

**UNITED STATES DEPARTMENT OF THE INTERIOR  
BUREAU OF SAFETY AND ENVIRONMENTAL ENFORCEMENT  
GULF OF MEXICO OCS REGION**

NTL No. 2019-G01

Effective Date: May 7, 2019

NOTICE TO LESSEES AND OPERATORS OF FEDERAL  
OIL AND GAS LEASES IN THE OUTER CONTINENTAL SHELF  
GULF OF MEXICO OCS REGION

**Suspension of Production/Operations Overview**

**Purpose**

The Bureau of Safety and Environmental Enforcement (BSEE) issues this Notice to Lessees and Operators (NTL) to provide guidance and clarification regarding the regulations found at 30 CFR 250.168 – 250.177 pertaining to the granting and directing of Suspensions of Production (SOPs) and Suspensions of Operations (SOOs). This NTL supersedes NTL No. 2000-G17 and NTL No. 2011-N10, updating elements of the guidance and eliminating sections where BSEE believes clarification is no longer needed. This NTL also adds clarification and guidance for requesting SOPs when your project involves technology development (e.g., high-pressure, high-temperature equipment) as well as guidance regarding the justifications needed to support an exception to our policy against granting suspensions for “phased development.”

**Authority**

In accordance with 30 CFR 250.103, BSEE may issue NTLs that clarify or provide more detail about certain requirements or that outline what regulated entities must provide as required information in their various submissions to BSEE.

**General**

The Outer Continental Shelf Lands Act, as amended, calls for the prompt and efficient exploration and development of your leased block. As such, you are expected to explore, develop, and commence production within the primary term of any offshore Federal lease. Under 30 CFR 250.180, you may maintain your lease beyond its primary term through operations (i.e., lease-holding operations). For these purposes, the term “operations” means drilling, well-reworking, or production in paying quantities.

If your lease is at the end of its primary or extended term, in the absence of one of these operations, you may request a lease or unit suspension which, if granted, extends the term of the lease or unit. For the purposes of this NTL, all references made to a lease may also apply to a unit. The regulations at 30 CFR 250.168 – 250.177 set forth both the process

for requesting a suspension and the circumstances under which BSEE has the discretion to grant such a request.

You should generally submit an SOP request approximately 3 weeks before the scheduled lease expiration date. You may submit an SOO request closer to the lease expiration date when the basis for your request is that you are prevented from performing scheduled lease-holding operations due to unforeseen circumstances beyond your control.

If we receive your suspension request late in the lease term and do not take final action (i.e., approve or deny your request) before the scheduled lease expiration date, the lease is preserved from termination for the purposes of allowing BSEE to act on your request. However, you cannot conduct any lease-holding operation on the lease after scheduled lease expiration unless and until your suspension request is granted. In all cases, pursuant to 30 CFR 250.171, we must receive your complete suspension request (including the service fee listed under 30 CFR 250.125) before the date the lease would otherwise expire. If received after the expiration date, BSEE does not have authority to grant your suspension request.

### **Suspension of Production**

When you meet applicable regulatory requirements, including demonstrating that a well was drilled on the lease and determined to be producible (30 CFR 250.171(c)), we may grant SOPs to allow the appropriate time to commence or restore production. You must demonstrate a firm commitment to produce the hydrocarbons that have been discovered by wellbore penetration. Support your commitment with a reasonable schedule of measurable milestones leading to the commencement or restoration of production. SOPs cannot be obtained solely for exploration purposes.

