

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

BSEE NTL No. 2012-N02

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NATIONAL NOTICE TO LESSEES AND OPERATORS OF FEDERAL OIL AND GAS
LEASES AND PIPELINE RIGHT-OF-WAY HOLDERS ON THE OUTER CONTINENTAL
SHELF

Inspection Fees for Fiscal Year 2012

The purpose of this Notice to Lessees and Operators (NTL) is to inform you that the Office of Natural Resources Revenue (ONRR) will be collecting inspection fees from you for Fiscal Year (FY) 2012 as required by Division E, Title 1, Section 109 of the Fiscal Year 2012 Department of the Interior, Environment, and Related Agencies Appropriations Act, on behalf of the Bureau of Safety and Environmental Enforcement (BSEE).

The inspection fee covers all bottom-founded structures and floating production facilities on the OCS that were in place at the start of FY 2012 and drilling rigs for all inspections completed during FY 2012. Fees for FY 2012, as of the first day of the Federal fiscal year (October 1, 2011), are applicable for all OCS structures except for those that are pipeline right-of-way accessories (e.g., pump and compressor platforms) associated with transmission pipelines under Department of Transportation (DOT) regulatory authority. All subsea completions are counted as wells delivering production to a central facility and not as individual facilities requiring a separate inspection fee. All structures in State waters that have bottom-founded wells in Federal waters are not subject to the inspection fee. Inspection fees for drilling rigs (see definition) will be assessed for all inspections completed in FY 2012.

Background

Pub. L. No. 112-74, Dec. 23, 2011, Consolidated Appropriations Act 2012, 125 Stat. 786, Division E, Title I, Department of the Interior and Related Agencies Appropriations Act, 2012:

SEC. 109. OUTER CONTINENTAL SHELF INSPECTION FEES

- (a) In fiscal year 2012, the Secretary shall collect a non-refundable inspection fee, which shall be deposited in the "Ocean Energy Management" account, from the designated operator for facilities subject to inspection under 43 U.S.C. 1348(c).
- (b) Annual fees shall be collected for facilities that are above the waterline, excluding drilling rigs, and are in place at the start of the fiscal year. Fees for fiscal year 2012 shall be:

- (1) \$10,500 for facilities with no wells, but with processing equipment or gathering lines;
 - (2) \$17,000 for facilities with 1 to 10 wells, with any combination of active or inactive wells; and
 - (3) \$31,500 for facilities with more than 10 wells, with any combination of active or inactive wells.
- (c) Fees for drilling rigs shall be assessed for all inspections completed in fiscal year 2012. Fees for fiscal year 2012 shall be:
- (1) \$30,500 per inspection for rigs operating in water depths of 500 feet or more; and
 - (2) \$16,700 per inspection for rigs operating in water depths of less than 500 feet.
- (d) The Secretary shall bill designated operators under subsection (b) within 60 days, with payment required within 30 days of billing. The Secretary shall bill designated operators under subsection (c) within 30 days of the end of the month in which the inspection occurred, with payment required within 30 days of billing.

To comply with this mandate, ONRR will collect a non-refundable inspection fee from the designated operator for those facilities subject to inspection by BSEE under 43 U.S.C. 1348(c) that are above the waterline, and were in place at the start of fiscal year 2012. This fee will be deposited in the "Ocean Energy Management" account.

For bottom-founded structures and floating production facilities, ONRR will bill you in February 2012. For drilling rigs, ONRR will send a bill within 30 days of the inspection. For those inspections that took place in October, November, December, and January, ONRR has either already sent the bill or will send the bill in February 2012. Payment of all inspection fees is required within 30 days of billing.

Definitions (for Purposes of This NTL Only)

Active Wells: Any well currently in the completed or temporarily abandoned status for which production has been reported on the Oil and Gas Operations Report (OGOR) within the last 12 consecutive months.

Designated Operator: A company identified as the operator of all or a given portion of a lease and any structures located on that lease or portion thereof. This includes the lessee, right-of-way holder, or right-of-use and easement holder for leases in state waters with bottom founded structures in the OCS, if no operator has been designated.

Drilling Rig: A platform rig or mobile offshore drilling unit (MODU) used for drilling and other downhole operations (e.g., completion, workover, decommissioning).

Facility: All bottom-founded structures and floating production units that are above the waterline on the OCS that were in place at the start of FY 2012.

Gathering Lines: Pipelines and pumping units used to bring oil and gas production by separate lines to a central point (including, for purposes of this NTL, pipelines from other leases or fields).

Inactive Wells: Any well currently in the completed or temporarily abandoned status for which production has not been reported on the OGOR within the last 12 consecutive months.

Inspection: A visit by a BSEE inspector to witness operations or to verify compliance with applicable laws, regulations, orders, standards, and application and permit approvals.

Mobile Offshore Drilling Unit (MODU): A marine drilling platform that can move or is capable of being moved from one location to another. Semi-submersibles, jack-ups, drill ships, and drilling barges are MODUs.

Processing Equipment: Any equipment or device that handles oil or gas, including compressors, separators, fired vessels, pumps, pipelines, headers, meters, well bays, and pressure vessels.

Temporarily Abandoned Well: A well that has a temporary plug installed in the wellbore for the purpose of allowing the proper future development and production of a lease.

Implementation

The fees for bottom-founded structures and floating production units will be based on facilities that were on site on the first day of FY 2012 (October 1, 2011). You will receive payment instructions with the bill from ONRR. The ONRR will accept Automated Clearing House electronic check payments. Use the electronic payment form **ONRR Royalty and Invoice Payments** at <http://www.onrr.gov/FM/PayInfo.htm>.

Guidance Document Statement

The BSEE issues NTLs as guidance documents in accordance with 30 CFR 250.103 to clarify and provide more detail about certain requirements.

Paperwork Reduction Act of 1995 Statement

This NTL does not impose information collection requirements subject to the Paperwork Reduction Act of 1995.

Contacts

Questions and appeals regarding inspection fees should be directed to InspectionFeeQuestions@bsee.gov.

ONRR Contact:

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BSEE HQ Contact:

Angela Mazzullo at 202-208-5122 or by email at Angela.Mazzullo@bsee.gov.

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James A. Watson

Director,

Bureau of Safety and Environmental Enforcement