Decommissioning Summit

March 22, 2012

Mike Saucier, BSEE Gulf of Mexico Region

Agenda

- Reorganization
- Regulations and NTLs
- Status of Decommissioning in the Gulf of Mexico
- Preparing for the future of offshore oil and gas

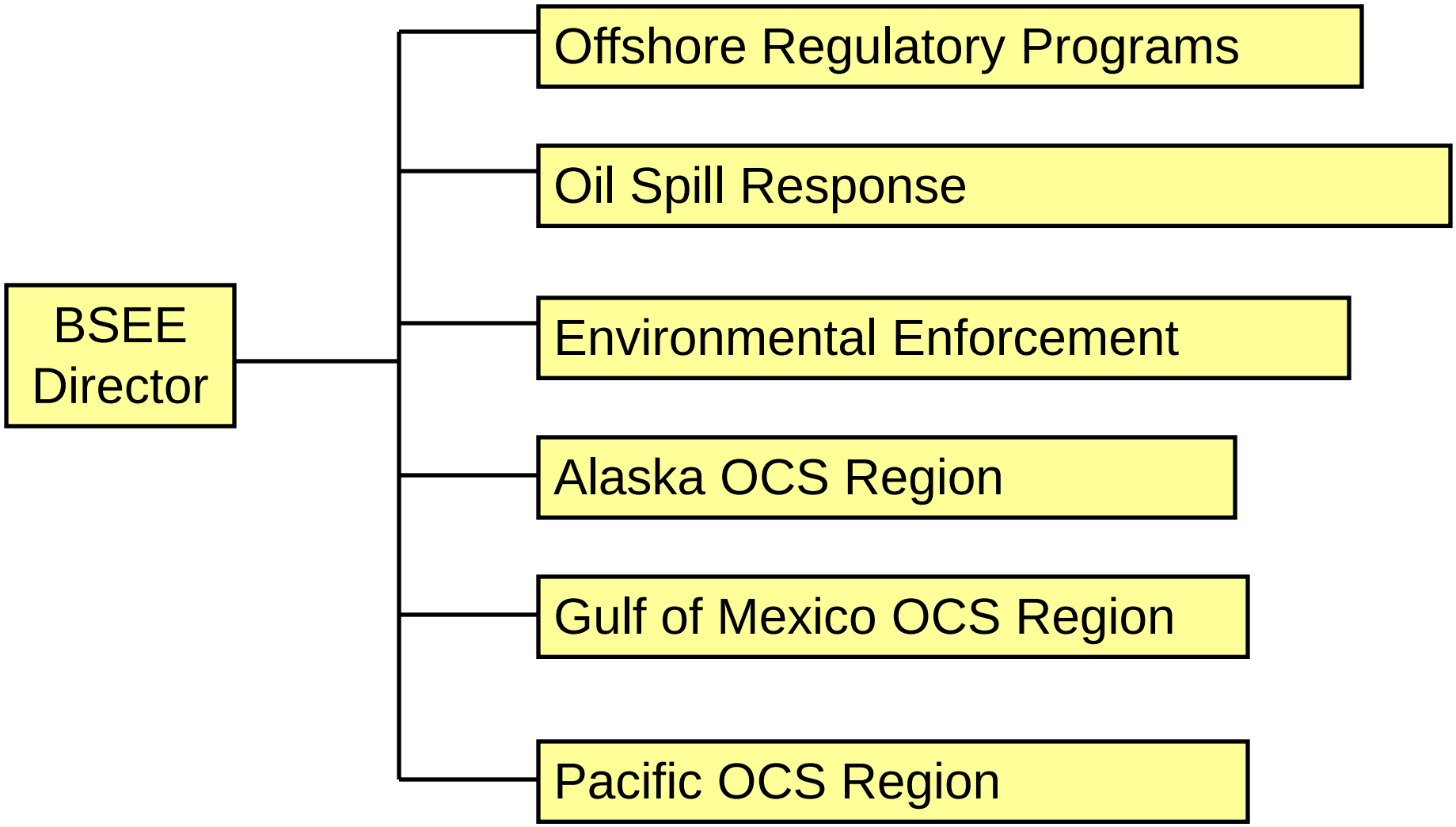
Reorganization

- June 2010 – Minerals Management Service renamed Bureau of Ocean Energy Management, Regulation and Enforcement
- October 2010 – Office of Natural Resources Revenue
- October 2011 – Bureau of Ocean Energy Management
- October 2011 – Bureau of Safety and Environmental Enforcement

