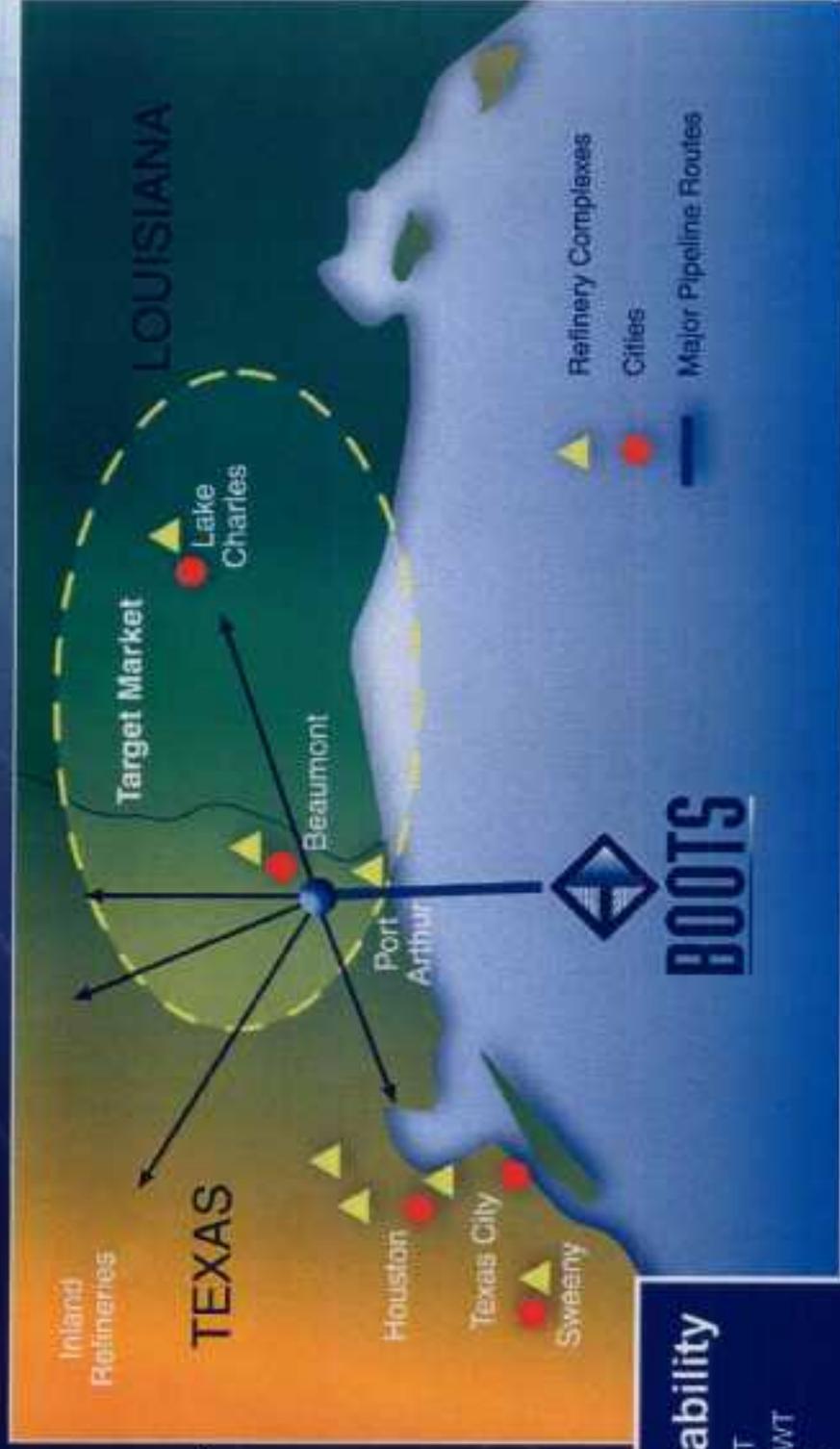
UNOCAL 

Gulf of Mexico Deepwater Port



BOOTS

- Operational Capacity-1.25 mmbpd
- Start 2nd half 2004
- 70,000 bph discharge
- Located 70 miles offshore
- 65-75 feet draft
- 90-100-foot water depth
- 100 miles of 48-inch pipeline
- 3 single point moorings



