

AADE Fluids Management Group

Regulatory Update: What's on the Radar



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The Bureau of Ocean Energy Management



- Manage Exploration and Development
- Leasing
- Environmental Science
- Environmental Analysis and Assessment
- Resource Evaluation
- Renewable Energy Program
- Plan Administration (EPs/DOCDs)



The Bureau of Safety and Environmental Enforcement



- Inspections
- Permitting
- Safety Management
- Enforcement
- Environmental Compliance
- Oil Spill Response Plans



The Bureau of Ocean Energy Management (BOEM)

2017–2022 OCS Oil
and Gas Leasing
Program

Risk Management
Program

Current Focus

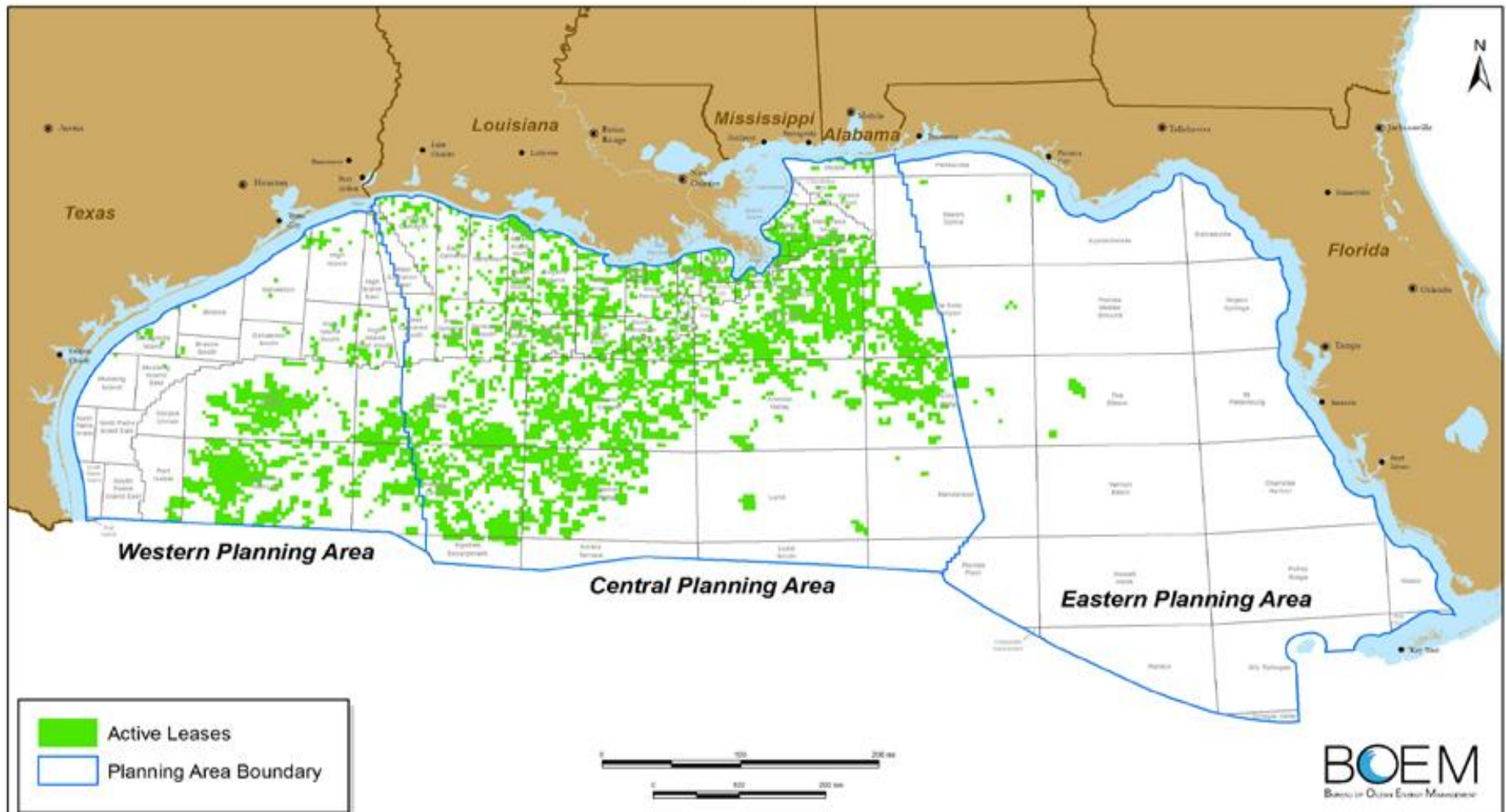
eGov Exploration
Plans and DOCDs

Renewable Energy



2017 – 2022 Oil & Gas Leasing Program

BOEM Gulf of Mexico OCS Region Blocks and Active Leases by Planning Area January 4, 2016



2017 – 2022 Oil & Gas Leasing Program

	Sale Number	Area	Year
1	249	Gulf of Mexico Region	2017
2	250	Gulf of Mexico Region	2018
3	251	Gulf of Mexico Region	2018
4	252	Gulf of Mexico Region	2019
5	253	Gulf of Mexico Region	2019
6	254	Gulf of Mexico Region	2020
7	255	Beaufort Sea	2020
8	256	Gulf of Mexico Region	2020
9	257	Gulf of Mexico Region	2021
10	258	Cook Inlet	2021
11	259	Gulf of Mexico Region	2021
12	260	Mid and South Atlantic	2021
13	261	Gulf of Mexico Region	2022
14	262	Chukchi Sea	2022

Lease Sales

No. Tracts Bid on During Lease Sales

Planning Area	2010	2011	2012	2013	2014	2015
CPA	468	--	454	320	326	169
WPA	--	191	116	53	81	33

Current Bonding Requirements (Decommissioning and Lease Obligations)

- General Bonds
- Supplemental Bonds
- Exemption from Supplemental Bonds

Risk Management (Decommissioning and Lease Obligations)

Estimated DOI Financial Assurances (\$Billion)