Bureau of Safety and Environmental Enforcement

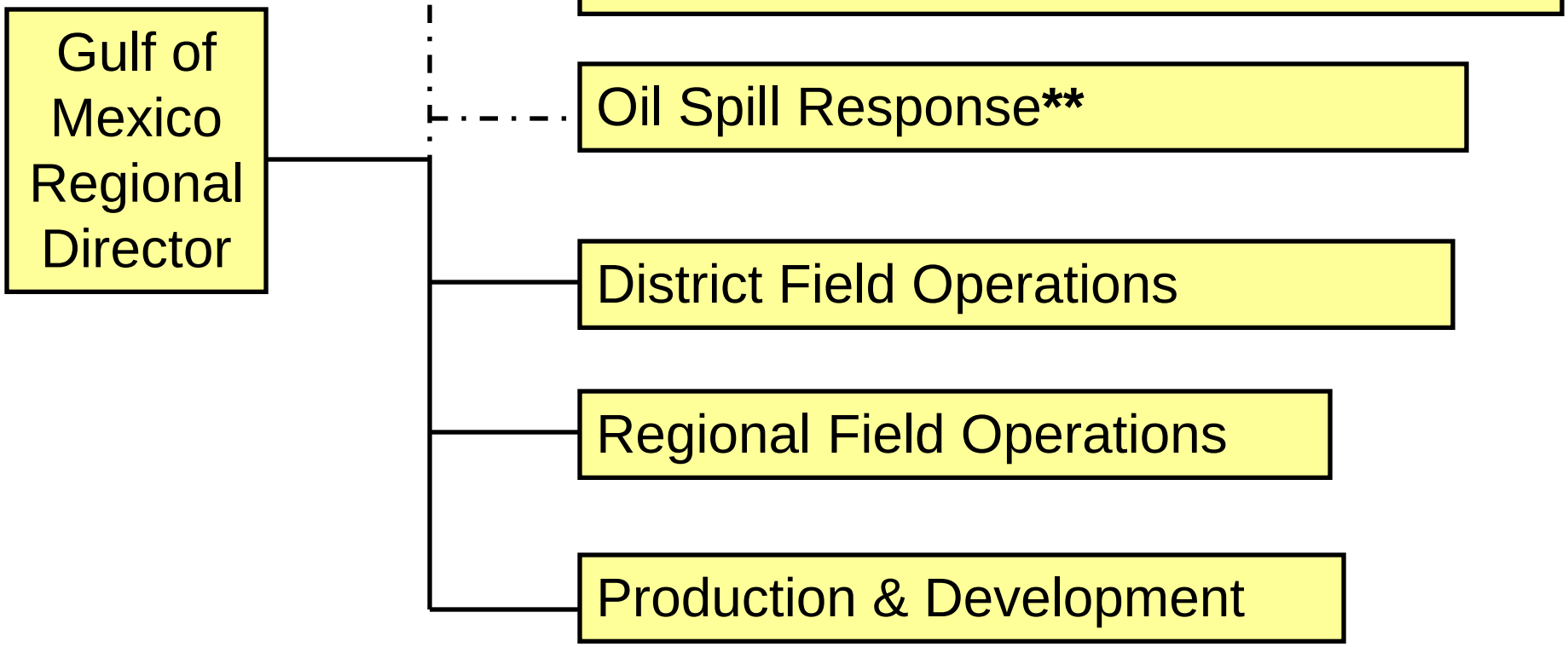
- BSEE is responsible for regulatory, safety, environmental and conservation compliance for the development of the nation's offshore oil and gas and renewable energy resources.
- Functions:
  - regulations
  - inspection and enforcement program
  - permitting
  - safety management
  - environmental compliance and enforcement
  - oil spill response planning

Bureau of Safety and Environmental Enforcement



Bureau of Safety and Environmental Enforcement

** *reports to Headquarters Office*



District Offices Organization

- With establishment of BSEE, District Offices have separate sections
  - Well Operations
  - Production Operations
- District Offices report to District Field Operations Office in the Region, separate from Regional Field Operations
- District Operations Support assists the District Offices by providing guidance and consistency.

