



Bureau of Safety and Environmental Enforcement

Lease Suspensions – Suspensions of Operations and Suspensions of Production

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

Agenda

- General Info
- Law/Regulations
- Suspension of Production (SOP)
- Suspension of Operations (SOO)
- Requests for Suspensions

Maintaining Lease

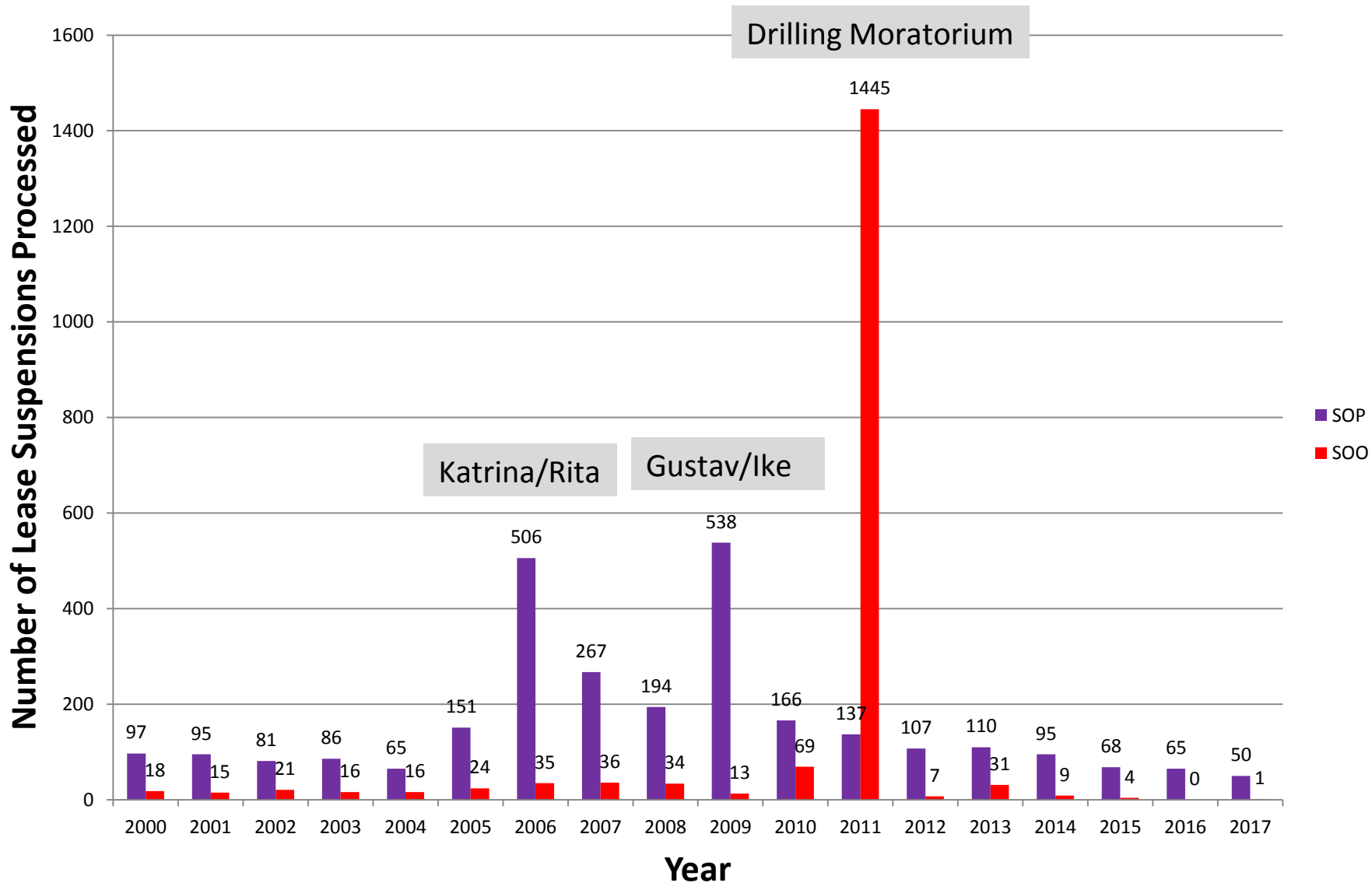
What keeps a lease term in effect?