Total Decommissioning Liabilities	Covered by Financial Assurance (Bonding)	Exempt from Supplemental Bonding (Financial Strength)	Not Covered by Financial Assurance
\$38.2	\$2.9	\$33.0	\$2.3

Bonding



Estimates Cost to
Decommission



Determines an entity's
financial capability to
meet decommissioning
obligations

Risk Management Program

- BSEE NTL - Operators to provide actual costs of decommissioning
- BOEM - Bond reviews will be conducted to ensure sufficient bonds are in place to meet estimated costs to P&A

Risk Management Program

- NTL - March; followed by Proposed Rulemaking.
 - No exemption from Supplemental Bonding
 - BOEM will assess the ability of a company to "self-insure".
 - BOEM will consider a "tailored plan" from lessees, one that is made up of multiple types of financial assurance to meet the total bonding requirement
- BOEM budget includes 15 FTE in Risk Management Group
- Cost recovery fee to review Tailored Plans will generate \$2.9 million annually for BOEM.

eGov Exploration Plans

- BOEM is currently developing an electronic system for Operators to submit Exploration Plans
 - More efficient review and approval of plans
 - Increase coordination with State agencies and CZM
- Proposing to extend the BOEM review period for Exploration Plans from 30 days to 90 days
- Proposing new Air Quality Review regulations

Plan Submittals by Year

Exploration Plans

Plan Type	2012	2013	2014	2015
Initial	42	57	56	54
Revised	60	54	62	49
Suppl.	21	19	21	32
TOTAL:	123	130	139	135

Development Operations Coordination Documents

Plan Type	2012	2013	2014	2015
Initial	13	26	27	13
Revised	259	165	127	102
Suppl.	38	27	53	29
TOTAL:	310	218	207	144

Renewable Energy

- BOEM anticipates future OCS renewable energy projects to harness offshore wind, ocean wave and ocean current energy.
- BOEM has issued nine commercial wind leases



The Bureau of Safety and Environmental Enforcement (BSEE)

