

**UNITED STATES DEPARTMENT OF THE INTERIOR  
BUREAU OF SAFETY & ENVIRONMENTAL ENFORCEMENT**

NTL No. 2017-N02

Effective Date: March 02, 2017

NATIONAL NOTICE TO LESSEES AND OPERATORS OF FEDERAL OIL AND GAS AND  
SULPHUR LEASES, OUTER CONTINENTAL SHELF (OCS)

**Reporting Requirements for Decommissioning Expenditures on the OCS**

**Purpose**

On April 27, 2016, the Bureau of Safety and Environmental Enforcement (BSEE) issued Notice to Lessees and Operators (NTL) No. 2016-N03, *Reporting Requirements for Decommissioning Expenditures on the OCS*, to provide guidance and clarification regarding regulatory requirements pertaining to the submission of certified decommissioning expenditure summaries following the permanent plugging of any well, removal of any platform or other facility, and clearance and verification of any site. BSEE amended its regulations addressing decommissioning expenditure reporting, effective December 16, 2016, by including requirements for the submittal of certified summaries of decommissioning expenditures for right-of-way (ROW) and lease term pipelines. The additional requirements concerning the submission of certified decommissioning expenditures summaries are found at 30 CFR 250.1704(i).<sup>1</sup> As a practical matter, BSEE recognizes, and prefers, that the operator submit the required summary of decommissioning costs on behalf of the lessees, the owners of operating rights, or the pipeline ROW holders. The summaries must be submitted within 120 days after completion of each decommissioning activity.

This NTL supersedes NTL No. 2016-N03, provides guidance and clarification regarding submission of certified decommissioning cost expenditure summaries following permanent plugging of any well, removal of any platform or other facility, clearance and verification of any site, and decommissioning of any pipeline segment as required by 30 CFR 250.1704(i). To minimize the reporting burden while ensuring that BSEE receives accurate, complete, and consistent data, BSEE recommends that, except as noted below, you use methods, procedures, and expenditure classifications set out in Model Forms, Model Form Interpretations, Accounting Guidelines and other documents published by [The Council of Petroleum Accountants Societies, Inc.](#) (COPAS). Specifically, BSEE requests that you rely on the COPAS guidelines (e.g. [Classifications for Summary Form Billing© \(MFI-26\)](#) and [Joint Audit Data Exchange© \(AG-26\)](#)) for reporting by cost classifications and/or examination of joint interest transactions as the primary framework upon which to submit the required information.

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<sup>1</sup> In addition, amended 30 CFR 250.1704(j) authorizes the BSEE Regional Supervisor to request additional information in support of any decommissioning activity included in a summary of decommissioning expenditures under 30 CFR 250.1704(i).

## **Authority**

BSEE's regulations at 30 CFR 250.103 authorize BSEE to issue NTLs that clarify or provide more detail about certain requirements. According to 30 CFR 250.103, NTLs may also outline what regulated entities must provide as required information in their various submissions to BSEE. In addition, 30 CFR 250.1704(i) and (j) authorize the BSEE Regional Supervisor to provide specific instructions or guidance regarding the submission of certified summaries of decommissioning expenditures and additional information (such as invoices and contracts) concerning decommissioning activities.

## **Background**

BSEE will use this information, as well as other information and analyses, to improve estimates of future decommissioning costs. BSEE will share its prepared cost estimates with the Bureau of Ocean Energy Management (BOEM) for use in setting necessary financial assurance levels to minimize both the possibility that the government will incur decommissioning costs and the possibility that BOEM will require more financial assurance than necessary to cover future decommissioning liabilities from lessees, ROW holders, and operating rights owners. BSEE recommends participation by both the operations and joint interest accounting functional groups within an organization in undertaking the requisite data compilations and submissions.

## **Reporting Basis and Characterization of Costs**

*Allocation of Expenditures* - BSEE estimates decommissioning liabilities on well-by-well, structure-by-structure, pipeline-by-pipeline, and site clearance-by-site clearance bases. Correspondingly, 30 CFR 250.1704(i) requires separate submittal of summaries of actual expenditures for each decommissioned asset. However, operators generally decommission wells, pipelines, and/or facilities in batches or "campaigns" with expenditures generally authorized and tracked based on an Authorization for Expenditure (AFE) or equivalent document/process. As a result, you will most likely make some form of cost allocation to satisfy BSEE's regulatory requirements. To ensure that BSEE receives accurate reporting on a consistent basis, you should prepare and submit summaries using invoice-level allocations among decommissioned assets (wells, platforms, facilities, and pipeline segments) and cost categories (*see* next section). Note that invoice-level allocations also will be necessary for turnkey service invoices. Unless requested under 30 CFR 250.1704(j), BSEE typically will not require that you submit invoice-level allocations, although you should use them to develop the required summaries.