Vessel Capability

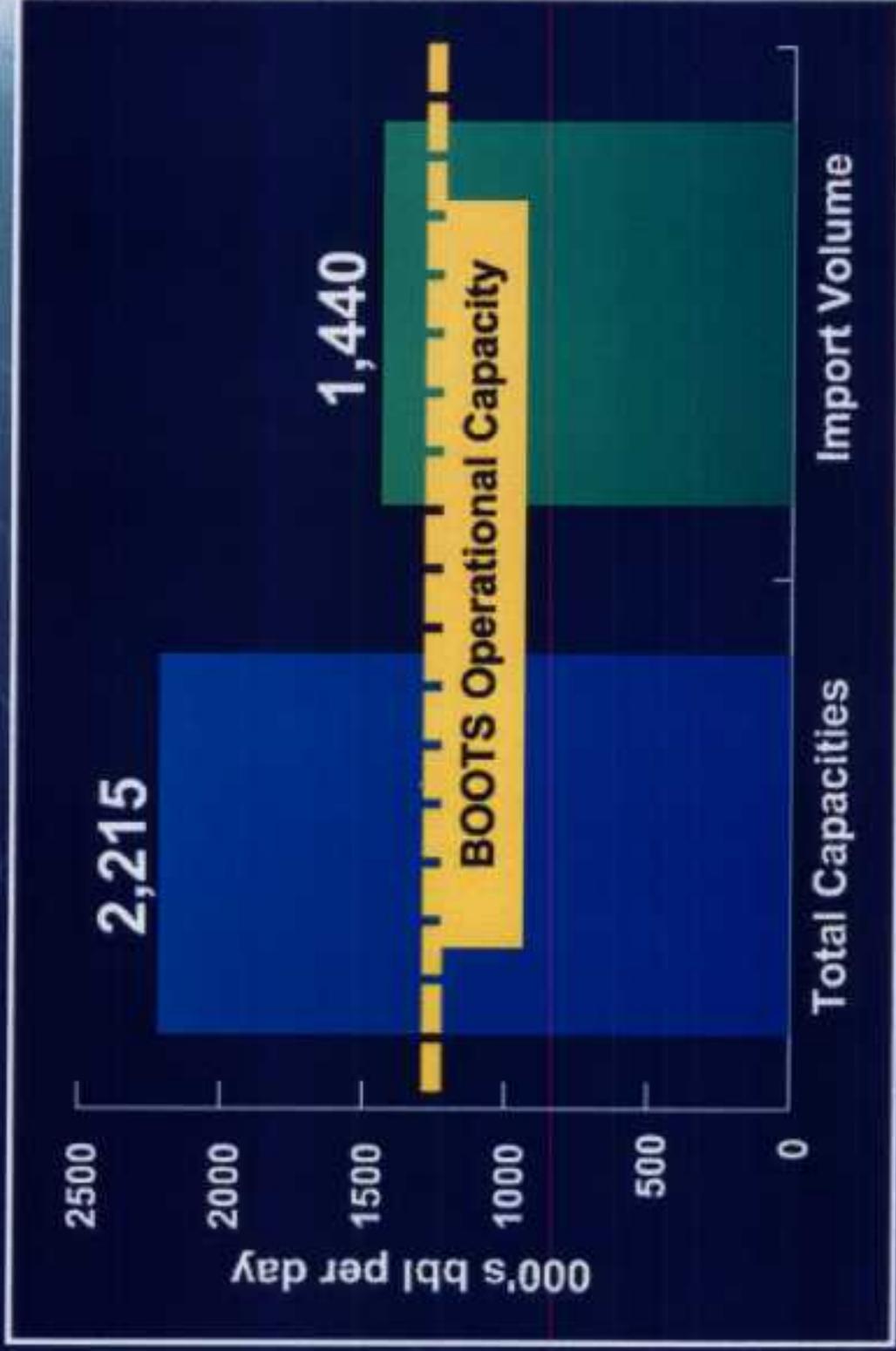
- Aframax 90,000 DWT
- Suezmax 170,000 DWT
- VLCC 300,000 DWT

