OOC General Meeting

BSEE Key Issues

Lars Herbst, PE
Regional Director
Gulf of Mexico Region
June 7, 2017

“To promote safety, protect the environment and conserve resources offshore through vigorous regulatory oversight and enforcement.”
Topic Agenda

- Pipelines
- Decommissioning Cost Estimates
- Bankruptcies
- Subpart H Departures
- Change to the 180-day Lease Rule
- Secretarial Orders
- Gulf Production Stats
- Well Operations Activities
OOC Pipeline Subcommittee Meeting

BSEE/BOEM Meeting
• May 31, 2017
• Sand sediment issues
• Fluids in Abandoned lines
• Pigging Requirements
Decommissioning Cost Assessment

- BSEE cost estimates are not based on the lowest cost that can be performed by any specific oil and gas company.

- Instead, estimates are based on what BSEE would have to pay a third party to perform the work should decommissioning liabilities ultimately fall to BSEE.

- BSEE estimates provide more certainty than that of the mean, median, or most likely.

- Without proper coverage, DOI would need to seek funding from Congress in cases where DOI must assume the responsibility to decommission (e.g., operator bankruptcies).
Bankruptcy Issues

- Enormous amount of data and information to track (Co-Lessees/Record Title, Predecessor Lessees, Assets [structures, wells, pipelines], Liability owners, Financial Assurance in Place)
- Insufficient Financial Assurance to cover decommissioning liability
- No remaining viable party to conduct decommissioning
- BSEE or Trustee contracting decommissioning work
Subpart “H” – Departures

We have received requests from a total of 16 companies.

The most common requests are:

30 CFR 250.842 – The requirement to include the following PE sealed designs and/or diagrams in the production safety system application: information concerning the properties of certain hydrocarbon handling vessels, electrical system information, schematics, and drawings, and schematics of fire and gas detection systems.

30 CFR 250.872(a) – The requirement that atmospheric vessels with class 1 liquids be equipped with protective equipment as per API 14C.

30 CFR 250.872(b) – The requirement to install LSH sensors to sense the level in the oil bucket for atmospheric Vessels that have oil buckets.

30 CFR 250.880(c)(2)(i) – The requirement to lift the main piston during annual PSV testing.

30 CFR 250.880(c)(3)(viii) – The requirement that flame arrestors be visually inspected.
Oil and Gas and Sulphur Operations on the Outer Continental Shelf—Lease Term Requirements Related to Continuing Operations


• BSEE also amended 30 CFR 250.171 to ensure the provisions remained consistent with 30 CFR 250.180 as revised pursuant to statute.

• The amendments extend the period of time allowed between lease-holding operations (i.e., drilling, well-reworking, and production in paying quantities) for leases continued beyond their primary term from a 180-day period to a one-year period.

• The amendments will be forwarded to the Federal Register this week and the Q&As will be posted on the BSEE website at https://www.bsee.gov/guidance-and-regulations/regulations/regulatory-interpretations.
Secretarial Orders

Presidential Executive Order Promoting Energy Independence prompted:

- Secretarial Order 3349: American Energy Independence
  (Review all Existing regulations, orders, guidance documents, policies and other similarly actions that potentially burden the development or utilization of domestically produced energy resources.)

- Secretarial Order 3350: America-First Offshore Energy Strategy
  (Review the final rule on “Oil and Gas and Sulfur Operations in the Outer Continental Shelf-Blowout Preventer Systems and Well Control and Requirements for Exploratory Drill on the Arctic OCS.)

- Secretarial Order 3351: Strengthening the Department of the Interior's Energy Portfolio
  (Promote efficient and effective processing of energy-related authorizations, permits, regulations, and agreements.)
Drilling Rigs in US Gulf of Mexico

Platform Rigs = 8

Semi-submersibles = 3

Drillships = 18

Jack-up rigs = 6
Production Facilities

**Shallow Water Production Facilities (less than 500 ft)**
- Single Caisson
- 4 Pile Caisson
- Fixed

2032

**Deepwater Production Facilities (greater than 500 ft)**
- SPAR
- TLP
- FPSO
- Fixed

76
Gulf of Mexico OCS Oil Production
Total vs. Deepwater

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Deepwater Portion (&gt; 1000 ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1.429</td>
<td>0.741</td>
</tr>
<tr>
<td>2001</td>
<td>1.531</td>
<td>0.864</td>
</tr>
<tr>
<td>2002</td>
<td>1.556</td>
<td>0.955</td>
</tr>
<tr>
<td>2003</td>
<td>1.538</td>
<td>0.959</td>
</tr>
<tr>
<td>2004</td>
<td>1.463</td>
<td>0.951</td>
</tr>
<tr>
<td>2005</td>
<td>1.279</td>
<td>0.892</td>
</tr>
<tr>
<td>2006</td>
<td>1.293</td>
<td>0.935</td>
</tr>
<tr>
<td>2007</td>
<td>1.282</td>
<td>0.899</td>
</tr>
<tr>
<td>2008</td>
<td>1.157</td>
<td>0.854</td>
</tr>
<tr>
<td>2009</td>
<td>1.562</td>
<td>1.254</td>
</tr>
<tr>
<td>2010</td>
<td>1.553</td>
<td>1.320</td>
</tr>
<tr>
<td>2011</td>
<td>1.320</td>
<td>1.270</td>
</tr>
<tr>
<td>2012</td>
<td>1.258</td>
<td>1.258</td>
</tr>
<tr>
<td>2013</td>
<td>1.399</td>
<td>1.141</td>
</tr>
<tr>
<td>2014</td>
<td>1.516</td>
<td>1.270</td>
</tr>
<tr>
<td>2015</td>
<td>1.516</td>
<td>1.270</td>
</tr>
<tr>
<td>2016</td>
<td>1.604</td>
<td>1.381</td>
</tr>
</tbody>
</table>
Gulf of Mexico OCS Gas Production
Total vs. Deepwater

![Bar chart showing annual Gulf of Mexico OCS gas production from 2000 to 2016, with data points for total and deepwater production.]
Well Operations

# of Rigs/Units in All Depths - Gulf of Mexico OCS
Questions/Comments?
To promote safety, protect the environment and conserve resources offshore through vigorous regulatory oversight and enforcement.

BSEE Website: www.bsee.gov

@BSEEgov

BSEEgov

Bureau of Safety and Environmental Enforcement

“To promote safety, protect the environment and conserve resources offshore through vigorous regulatory oversight and enforcement.”