BSEE expects you to make a good faith determination of the most appropriate allocation bases (e.g., task/activity duration, length of tubulars, effort in person-hours) for purposes of allocating costs. Accurate and consistent cost allocations will maximize the utility of reported expenditures to BSEE for its use in preparing future decommissioning liability estimates. A clear, complete, and accurate summary is required for each permanently plugged well, platform or facility removed, site cleared, and pipeline segment decommissioned.

*Classification and Restatement of Expenditures* – You should report all costs on a gross (100% working interest) basis. The COPAS Retirement and Abandonment (R&A) Expenses should be further sub-classified/restated using the four cost categories listed below (along with bulleted examples), as applicable to a specific decommissioning activity:

1. Transportation and Staging

- Transportation – crew boats, work boats, supply vessels, current monitoring vessels, cargo barges, helicopter and aviation support, motor freight and hauling
- Communications, shore base logistics, and dock services
- Catering, groceries, and other subsistence
- Fuel, water, and lubricants
- Turnkey services related to this cost category, including allocated amounts;

2. Location

- Rig/vessel mobilization/demobilization
- Surveying and location preparation
- Debris removal/clean up, site/seabed survey, trawling and nets
- Mooring systems/components, standby and back-down systems
- Turnkey services related to this cost category, including allocated amounts;

3. Contract Services, Lifting, Diving and Service Units

- Daywork drilling/workover rigs, lift boats, derrick/crane barges, heavy lift vessels
- Cutting, diving, flushing and filling, and ROV (remotely operated vehicle) services
- Coil tubing, snubbing/hydraulic workover
- Rental tools for surface and subsurface operations
- Mud and brines, cementing, pipe handling and related services, and bits
- Wireline services, slickline and electric, logging and perforating
- Maintenance, cleaning, testing, disposal, and inspection services
- Turnkey services related to this cost category, including allocated amounts;

4. Other Decommissioning Related Costs

- Site supervision, engineering, and consulting
- Disposal of material flushed from decommissioned pipelines
- Health, Safety & Environment and regulatory compliance
- Lost equipment, damaged equipment repair
- Miscellaneous supplies and materials
- Insurance
- Overhead
- Turnkey services related to this cost category, including allocated amounts
- Costs not elsewhere classified.

Costs Chargeable to Joint Account and Overhead – All costs chargeable to a joint account should be included. In the case where no joint account exists, you should classify and report the decommissioning costs as if the recommended COPAS framework were applicable. BSEE wants to ensure that all relevant costs are reported in the summary, including those that an individual, such as an operator's project manager who typically signs/routes vendor invoices, might not see. Specifically, you should report charges to the joint account for operator-provided direct goods and services, consistent with COPAS

guidelines and the venture Joint Operating Agreement. Operator receipts from joint interest owners for overhead, if any, should be included and allocated as appropriate.

Treatment of Conductor Casing Removal Costs – In situations where lessees cut and pull conductor casing during the final stage of well plugging and abandonment, as part of the structure removal activity, BSEE recommends that the operator report these costs, along with the number of conductors removed, separately on an aggregate basis. This will allow BSEE to better distinguish structure removal from well abandonment expenditures in these situations.

Permanently Plugged Wells – Casing Not Cut – Where lessees install all of the required plugs in a well for permanent abandonment (PA), but defer the cutting and pulling of the casing to a later date, costs are to be reported 120-days after completion of the plugging operation. In addition, lessees should separately report costs associated with cutting and pulling the casing within 120 days after completion of the cutting and pulling operation.

Submittal Certification – Section 250.1704(i) requires you to certify each summary of expenditures that you submit. A single certification statement will suffice if you submit multiple expenditure summaries at the same time. The certifying individual must be a representative of your company authorized to attest to the truth, accuracy and completeness of the summary. BSEE leaves the precise certification verbiage to your discretion but suggests that the certification statement on corporate letterhead include the following elements:

1. Name(s) and title(s) of individual(s) certifying the decommissioning expenditure summary;
2. Statement regarding authorization of certifying individual(s) to submit decommissioning summary;
3. Statement attesting to the “truth, accuracy and completeness” of the decommissioning expenditure report; and
4. A table showing which wells (12-digit API number), removed platforms/facilities (Complex ID/Structure Number combination), decommissioned pipeline segments (Pipeline Segment Number), and/or sites cleared/verified (Complex ID/Structure Number combination or API Number if not structurally associated with a platform) the certified summaries cover for batch submission of decommissioning cost summaries.

