



## OVERVIEW

In keeping with the resource conservation mission established by the Outer Continental Shelf Lands Act, also known as OCSLA, BSEE recognizes the importance of the Outer Continental Shelf to America's energy portfolio.

BSEE promotes diligent, responsible exploration, development, production, and transportation of offshore energy. Maximizing oil and gas recovery, ensuring accurate production measurement, and preparing for the advancement of offshore renewable energy are core bureau functions.

BSEE's efforts to prevent the stranding of the nation's oil and natural gas resources promotes responsible, efficient production of these resources.



## CONSERVATION ROLES

### PREMATURE ABANDONMENTS

The Ultimate Recovery Abandonment and Bypassing of Zones review ensures that economic zones are not prematurely abandoned and confirms that no significant hydrocarbon bearing zones are being bypassed to the detriment of ultimate recovery. This review is conducted when a company plans to abandon a well producing at average rates exceeding 50 barrels of oil per day or 300 thousand cubic feet of gas per day. The review involves analyzing production and operating expense data to determine whether there is a lack of capacity for further profitable production from the completed zone.

### ROYALTY RELIEF

BSEE's review and decision-making process for discretionary royalty relief applications helps to ensure the conservation of resources. BSEE evaluates lease or project conditions and determines whether or not modifying the royalty rate would be necessary to promote development, increase production, or to encourage the production of marginal offshore resources.

Various discretionary royalty relief programs are in existence, with recent focus being on End of Life and Special Case applications. The first application determines whether past lease economic data supports future royalty modifications to allow production that likely would have not continued otherwise. The second application evaluates geological, reservoir, production, and economic parameters that determine whether an uneconomic lease or project would become economic with some form of royalty relief.

Approved relief is granted with conditions such as, but not limited to, price and produced volume thresholds.

## PERFORMANCE-BASED REGULATIONS

Conservation of resources is a Department of the Interior responsibility. The OCSLA authorizes the Interior Secretary to issue regulations in the interest of conservation of OCS' natural resources.

The term "conservation" is not defined in the statute, but it is discussed in the legislative history and testimony provided by the U.S. Geological Survey Conservation Division during the consideration of the 1978 amendments.

The OCSLA legislative history indicates that "conservation" was used in a broad sense. The Senate Committee, considering the 1978 amendments to the OCSLA, stated that the term "conservation" includes both attaining maximum production and protecting the mineral resource from waste.

Conservation of remaining Gulf of Mexico shelf hydrocarbon resources may necessitate proactive DOI action. Conservation of OCS resources promotes economic efficiency. This means that leasing, development, and production activities should be carried out in a manner that will increase, if not maximize, the net economic value to society from the development of OCS resources.

## FUTURE UTILITY OF IDLE WELLS

Idle wells, also known as idle iron, not used in at least five years can pose potential threats to the OCS environment if they are damaged or destroyed (e.g., hurricanes, mudslides, boat anchors) prior to their permanent abandonment. Costs associated with abandonment are higher for damaged wells versus undamaged wells.

NTL No. 2010-G05 provides consistent and systematic approaches to determine future utility of idle wells and the decommissioning of wells within regulatory time frames.

An operator may propose to keep the idle well if the well is deemed to have future utility. BSEE evaluates such proposals by completing a full geologic and engineering review for each idle well that determines whether reserves are present and if current economic conditions would yield a positive stream of income after subtracting normal expenses.

An idle well should not be decommissioned if a significant volume of reserves is present, the lease is still active, the borehole still has integrity, or the infrastructure is still in place, because conservation of resources is also a priority.

## UNITIZATION

Unitization is the combination of two or more leases for joint exploration or development of common geologic accumulation under terms of a unit agreement and unit operating agreement.

The purpose of unitization is to promote and expedite exploration and development activities, conserve natural resources, minimize the footprint of development activities, prevent physical waste of oil and/or gas, protect correlative rights, and protect federal royalty interests.

## DOWNHOLE COMMINGLING

Downhole commingling is the mixing of hydrocarbons in the wellbore from two or more separate reservoirs. The operator needs approval from BSEE to commingle the reservoirs.

BSEE performs technical analysis to ensure that this production method would not harm the reservoirs.

## GAS CAP PRODUCTION

BSEE approval is required before producing any well completed in gas cap of sensitive, oil-with-associated-gas cap reservoir. BSEE performs technical evaluations to ensure that the reservoir would not be harmed by such production.



## FLARING AND VENTING IN THE GULF OF MEXICO

Under current OCS venting and flaring regulations, an operator must request and receive approval from BSEE to flare or vent natural gas, except in brief situations that include operational testing, emergencies, and equipment failures.

Limited flaring or venting is permitted on a case-by-case basis at BSEE's discretion and must meet the following criteria: 1. when required in the national interest (e.g., when a major hurricane causes infrastructure damage); 2. when the operator demonstrates that production from the well completion would likely be permanently lost if the well were to be shut in; or 3. when the operator demonstrates that short-term flaring or venting would likely yield a smaller volume of lost natural gas than if the facility were shut in and restarted later (with flaring and venting necessary to restart the facility).

BSEE does not consider the avoidance of lost revenue to be a justifiable reason for venting or flaring.

*The Bureau of Safety and Environmental Enforcement, established in 2011, is a U.S. Department of the Interior agency. BSEE promotes worker safety, environmental protection and conservation of resources through regulatory oversight and enforcement of the offshore energy industry on the U.S. Outer Continental Shelf.*