Under 30 CFR 250.171(d), you must demonstrate a commitment to production (CTP). BSEE offers the following guidance to clarify this requirement:

- A firm CTP must be made prior to the date that the lease would otherwise expire. This CTP must be based on a definitive decision by the operator to bring the discovered hydrocarbons (proven by well penetration on the subject lease) on production.
- Spending money alone is insufficient to demonstrate a CTP. We expect you to complete exploration and delineation drilling as a prerequisite for a credible CTP, but such drilling isn't alone sufficient. You should also demonstrate that you have enough technical information, drilling results, etc. to determine that your project is an economic venture; without sufficient information we would not deem you to have a real CTP.
- If your CTP relies upon negotiating for use of another entity's production facility (e.g., the production facility has a different operator, lease ownership, or ownership percentages), the relevant parties must have committed to such use of the facility (e.g., through an executed Production Handling Agreement) before the date the lease would otherwise expire.

In addition to a CTP, under 30 CFR 250.171, your SOP request must also include:

- Justification for the SOP, including identification of the regulatory basis for a suspension under 30 CFR 250.172 – 250.174, a summary describing the circumstances of your request, a description of how the SOP will lead to production, and the length of time requested;
- A reasonable schedule of work with measureable milestones leading to the commencement or restoration of production (see example below). The ultimate outcome of the schedule (production) should be demonstrably achievable, and not contingent upon the outcome of uncertain future events;
- Identification of a well drilled on the lease and determined to be producible in accordance with regulations; and
- Documentation demonstrating that the service fee has been paid.

In addition, if this will be the initial SOP on your lease, the following information should be submitted to support your CTP and to expedite the BSEE evaluation:

- Reservoir structure map(s), isopach map(s), and reserve estimate.

In *Statoil Gulf of Mexico LLC*, 42 OHA 261 (2011), the Director of the Department of the Interior’s Office of Hearings and Appeals issued a decision that provides greater clarity regarding the requirements of certain regulations governing the granting/denial of requests for SOPs. It focuses on the requirement of a CTP (30 CFR 250.171(d)) and the fact that granting of SOPs is discretionary. It also includes a discussion of the “national interest” standard and the distinction between production and transportation facilities.

This final Departmental decision can be found by visiting <https://www.oha.doi.gov:8080/index.html>, and searching for DIR-2010-0027 in Directors Decisions (1996-Present).

### **Length of the SOP**

Within the limits set by 30 CFR 250.170, we set the length of an SOP approval based on the circumstances of each individual case. We usually grant an SOP through an upcoming major milestone, such as the next scheduled lease-holding operation, even though the activity schedule may extend beyond the length of the SOP. After we approve an SOP, we monitor your progress toward meeting each milestone in your activity schedule via your progress reports received through the commencement or restoration of production.

### **SOP for Phased Development**

For purposes of this NTL, phased development is defined as waiting for processing capacity at a host production facility to become available. That is, you plan to produce the hydrocarbons (that have been discovered by wellbore penetration) as a satellite

project to a production facility that does not currently have available capacity to process your production. This may happen, for example, when the host capacity is fully accounted for with production from the primary or host field discoveries, thus leaving no room for additional production from your satellite project until the primary production declines. Under a phased development scenario, capacity is not available to accommodate your satellite production within the remainder of the lease term, and capacity for your production is dependent upon a decline in production processed at the host facility.

Requests for suspensions to await phased development present meaningful questions regarding the existence of a CTP and a reasonable schedule of work leading to production, as well as satisfaction of the regulatory requirement to maximize ultimate recovery. Generally, therefore, BSEE does not approve suspensions for phased development. However, BSEE may consider, as an exception, approving a suspension to support phased development if you demonstrate to the Regional Supervisor's satisfaction that your project's circumstances are unique or unusual, that phased development is appropriate, and that phased development would not harm ultimate recovery or cause waste. In such cases, BSEE may exercise its discretion to approve SOP requests for phased development when you demonstrate the following evidence that the SOP requirements clarified elsewhere in this NTL have been satisfied and the proposed plan comports with other regulatory requirements:

- Production from each lease will likely occur sooner than if the tract were re-leased;
- Your satellite project is economic;
- Phased development will maximize ultimate recovery from your satellite project;
- You made good faith efforts to utilize other nearby host facilities and to evaluate construction of a stand-alone facility;
- It would not be economic or practical to redesign or modify the existing or proposed host facility to accommodate your production sooner;
- The tieback project reserves can be produced within the expected facility design life (e.g., show the timing of when your production will come online, your anticipated production rates over time, and how your decline curve aligns with the expected facility design life);
- Either (a) you have a plan to promptly develop all economic discoveries within tieback range of your own host facility, and future discoveries will not delay first production from your satellite project, or (b) you executed a Production Handling Agreement (before the date the lease would otherwise expire) that allows you to utilize another entity's host facility and guarantees you sufficient capacity for your satellite project's production when you propose to begin that production;
- One or more lease-holding operations will occur within 5 years; and
- Your project is in greater than 1,000 ft water depth and the development involves unusual circumstances such as a frontier play.

As a condition of any SOP approval for phased development, in order to substantiate your required firm commitment to production of public resources, BSEE may require you

to execute an agreement that would compensate the federal government should you fail to produce from the lease as contemplated.

### **SOP for Technology Development**

Requests for SOPs (or SOOs) solely to provide time for technology to be developed would raise meaningful questions regarding the existence of CTP and the reasonableness of the schedule of work leading to lease-holding operations. However, if technology (e.g., high-pressure and/or high-temperature technology) is being developed that is necessary for your project’s drilling, completion, and/or production operations, and that technology is at a sufficient stage of development that it can and will be designed, fabricated, and ready for use within the same timeframe needed to design, construct, and install the production facility, BSEE may grant an SOP (provided that all applicable SOP requirements have been satisfied, as clarified elsewhere in this NTL). In such cases, the SOP request should include a reasonable schedule of work that excludes periods solely dedicated to waiting for the development of new technology.

### **Changes to Designated Operator**

If a different company becomes designated operator of a lease held by an SOP, the new operator is expected to follow the prior operator’s approved activity schedule, or one that is more diligent. We will not grant an additional SOP solely because of a lease operator change.

### **Example of an SOP Activity Schedule**

<u>Activity</u>	<u>Deadline</u>
Commence fabrication of platform.	July 2019
Commence installation of platform.	March 2020
Commence installation of pipeline.	April 2020
Commence tieback and completion operations on Wells A-1 and A-2 (SOP expires May 31, 2020)	May 2020
Apply for production measurement and/or surface commingling approval.	June 2020
Commence production.	July 2020

### **Suspension of Operations**

BSEE may grant an SOO when your request satisfies the requirements of 30 CFR 250.171 and one or more of the criteria set forth in 30 CFR 250.172 or 250.175. One

such justification is that you are prevented from drilling or well-reworking operations by reasons beyond your control, such as unexpected adverse weather, unavoidable accidents, or short delays in a prearranged rig release date. In such circumstances, a fundamental component in determining whether or not you are “prevented by reasons beyond your control” is whether or not the particular drilling rig was scheduled to conduct operations at your location before the scheduled lease expiration date. To that end, you should have timely filed and received approval of all necessary applications to conduct such operations, such as your Exploration Plan and Application for Permit to Drill, since timely filing of plan and permit applications is within your control. SOOs such as this are normally granted for a short duration.

### **Direct a Suspension**

When circumstances warrant, as described in 30 CFR 250.172 – 250.173 for SOOs and 30 CFR 250.172 – 250.174 for SOPs, BSEE may direct an SOO, SOP, or both, to temporarily prohibit drilling, production, or any other lease-holding activity under the terms of the lease agreement.

### **Paperwork Reduction Act of 1995 Statement**

The Office of Management and Budget (OMB) has approved the information collection requirements contained in these regulations under OMB control number 1014-0022. This NTL does not impose any additional information collection requirements subject to the Paperwork Reduction Act of 1995.

### **Contact**

If you have specific questions concerning this NTL, please contact the Development and Unitization Section Chief at (504) 736-2662.

**/S/ Lars Herbst**  
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