Primary Market

Beaumont • Port Arthur • Lake Charles
Refineries & Pipelines



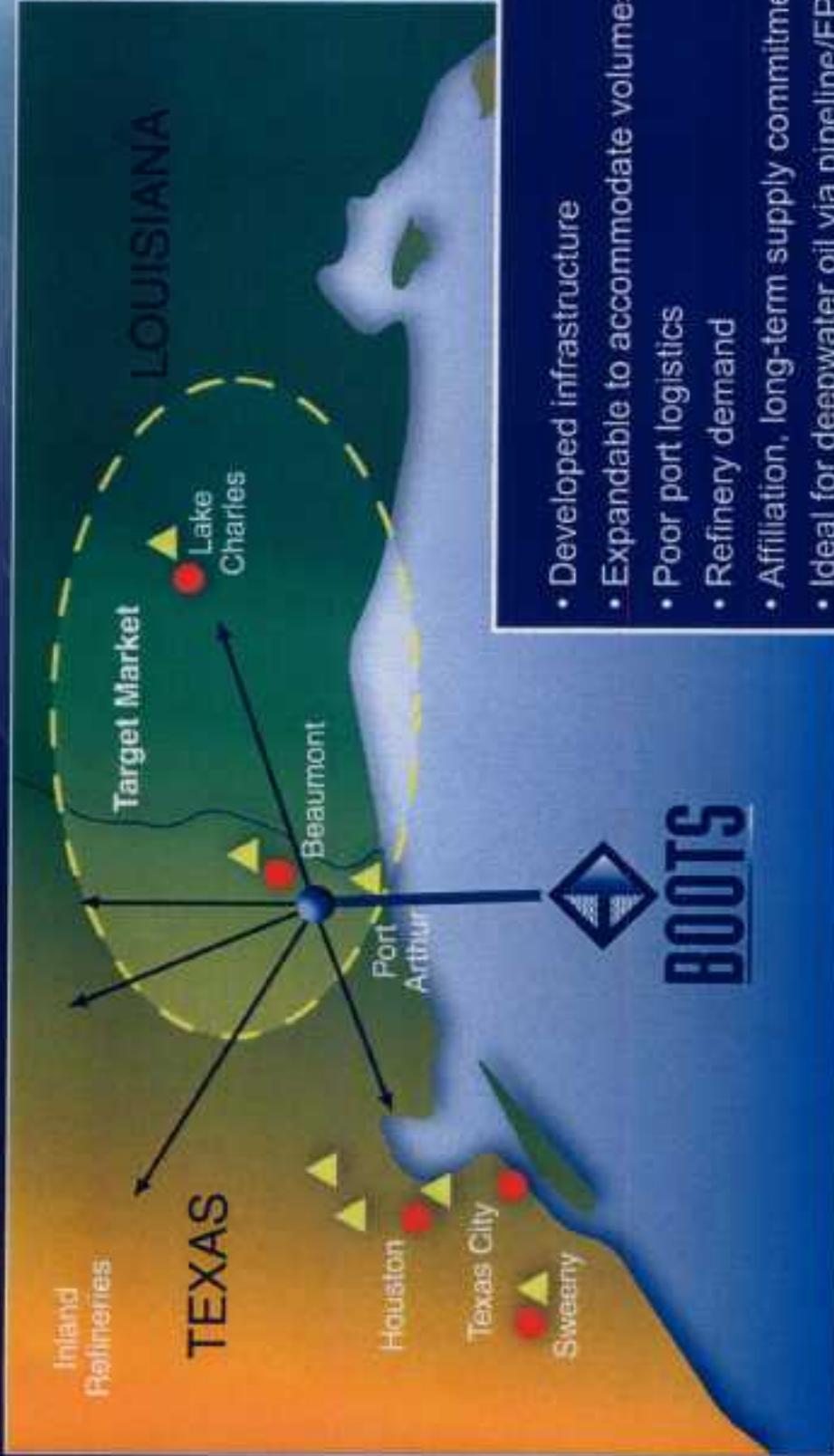
BOOTS



Why BOOTS when others have failed?