- Primary Term
- Leaseholding Operations (30 CFR 250.180(a))
 - Drilling
 - Well-reworking
 - Production in paying quantities
- Plus 1-Year Period After Cessation of Ops
 - 30 CFR 250.180(b)
- Unit lease
- Suspension of Production (SOP)
- Suspension of Operations (SOO)

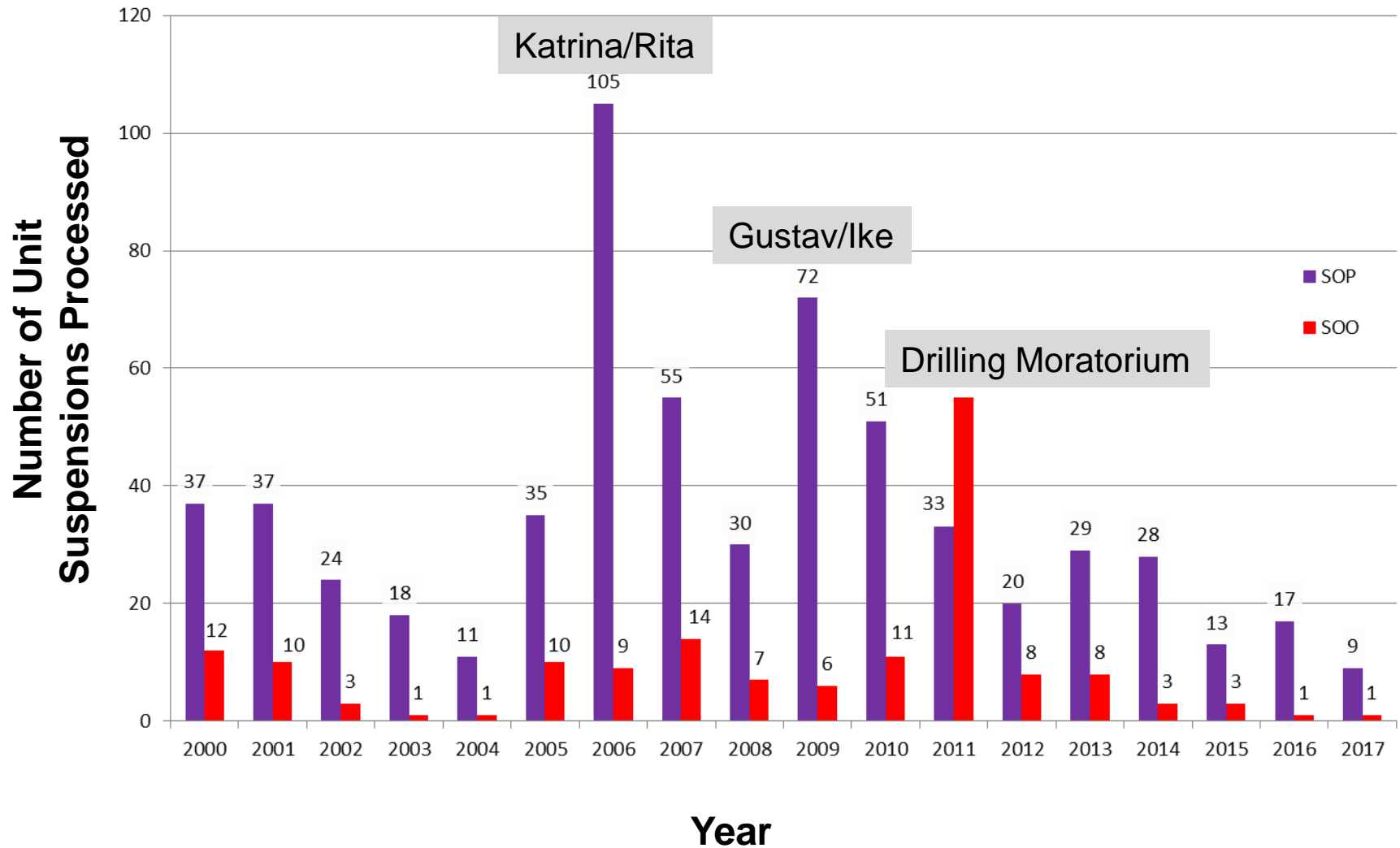
What is a Suspension?