New Regulations
and NTLs

Increased
Oversight

Current Focus

Organization and
Workforce

Improvements to
SEMS Rules



BSEE Regulations



- ***Final Rules - 2016***
 - Production Safety Systems
 - Blowout Preventer Systems and Well Control
- ***Proposed Rules – 2016***
 - DOI-regulated OCS Pipelines
 - Oil Spill Planning and Response Requirements
 - Oil Spill Financial Responsibility
 - SEMS rules
 - Helicopters and helipads on fixed platforms
 - Agency access to industry real-time onshore monitoring facilities



Production Safety Systems

- Production Safety Systems and Lifecycle Analysis (Subpart H)
 - NPRM 2013
 - Amends / updates regulations on offshore production
 - Addresses production safety systems, sub-surface safety devices, and safety device testing
 - Requires life cycle analysis of critical equipment
 - Contains regulatory language concerning use of best available and safest technology

Production Safety Systems

- Lifecycle Analysis of Critical Equipment
 - Design verification
 - Quality assurance
 - A failure reporting process
 - Repair and maintenance
 - Certification - equipment and personnel

Production Safety Systems

- Production Safety Systems and Lifecycle Analysis
 - Expands the rule to address specific operating requirements for subsea production systems.
 - Boarding shut down valves
 - Tube type heaters
 - Prohibits new single bore production risers from floating production facilities
 - Documentation/schematics must be certified by Registered Professional Engineers

Best Available and Safest Technology

- Focus on technology solutions to safety issues with safety critical equipment
- Considers statutory cost-benefit requirements
- Public comment periods
- May not follow the rulemaking process

BAST Determination Process

Stage 1 BAST Assessment & Initial Feasibility

- BSEE evaluates circumstances leading to a BD
- BSEE crafts a Technology Improvement Objective
- BSEE establishes Statement of Work (SOW)
- BSEE issues Public Notices requesting comments
- BSEE selects Qualified Third Party (QTP)

Stage 2 BAST Evaluation

- QTP manages evaluation
- QTP forms Technical Workgroup (TW)
- TW executes Statement of Work (SOW)
- BSEE reviews findings from QTP & TW

Stage 3 BAST Determination

- BSEE conducts economic Benefit-Cost Analysis (BCA)
- BSEE issues a Public Notice requesting comments
- BSEE issues a Final Public Notice
- BAST requirement needs to be implemented on the OCS