Decommissioning under BSEE & BOEM

- Platforms/Structures: decommissioning applications are reviewed and approved within BSEE Regional Field Operations.
  - Environmental review work is done by BOEM and coordinated through BSEE Environmental Enforcement.

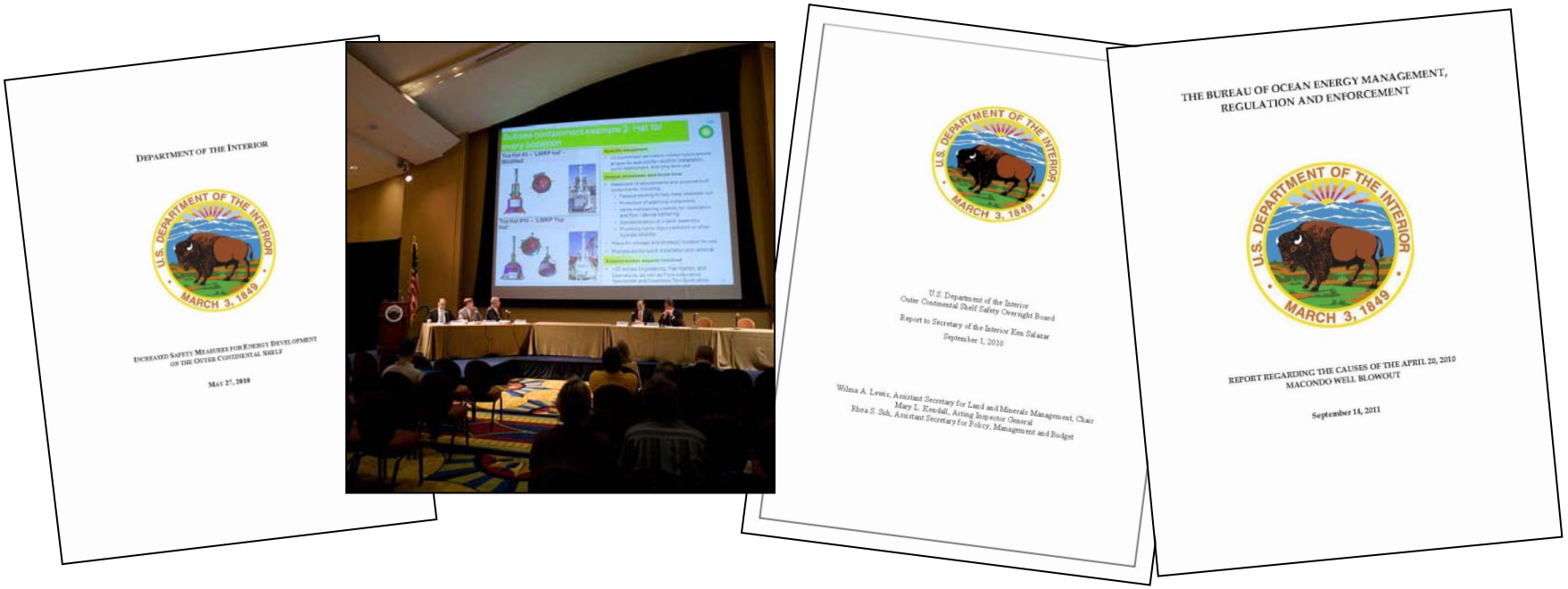
- Wells: Idle Iron Plan are monitored through BSEE District Field Operations. Applications for Permit to Modify (APMs) are reviewed and approved by BSEE District Offices.

April 20, 2010

- **Deepwater Horizon Explosion and Oil Spill:** The events of April 20, 2010 which took place in deepwater Gulf of Mexico have forever impacted the regulatory framework of deepwater oil and gas operations.