- By definition means: “A granted or directed deferral of the requirement to produce (Suspension of Production (SOP)) or to conduct leaseholding operations (Suspension of Operations (SOO))”.
- In short – the running of the term is paused during the period of suspension **resulting in an extension of the expiration date.**

Lease Suspensions (2000-2017)



Unit Suspensions (2000 – 2017)



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OCSLA

Statutory Authority For Suspensions:

OCSLA 43 USC 1334(a)(1)

Statutory Basis

OCSLA 43 USC 1334(a)(1)

Calls upon the Secretary to promulgate regulations “for the suspension or temporary prohibition of any operation or activity, including production, pursuant to any lease or permit:

(A)at the request of a lessee, in the national interest, to facilitate proper development of a lease or to allow for the construction or negotiation for use of transportation facilities, or...

(B)if there is a threat of serious, irreparable, or immediate harm or damage to life (including fish and other aquatic life), to property, to any mineral deposits (in areas leased or not leased), or to the marine, coastal, or human environment...

Regulations

Regulatory Authority For Suspensions:

30 CFR 250.168-177

Suspensions – Regulatory Authority

30 CFR 250.168-177

- Suspension – All or any part of a lease or unit area
- BSEE may “grant” or “direct”
 - Grant at request of operator
 - Direct normally to prohibit operations (safety and environmental reasons, military warning areas, etc.)
 - If directed due to gross negligence or willful violation, does not extend term of lease
- Rentals or minimum royalty are still paid during periods under a **granted** suspension
- Rentals or minimum royalty are not paid during periods of **directed** suspensions **except** when directed for failure to comply with a law, regulation, order, or provision of lease or permit (ONRR regulations 30 CFR 1218.154)

Suspensions – Regulatory Authority

30 CFR 250.170

- BSEE may issue suspensions for up to 5 years per suspension but may grant consecutive suspension periods.
- BSEE sets the length of time based on conditions of the case.
- SOO ends automatically when suspended operation begins.
- SOP ends automatically when production begins.
- Directed suspensions normally end on date specified in letter.
- BSEE may terminate any suspension “when the Regional Supervisor determines the circumstances that justified the suspensions no longer exist or that other lease conditions warrant termination.”

See also NTL No. 2000-G17; 2009-N02; 2011-N10

Suspensions – Regulatory Authority

Four Categories

- Grant or Direct SOO or SOP
 - 30 CFR 250.172

- Direct an SOO or SOP
 - 30 CFR 250.173

- Grant or Direct SOP
 - 30 CFR 250.174

- Grant SOO
 - 30 CFR 250.175

Grant or Direct SOO or SOP

30 CFR 250.172

- When necessary to comply with judicial decrees...
- When activities pose a threat of serious, irreparable, or immediate harm or damage...
- When necessary for the installation of safety or environmental protection equipment...
- When necessary to carry out the requirement of NEPA...
- When necessary to allow for inordinate delays encountered in obtaining required permits...

