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Judge throws out program for seismic testing in Mississippi Sound

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A Mississippi judge has thrown out the state's proposed rules for seismic testing in state waters in the Mississippi Sound, saying the agency that wrote the rules failed to properly assess the economic and environmental potential impacts of offshore oil and gas drilling.

Chancery Court Judge William Singletary, in a decision Thursday, upheld an appeal of two environmental organizations which challenged the rules promulgated by the Mississippi Development Authority.

Singletary remanded the rules back to the MDA and ordered the authority to conduct "a meaningful economic impact statement," that to take in all the potential results of allowing oil and gas drilling in the sound, an arm of the Gulf of Mexico that extends along the Mississippi Gulf Coast.

Article continues below...

"We are aware of the court's ruling, and we are working with our attorneys to determine our next steps," Marlo Dorsey, MDA's chief marketing officer, said in a statement.

In a statement, the environmental groups that had brought the suit, Gulf Restoration Network and the Sierra Club, praised the ruling.

"It has been clear from the time that these rules were issued that the state did not consider the very real consequences of offshore drilling in regards to a tourism economy and the quality of life in coastal communities," said Helen Rose Patterson, Mississippi organizer with Gulf Restoration Network.

"This court ruling sends MDA back to square one as it pertains to opening state waters to oil and gas drilling. Clearly, now is the time for MDA to recognize the obvious detrimental impacts of oil and gas drilling to the tourism economy of the Coast and to Gulf Islands National Seashore," said Louie Miller, director of the Mississippi Sierra Club.

"Drilling is a lose-lose situation economically for the state of Mississippi," Miller said.

In his ruling, the judge said the MDA failed to produce a detailed economic impact statement as required by state law. He said that in December 2011 the authority prepared a half-page, single-spaced benefit-cost analysis of offshore offshore leasing of state-owned minerals.

The document found that a creating a state leasing program in the sound would result in potential lease bonuses to the state of $18.5 million at an administrative cost of no more than $20,000.

In addition, the analysis found that leasing of state oil and gas rights, "is a purely administrative bid process and has, in and of itself, little cost to the state and no risk of environmental damage or economic harm."

But Singletary found that document to be "severely lacking," in that it "simply postpones addressing the costs and benefits associated with exploration and extraction until a further study."

Instead, the judge found exploration and extraction are "intrinsically linked to the leasing process."

In addition, the MDA cost analysis failed to take into account the potential impact of drilling and extraction in the sound on small businesses, did not explore the costs and benefits of taking no action, and did not provide a detailed explanation of the data used in preparing the analysis, Singletary wrote.

Therefore, he found that "the promulgated regulations are arbitrary and capricious and are not supported by substantial evidence."

MDA estimates that the 90-mile long Mississippi Sound has around 350 Bcf of natural gas reserves and virtually no oil reserves.

If drilling is allowed to proceed in the sound, the resulting royalty funds would be divided among several state programs, with 97.5% going to the state's Educational Trust Fund; 1% to wildlife and habitat conservation and 1% to an oil spill recovery fund. The final half-percent would go toward administering the state's mineral leasing program.

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