Regulatory Reviews

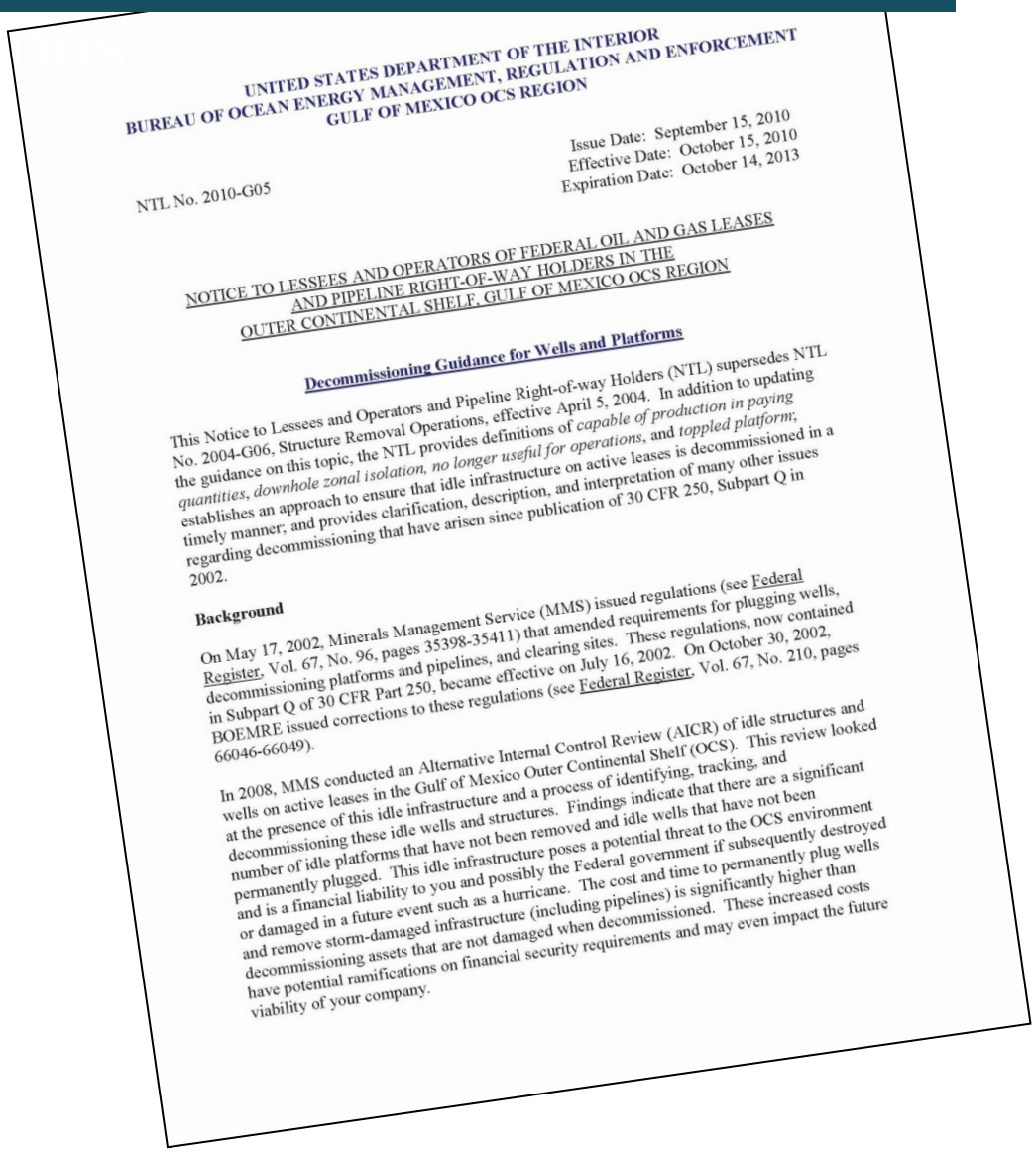
- May 27, 2010: 30-Day Safety Report
- BOEMRE Director's Forums on Offshore Drilling
- Sept. 1, 2010: OCS Safety Oversight Board Report
- Sept. 14, 2011: Joint Investigation Team Final Report



Regulations and NTLs

- **Interim Final Rule*,*** *also called* ***Drilling Safety Rule***
  - well bore integrity and well control equipment (BOPs)
- **NTL-N10, Subsea Containment**
  - *Statement of Compliance with Applicable Regulations and Evaluation of Information Demonstrating Adequate Spill Response and Well Containment Resources*, effective 11-8-10.
  - Regional staff have worked with containment companies.
  - Well containment screening tool has been developed.
- **Safety & Environmental Management System (SEMS)**
  - All operators must be in compliance by November 15, 2011.
  - Operators' upper management held accountable for success of SEMS Program
- **SEMS II**
  - Supplements operators' SEMS programs with employee training, safety management and audit procedures.