Reporting Period – BSEE appreciates that there could be situations where it may take longer than the 120-day reporting period allowed by regulation for you to receive and process all decommissioning related invoices. In such cases, BSEE will consider granting an extension when timely requested and sufficiently justified. BSEE would rather receive a single complete submission with a reporting period extension than a preliminary summary followed by some number of revisions/supplements. However, failure to submit decommissioning cost summaries in the timeframe required by the regulation, or as extended by BSEE, may result in BSEE’s issuance of an Incident of Noncompliance.

Requests for Additional Information – If, pursuant to 30 CFR 250.1704(j), the Regional Supervisor requests additional information in support of any decommissioning activity expenditures included in a summary submitted pursuant to 30 CFR 250.1704(i), BSEE recommends that the response be consistent in all material respects with that outlined in COPAS Accounting Guideline [Joint Audit Data Exchange© \(AG-26\)](#). BSEE also recommends that you keep sufficiently detailed cost allocation records (among

assets and cost categories) should an additional information request be made by the Regional Supervisor pursuant to 30 CFR 250.1704(j).

## Structure of Submitted Data

In order to comply with 30 CFR 250.1704(i), you must submit a complete summary of expenditures actually incurred for each decommissioned asset by the relevant decommissioning activity type: well abandonment (by API Number); structure removal (by Complex ID and Structure Number pair); pipeline segment decommissioning (by Pipeline Segment Number); and site clearance and verification (by Complex ID and Structure Number pair or API Number if not structurally associated with a platform). In addition, each decommissioning cost summary should include the following information whenever relevant:

1. **Date of Submission** – The date that the data is submitted to BSEE;
2. **Initial or Revised? (I/R#)** –“I” for initial submission, and “R1”, “R2”, etc., for subsequent revisions as appropriate. BSEE expects revision submittals to be exceptional events that result from reporting errors, untimely invoice receipts, and the like. Revision submittals should reflect updated activity totals rather than incremental changes from prior submission(s);
3. **Submitter Company Name;**
4. **Submitter Company Number** – The Company Number corresponding to item 3, above;
5. **Decommissioning Activity Type (PR/PA/SCV/PL)** - The type of reported cost, *i.e.*,
  - a. “PR” for platform and facility removal (including PLETS (pipeline end terminations), PLEMS (pipeline end manifolds), subsea templates, etc., per 30 CFR 250.1700(c)),
  - b. “PA” for well abandonment,
  - c. “SCV” for site clearance and verification, and
  - d. “PL” for pipeline segment decommissioning;
6. **Multi-Asset Activity Flag (Y/N)** – Whether the decommissioning activity is part of a multiple asset decommissioning project. For example, decommissioning costs for an asset included as part of a two (or more) well decommissioning project would be indicated with a “Y” because each activity was of the same type. “N” would indicate the costs of a project involving a single well or a project with a single structure. In the case of a project involving a single structure and two or more wells, this field would be marked as “N” for the structure removal and “Y” for each of the wells;
7. **Turnkey Contracting Flag (Y/N)** – Whether a majority of the decommissioning expenditures for the reported asset decommissioning were incurred under a “turnkey”-type contract(s), otherwise this would be marked as “N;”
8. **Permanently Plugged Well – Casing Not Cut (Y/N)** – For a well with all of the required plugs in place for PA, but for which casing cutting and removal remains to be performed, this would be marked with a “Y,” otherwise “N.” No response is required for a platform or facility removal (PR) activity, a site clearance and verification (SCV) activity, or a pipeline segment decommissioning (PL) activity. (Note: A well in this condition is technically defined as “temporarily abandoned” and is labeled as such within BSEE official records until casing is cut);