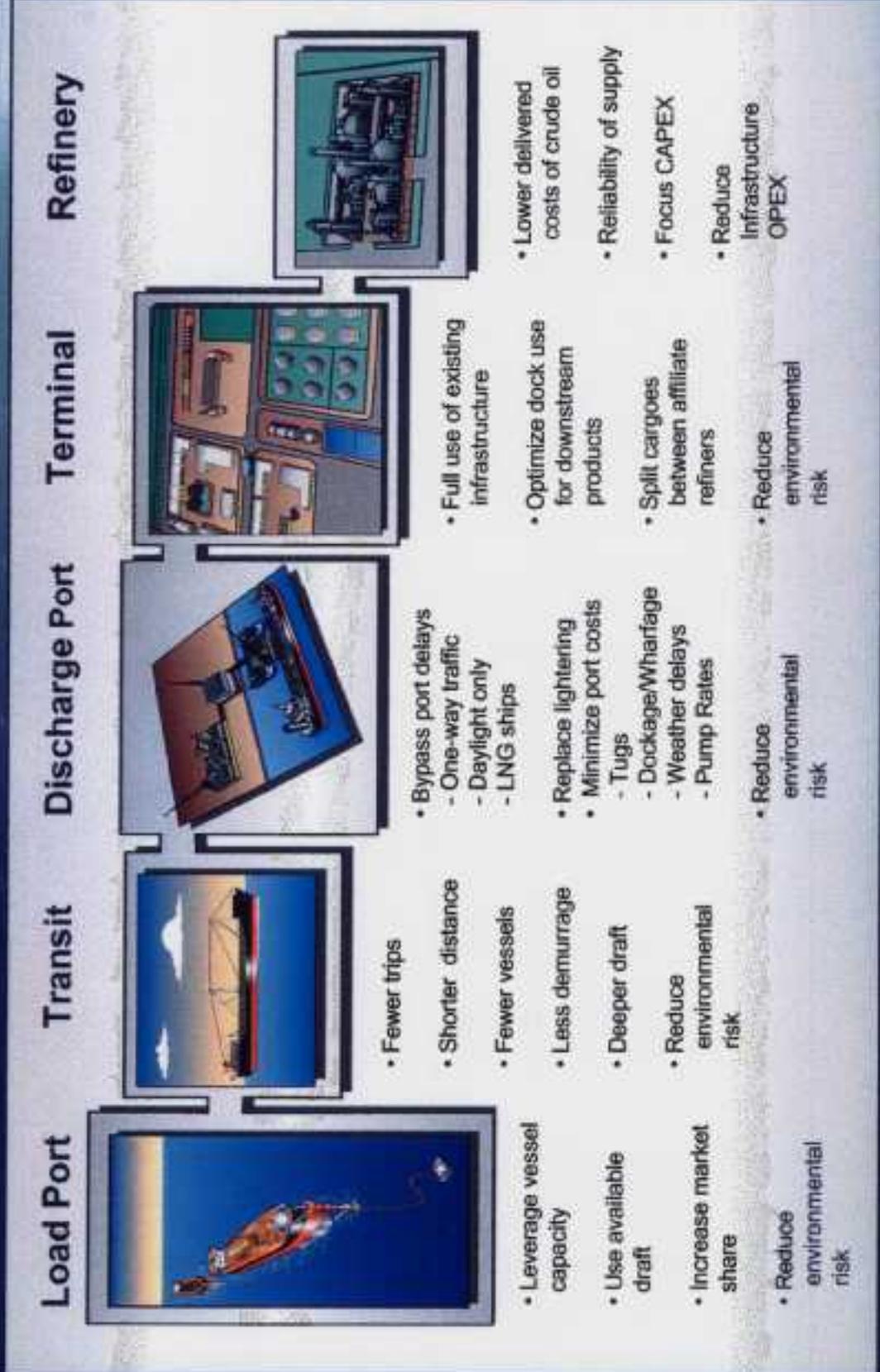
BOOTS



System-Wide Improvement



BOOTS



BOOTS Advantage

(Avoided \$'s and Import % of Target Market)