Idle Iron Initiative: NTL 2010-G05



UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF OCEAN ENERGY MANAGEMENT, REGULATION AND ENFORCEMENT
GULF OF MEXICO OCS REGION

NTL No. 2010-G05

Issue Date: September 15, 2010
Effective Date: October 15, 2010
Expiration Date: October 14, 2013

NOTICE TO LESSEES AND OPERATORS OF FEDERAL OIL AND GAS LEASES AND PIPELINE RIGHT-OF-WAY HOLDERS IN THE OUTER CONTINENTAL SHELF, GULF OF MEXICO OCS REGION

Decommissioning Guidance for Wells and Platforms

This Notice to Lessees and Operators and Pipeline Right-of-way Holders (NTL) supersedes NTL No. 2004-G06, Structure Removal Operations, effective April 5, 2004. In addition to updating the guidance on this topic, the NTL provides definitions of *capable of production in paying quantities*, *downhole zonal isolation*, *no longer useful for operations*, and *toppled platform*; establishes an approach to ensure that idle infrastructure on active leases is decommissioned in a timely manner; and provides clarification, description, and interpretation of many other issues regarding decommissioning that have arisen since publication of 30 CFR 250, Subpart Q in 2002.

Background

On May 17, 2002, Minerals Management Service (MMS) issued regulations (see Federal Register, Vol. 67, No. 96, pages 35398-35411) that amended requirements for plugging wells, decommissioning platforms and pipelines, and clearing sites. These regulations, now contained in Subpart Q of 30 CFR Part 250, became effective on July 16, 2002. On October 30, 2002, BOEMRE issued corrections to these regulations (see Federal Register, Vol. 67, No. 210, pages 66046-66049).

In 2008, MMS conducted an Alternative Internal Control Review (AICR) of idle structures and wells on active leases in the Gulf of Mexico Outer Continental Shelf (OCS). This review looked at the presence of this idle infrastructure and a process of identifying, tracking, and decommissioning these idle wells and structures. Findings indicate that there are a significant number of idle platforms that have not been removed and idle wells that have not been permanently plugged. This idle infrastructure poses a potential threat to the OCS environment and is a financial liability to you and possibly the Federal government if subsequently destroyed or damaged in a future event such as a hurricane. The cost and time to permanently plug wells and remove storm-damaged infrastructure (including pipelines) is significantly higher than decommissioning assets that are not damaged when decommissioned. These increased costs have potential ramifications on financial security requirements and may even impact the future viability of your company.