9. **Partially Decommissioned Assets (Y/N)** – For an asset that has been partially decommissioned (e.g., deck removed from platform, installation of some but not all required plugs in well, or pipeline flushed but not decommissioned) prior to completion of the activity being reported, this would be marked with a “Y,” otherwise “N;”
10. **Rigs to Reefs Flag (Y/N)** –Whether the structure removal operations were conducted as part of a Rigs to Reefs program. No response is required for well plugging (PA), site clearance and verification (SCV), or pipeline segment decommissioning (PL) activities;
11. **Pipeline Segment Removal Flag (Y/N)** – Whether the pipeline segment was removed as opposed to being decommissioned in place. No response is required for well plugging (PA), structure removal (PR), or site clearance and verification (SCV).
12. **Onshore Disposal of Material Flushed from Pipeline Flag (Y/N)** – Whether material flushed from a pipeline segment was disposed onshore or not. No response is required for well plugging (PA), structure removal (PR), or site clearance and verification (SCV).
13. **Activity Duration (number of days)** – The approximate duration of the decommissioning activity. When decommissioning activities on one asset are interrupted for efforts on another asset, the original activity duration no longer directly corresponds to a single elapsed calendar time period;
14. **API Number or Complex ID-Structure Number** – For well decommissioning expenditures, the well’s 12-digit API number; for decommissioned pipeline segments, the Pipeline Segment Number; for platform/facility removal, the Complex ID and its Structure Number; and for site clearance, the Complex ID and its Structure Number or API Number, if not structurally associated with a platform;
15. **Transportation and Staging Costs** – See examples in text above;
16. **Location Costs** – See examples in text above;
17. **Contract Services, Diving and Service Unit Costs** – See examples in text above;
18. **Other Decommissioning Related Costs** – See examples in text above;
19. **Decommissioning Cost Total** – The sum of the four cost categories above;
20. **Conductor Removal Cost Activity Association** – Whether conductor cutting and removal costs are included as part of a PA activity or a PR activity as described in No. 5 above;
21. **Number of Conductors Removed** – The number of conductors removed as part of a broader structure removal activity. No response is required if conductor removal was accounted for as part of a well PA, site clearance (SCV), or pipeline segment decommissioning (PL) activity;
22. **Conductor Removal Cost** – The estimated cost to remove well conductors when performed as part of a structure removal activity. No response is required if conductor removal was accounted for as part of a well PA, site clearance (SCV), or pipeline segment decommissioning (PL) activity. This cost should not be reported as an amount incremental to the costs above (items 13 through 16);

23. **Name of Individual Certifying Reported Costs;**
24. **Title of Individual Certifying Reported Costs;**
25. **Phone Number of Individual Certifying Reported Costs;**
26. **Email Address of Individual Certifying Reported Costs;**
27. **Comments** – An optional field intended to accommodate any supplemental information that the submitter deems appropriate or potentially useful to BSEE.

## **Format for Submission**

BSEE will accept both electronic (preferred) and paper-based submissions. BSEE requests that you submit the required information in either Microsoft Excel© xls or xlsx formats or delimited text files. Paper submissions should use a simple columns and rows layout.

## **Protection of Information**

You should identify any commercial or proprietary information to BSEE when submitting your summaries. BSEE will protect proprietary information according to the Freedom of Information Act (5 U.S.C. 552) and DOI's implementing regulations (43 CFR part 2); 30 CFR 250.197, *Data and information to be made available to the public or for limited inspection*; and 30 CFR part 252, *OCS Oil and Gas Information Program*.

## **Submittal of Information**

For the electronic submission of information, you should submit the report files as attachments to:

- For the Gulf of Mexico Region, [gomrdecommcost@bsee.gov](mailto:gomrdecommcost@bsee.gov);
- For the Pacific Region, [pocsrdecommcost@bsee.gov](mailto:pocsrdecommcost@bsee.gov); and
- For the Alaska Region, [akocsrdecommcost@bsee.gov](mailto:akocsrdecommcost@bsee.gov)

For the non-electronic submission of information, you should use the following mailing addresses for the Gulf of Mexico, Pacific and Alaska Regions:

- Regional Supervisor, Regional Field Operations  
Decommissioning Support Group (GE 1078A)  
Bureau of Safety & Environmental Enforcement  
1201 Elmwood Park Boulevard  
New Orleans, Louisiana 70123-2394;
- Regional Supervisor, Office of Strategic Operations  
Bureau of Safety & Environmental Enforcement  
760 Paseo Camarillo, Suite 102  
Camarillo, CA 93010-6002; and

- Regional Supervisor, Regional Field Operations  
Bureau of Safety & Environmental Enforcement  
3801 Centerpoint Drive, Suite 500  
Anchorage, AK 99503-5823

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

The Office of Management and Budget (OMB) has approved the information collection requirements for Decommissioning under OMB Control Numbers 1014-0011 and 1014-0030. This NTL does not impose any additional information collection requirements subject to the Paperwork Reduction Act of 1995.

### **Contact**

For information or questions regarding this NTL, lessees or others may contact the appropriate Regional office as follows:

Gulf of Mexico Region: Decommissioning Support Section  
Phone: (504) 736-7569;

Pacific Region: Regional Supervisor for Office of Strategic Operations  
Phone: (805) 384-6325;

Alaska Region: Regional Supervisor for Regional Field Operations  
Phone: (907) 334-5300

Douglas Morris /S/  
Douglas Morris  
Chief, Office of Offshore Regulatory Programs