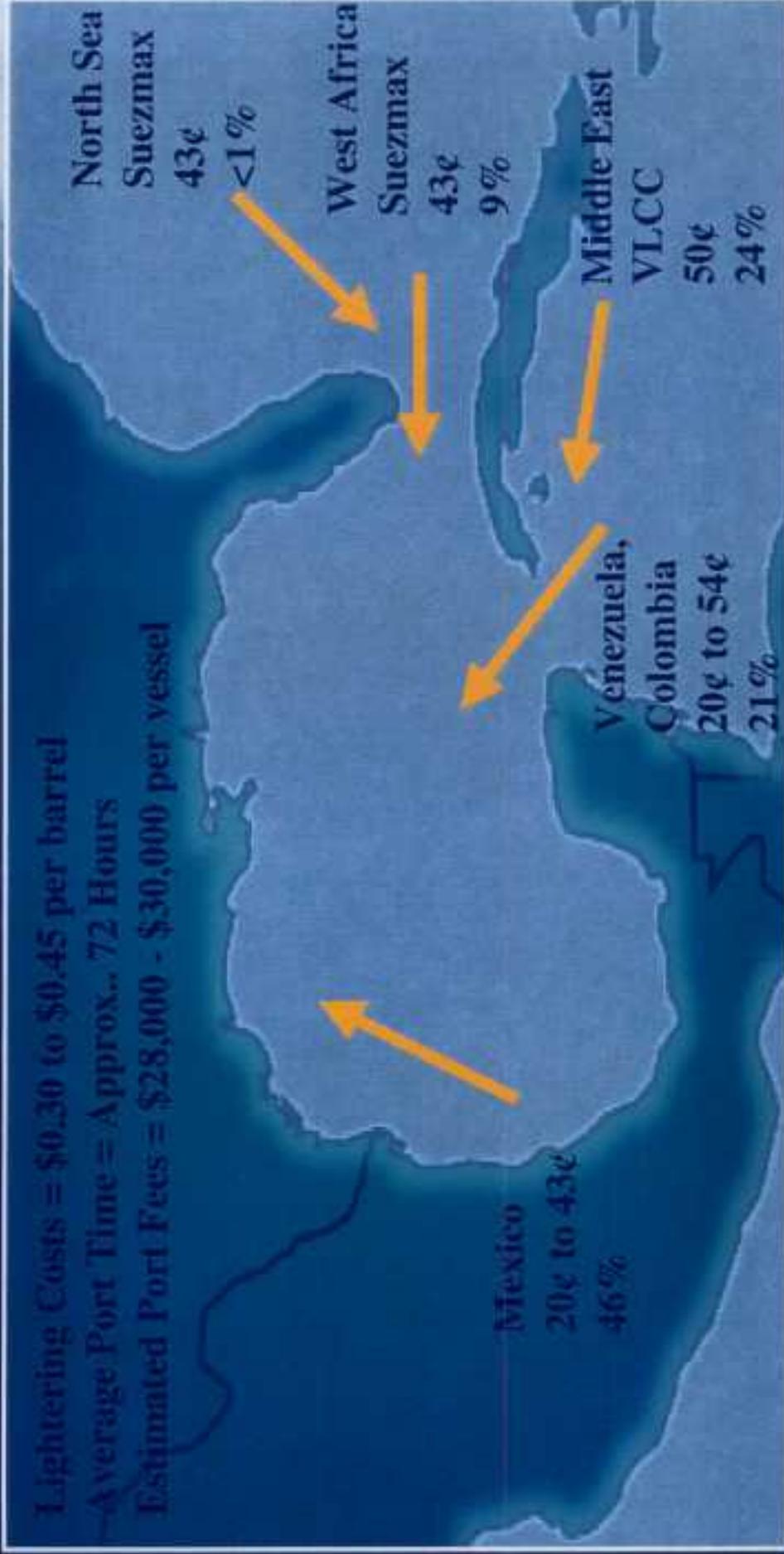


BOOTS

Lightering Costs = \$0.30 to \$0.45 per barrel

Average Port Time = Approx., 72 Hours

Estimated Port Fees = \$28,000 - \$30,000 per vessel



Quantifiable Avoided Costs



BOOTS

Venezuelan AFRAMAX Vessel

	VARIANCES		Cents/Bbl		BOOTS Advantage
	Current	BOOTS	Current	BOOTS	
Capacity (bbls)	575,000	676,333	\$ 1.0422	\$ 0.8180	No dead freight
Days of demurrage @ \$35K/day	1.5	.75	\$ 0.0913	\$ 0.0388	Demurrage reduced 50%
Port charges	\$ 30,000	\$ 3,000	\$ 0.00	\$ 0.00	Port fees reduced 90%
Based on cargo of Mesa 30 for a vessel light-loaded to 40' (80,000 tons) vs. fully loaded to 95,000 tons.					
			\$ 1.1335	\$ 0.8568	\$ 0.28 Per Barrel

Jose to Offshore Galveston = WS Flat 4.79
 Jose to Beaumont = WS Flat 5.19
 Variable Rate = WS 165