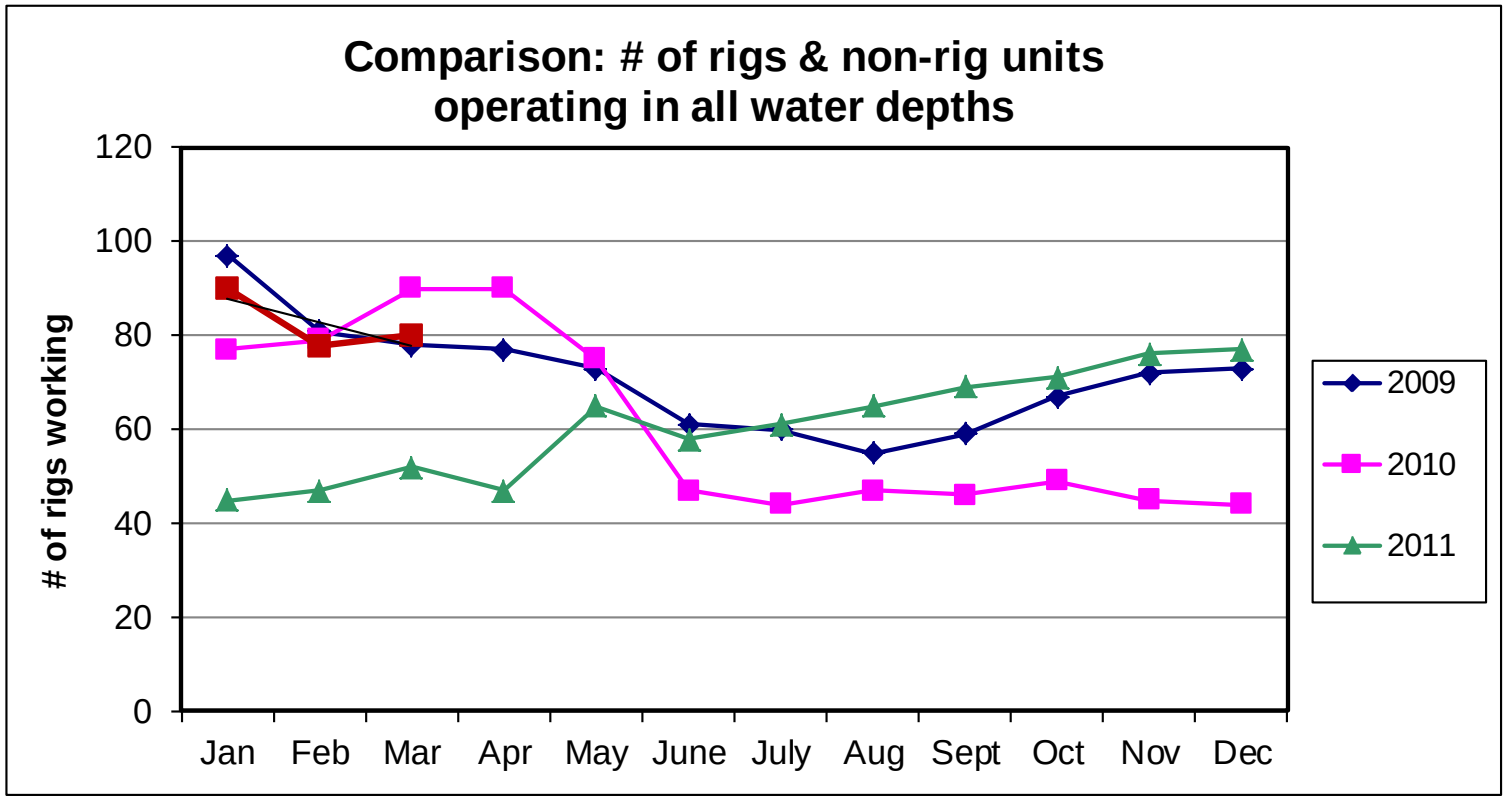
Future Regulations

- **All future regulations will be developed using the Proposed Rulemaking procedures.**

