

**UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE**

NTL No. 98-11N

Effective Date: July 1, 1998

NOTICE TO LESSEES AND OPERATORS OF FEDERAL OIL AND GAS AND SULPHUR
LEASES IN THE OUTER CONTINENTAL SHELF

**Guidelines for an Application for Suspension of Production
Due to Uneconomic Market Conditions**

This Notice to Lessees and Operators (NTL) supersedes NTL No. 92-1N, effective date of September 11, 1992. It is being issued to update the regulatory citation and to include a statement regarding the Paperwork Reduction Act of 1995.

This NTL is issued in accordance with the Regional Supervisor's authority to approve suspensions of production (SOP), pursuant to 30 CFR 250.101(a)(5) for the development of marginal reserves which are uneconomical at present market conditions.

This NTL clarifies present Minerals Management Service (MMS) policy regarding SOP approvals for producing leases and implements a temporary policy regarding SOP approvals for nonproducing leases or units. In accordance with present policy, pursuant to 30 CFR 250.101(a)(5), MMS may approve an SOP for a producing lease or unit to suspend continued operations which would result in premature abandonment of a producing well(s) or if it is uneconomic for a well to produce at current market prices and would result in premature abandonment of lease or unit operations. During the time this NTL is in effect, MMS may also approve an SOP for a nonproducing lease or unit on a case-by-case basis when conditions are such that the absence of an approved SOP will lead to premature abandonment of further development and the loss of recoverable reserves. For a nonproducing lease or unit, MMS may approve an SOP with an activity schedule, including the drilling of an exploratory well(s) which, if successful, will enable the operator to economically commence production. In the absence of specified development plans, operators must demonstrate that the actual and projected (producing) or projected (nonproducing) lease revenues are insufficient to offset actual or projected operating costs.

Application Requirements

Under the provisions of this NTL, the Regional Supervisor may grant a request submitted by a lease or unit operator when the operator certifies that continued operations will result in premature abandonment of wells or further development and the loss of recoverable reserves. The application shall contain:

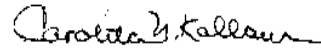
1. A brief lease/unit description (i.e., title holder(s) of record).
2. A brief history demonstrating that the lease or unit operator has exercised due diligence in the pursuit of production, including a list of any platform(s), installed or under construction, and the number, location, and status of each well that has been drilled.
3. Supporting documentation for a producing lease or unit showing that the actual and projected net operating costs exceed the actual and projected revenues from production. Operating costs means the cash outlay that would be necessary to maintain production operations.
4. Supporting documentation for developed nonproducing lease or unit showing that the projected net operating costs exceed the projected revenues from production. Operating costs means the estimated cash outlay that would be necessary to maintain production operations.
5. Supporting documentation for nonproducing leases which are not fully developed showing a reasonable plan supported by a schedule detailing any additional exploratory/developmental drilling activities that, if successful, will lead to the commencement of production of the marginal reserves as well as the additional reserves discovered.
6. The projected oil/gas price used in the revenue computation(s) as well as a projected oil/gas price needed to resume development.
7. Verification that a producible well has been drilled to the target horizon.
8. An estimate of recoverable reserves on the entire lease or unit.
9. A certified statement by an authorized official that the absence of an approved SOP for a lease or unit will result in premature abandonment of wells or further development and the loss of recoverable reserves.
10. A letter of concurrence from all lessees of record when the lease or unit operator is not the sole working interest owner.

Termination of Suspension

An SOP is terminated automatically on the day on which production operations are resumed or commenced. The Regional Supervisor may terminate an SOP at any time upon a determination that the market conditions on which this suspension was granted no longer exist. The Regional Supervisor will give a notice of termination to the lease or unit operator at least 60 days in advance of the termination date.

Paperwork Reduction Act of 1995 Statement: The information collection provisions referred to in this notice are intended to provide clarification, description, or interpretation of requirements in 30 CFR 250, subpart A. The Office of Management and Budget (OMB) approved the information collection requirements in these regulations and assigned OMB control number 1010-0030. This notice does not impose additional information collection requirements subject to the Paperwork Reduction Act of 1995.

This NTL is also on the MMS worldwide website at <http://www.mms.gov>.



Dated: 27 May 1998

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