Quantifiable Avoided Costs



Venezuelan SUEZMAX Vessel

	VARIANCES		Cents/Bbl		BOOTS Advantage
	Current	BOOTS	Current	BOOTS	
Rate: WS 105	1,000,000	1,250,000	\$ 0.7084	\$ 0.5231	No lightering expenses
Capacity (bbbls)	3	1.5	\$ 0.1050	\$ 0.0420	Demurrage reduced 50%
Days of demurrage @\$35K/day	\$ 45,000	\$ 4,500	\$ 0.00	\$ 0.00	Port fees reduced
Rates assume that vessel lightered By 1 Aframax vessel. Demurrage includes Aframax vessel. Includes \$0.175 lightering costs.					
			\$ 0.9884	\$ 0.5651	\$ 0.4233 Per Barrel

Jose to Offshore Galveston = WS Flat 4.79

Jose to Beaumont = WS Flat 5.19

Variable Rate: WS 105

Quantifiable Avoided Costs



Venezuelan VLCC Vessel

	VARIANCES		Cents/Bbl		BOOTS Advantage
	Current	BOOTS	Current	BOOTS	
Rate: WS 55	2,000,000	2,000,000	\$ 0.3425	\$ 0.3425	No lightering expenses
Capacity (bbbls)	5	1	\$0.1875	\$ 0.0375	Demurrage reduced
Days of demurrage @ \$75K/day	\$ 120,000	\$ 12,000	\$0.00	\$0.00	Port fees reduced
Variances assume VLCC lightered by 4 Aframax's. Assumes 3/4 days demurrage per Lightering vessel. Includes \$0.35 lightering costs.					
			\$0.8800	\$ 0.3800	\$ 0.5000 Per Barrel

Jose to Offshore Galveston = WS Flat 4.79

BOOTS Schedule



BOOTS



BOOTS Project Team



BOOTS

Project Director
C. Keene

- Project Oversight
- Team Integration
- Project Strategy
- Development Plan
- Schedule & Budget

Mgr - Commercial
B. Trahan

Marketing
G. Kaspar

Throughput Agreements

Econ Evaluation
A. Cruthers

Tax
J. Mathews

Partner Strategy

PR/Communications
T. Covington/B. Stokes

Mgr - Technical
R. Kaltenbaugh

Design & Construction
P. Fantl
Brown & Root

Cost Estimate
P. Fantl

Environmental
S. Gregory
E&E/CSA/DNV

Project Schedule

Cost Tracking
M. Edasi

Mgr - Legal/Govt Rel
L. Krug

Project Documents

Gov't Relations
F. Phelps/N. Sauer

Permitting/Application
Hogan & Hartson
Vinson & Elkins

Tax
J. Mathews

Legal/Financing
R. Kass

Mgr - Project Funding
P. Burdett

Financing Plan

Corporate Planning

Legal/Financing
R. Kass

Tax
J. Mathews

B U I L D O I L O F F S H O R E T R A N S F E R S Y S T E M

Why Unocal?

- Experienced in the design and construction of offshore pipelines and platforms
- Proven Gulf of Mexico facility operator
- Strategic ownership of Beaumont terminal assets
- Strong support and commitment from corporate CEO and President
- Financial strength



BOOTS

Where We've Been!



BOOTS

- **Phase I – Completed**
 - Business Model, Development Plan, Scope, Cost, Economics
 - Brown & Root Engaged for Engineering/Design
 - Commence Process of Assessing Engineering, Construction and Operation Risks
 - Phase II Approved by Senior Management – \$5 Million Development Capital

Where We're Going!



BOOTS

- **Phase II – Front-End Engineering, License Application**
 - Project Counsel Engaged (Hogan & Hartson - Federal; Vinson & Elkins - State and Local)
 - Scheduling Meetings w/ Key Regulators (DOT, Coast Guard, MARAD, OPS/RS)
 - Environmental Firms Engaged for Analysis/Permitting (E&E, CSA, DNV)
 - Multiple Customer Meetings Underway to Gain Customer Commitments

Phase II - Development Plan



BOOTS

- **Front End Engineering**
 - Route Selection, Hydraulics, Logistics
- **Anchor Customer LOI's**
 - Non-binding Terms & Conditions
- **Submit Permit Application**
 - Environmental Impact Report

June, 2001

September, 2001

April, 2002