Direct an SOO or SOP

30 CFR 250.173

- You failed to comply with an applicable law, regulation, order, or provision of a lease or permit
- The suspension is in the interest of National security or defense

Grant or Direct SOP

30 CFR 250.174

When in the National Interest and:

- **It will allow you time to properly develop a lease...**
- It will allow you time to obtain adequate transportation facilities
- It will allow you time to enter a sales contract
- It will avoid continued operations that would result in premature abandonment of a producing well(s)

Grant SOO

30 CFR 250.175

- ...when necessary to allow time to begin drilling or other operations when you are prevented by reasons beyond your control...
- Additional time is needed for geophysical work - subsalt prospect
- Additional time is needed for geophysical work – deep prospect (>25,000 TVD SS)

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Suspensions of Production

30 CFR 250.171

Operator request must be received prior to end of lease term* and include:

- The justification, including the length of suspension requested
- A well drilled on the lease and determined to be producible (30 CFR 550.115, 116, or 250.1603)
- A commitment to production
- A reasonable schedule of work leading to the commencement of production
- Service fee of \$2,123

*See NTL No. 2009-N02 “Timely Submission of Suspension Requests”

Commitment to Production

- Operator has explored and appraised lease
- Operator demonstrates a firm and definite commitment to produce the reserves proven by well penetration
- That is, the operator has:
 - Obtained and evaluated sufficient technical data (e.g., drilling, seismic, well testing, etc.)
 - Determined the project to be economic when considering all future costs
 - Made a firm decision to proceed to production (by the proper management level)
 - Assured the availability of a production facility or plans to construct

SOP Approval/Denial

Deny

- More wells needed to prove up reserves
- Looking for partners
- Time needed to sell to another company
- Negotiating deal to use another company's production facility

Approve

- Sanctioned project
- Facility in fabrication
- Facility in place, need time for final hook-up

Schedule of Work

Request must be supported by a reasonable schedule of work - measurable milestones ending with production

Reasonable Schedule

<u>Activity</u>	<u>Deadline</u>
Commence fabrication of platform	June 2018
Commence installation of platform	February 2019
Commence installation of pipeline	March 2019
Commence tieback and completion operations	April 2019
Apply for production measurement and/or surface commingling approval	May 2019
Commence production	June 2019

Unreasonable Schedule

ACTIVITY

DEADLINE

Commence fluid and core analysis	June 2018
Commence reprocessing seismic data	December 2018
Complete fluid and core analysis	January 2019
Complete reprocessing and commence interpretation of seismic data	June 2019
Complete interpretation of seismic data	December 2019
Update geologic models	June 2019
Commence concept selection, and tender bids to enter FEED	December 2019
Submit APD for appraisal well	March 2020
Update reservoir model	September 2020
Commence study on completion design	November 2020
Select development concept	December 2020
Award FEED contracts; commence preliminary engineering studies	January 2021
Complete study on completion equipment design	March 2021
Submit DOCD	August 2021
Submit APD for development well	September 2021
Commence drilling of development well	October 2021
Commence fabrication of platform	November 2021
Commence installation of platform	February 2024
Commence installation of pipeline	April 2024
Commence tieback and completion operations	June 2024
Apply for production measurement and/or surface commingling approval	July 2024
Commence production	September 2024

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Suspensions of Operations

- “Determination of well producibility” not required
- Normally of shorter duration than SOP’s
- Schedule of Work not always needed

SOO - 30 CFR 250.175

➤ Most common authority used

Operator prevented from leaseholding operation for “reasons beyond their control” (e.g., unexpected weather, unavoidable accidents, rig delay)

- Must have all required permit approvals
- Must demonstrate operations were scheduled to begin prior to lease expiration

See ATP Oil & Gas Corp., 173 IBLA 250 (2008) [IBLA 2007-26]

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How are Suspensions Requested

- SOPs usually submitted ~ 3 weeks before lease expiration
- SOOs usually submitted closer to lease expiration date
- BSEE must receive request **before** lease expiration including the cost recovery fee of \$2,123
- BSEE may approve/deny after lease expiration date, but operator cannot perform leaseholding operation after expiration date unless & until approval granted

Questions??

BSEE Website: www.bsee.gov



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