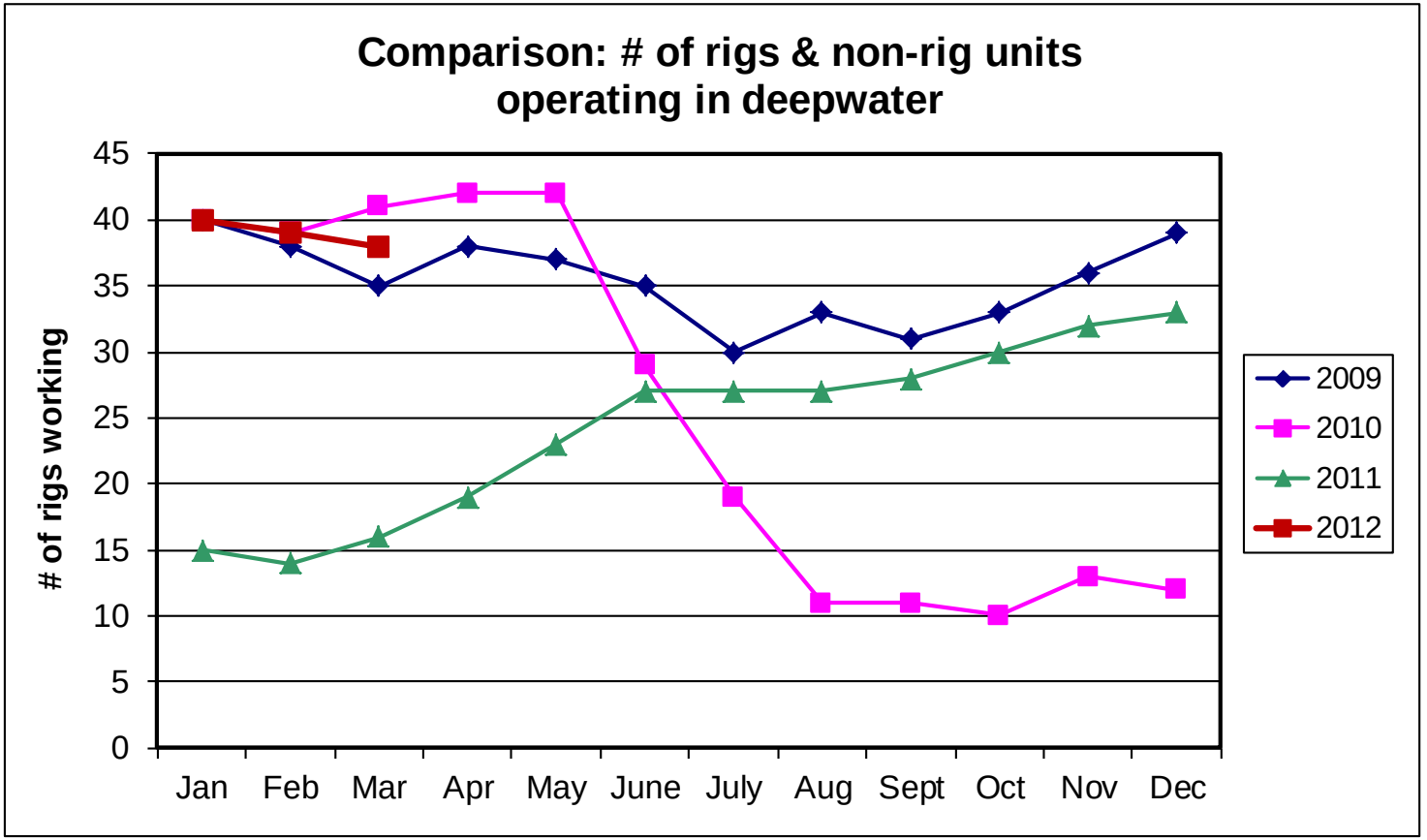
Drilling Permits Update (as of 3/15/2012)

	All water depths	Water Depth Less 500ft. since 6/2010 ***NTL-6 issued*	Water Depth equal to or greater than 500 ft. since 10/2010 ***moratorium lifted*	Deepwater permits that meet NTL-N10 req.
Permits Submitted	**1319**	**853**	**466**	**397**
Permits Approved	**1125**	**734**	**391**	**329**
Pending	**50**	**20**	**30**	**28**

Rigs & Non-Rig Units: All Water Depths



Rigs & Non-Rig Units: Deepwater



Preparing for the Future

Utilizing knowledge & lessons learned from:

- Deepwater Operations Plans
- Accident Investigations
- Advisory committees
  (Ocean Energy Safety Advisory Committee)
- Other efforts addressing recommendations from Deepwater Horizon investigations and reviews

Preparing for Future Activity

New Deepwater Development Projects:

- Jack- St. Malo
- Mars B
- Big Foot
- Lucius/Hadrian
- Stones
- Who Dat
- Tubular Bells
- Kaskida (appraisal)
- Tiber (appraisal)

Shelf Deep Gas Development

Davy Jones +

Meeting the Enforcement Challenges

- Specialization of inspectors
  - Well Operations
    - BOP test witnessing
  - Production Operations
- Environmental enforcement
- Enhanced aircraft capability
- Potential regulatory changes from accident investigations and technology advancements.

What does this mean to the future of decommissioning?

- With continued development, there will be MORE decommissioning activity.

Challenges:

- Techniques for deepwater decommissioning

Thank you for your attention.