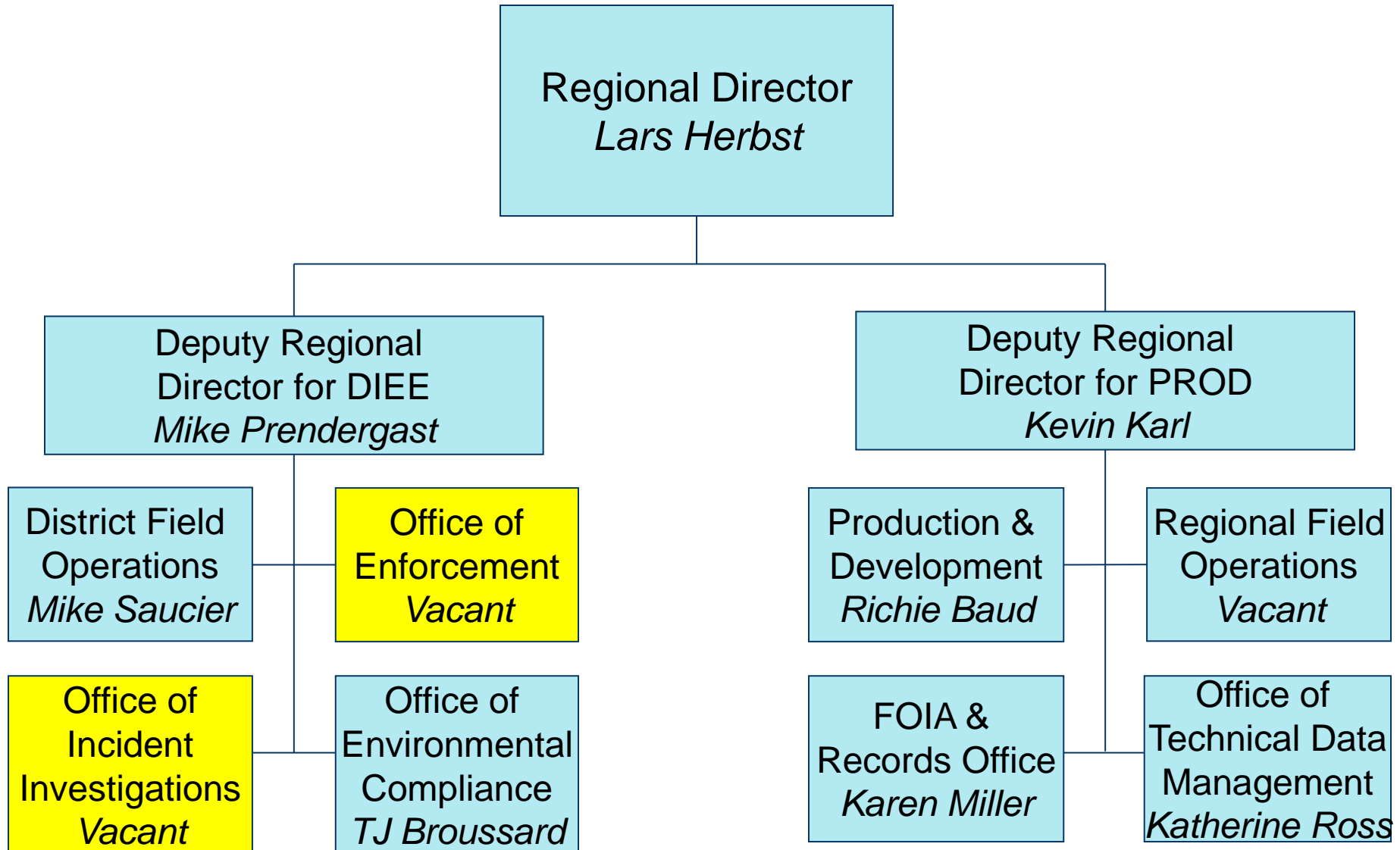
Future of SEMS?

- BSEE assessing the progress of implementation and **may** move forward with the following:
 - Publish NTLs for guidance in program implementation and measuring program maturity and effectiveness
 - Incorporating a SEMS maturity measure or performance indicator into SEMS audits
 - Use BSEE personnel as audit observers
 - Conduct focused audits on critical process elements

Future of SEMS?

- Improve COS audit protocol for more comprehensive analysis of each item
- Ensure SEMS is functioning prior to issuing permits for new operators
- Share learnings from the audit reports to improve the SEMS of other operators
- Standardization of report formats

BSEE GOM OCS Region

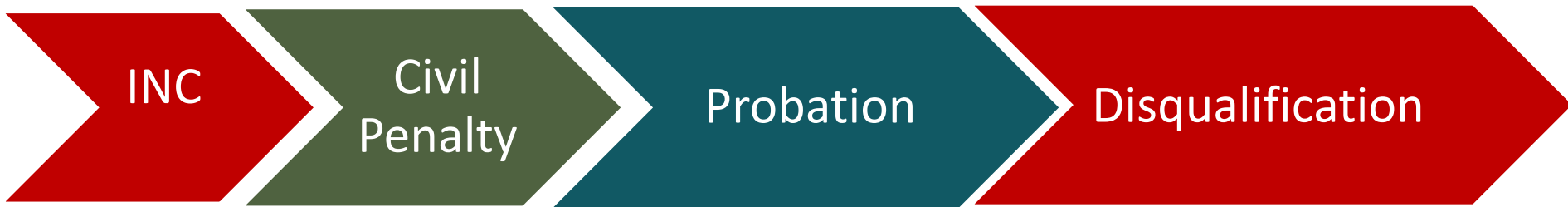


BSEE Enforcement Measures

- Violation of a safety or environmental requirement = Incident of Non-compliance
- The violation may be a
 - Warning
 - Component Shut in
 - Facility Shut in
- Violation must be corrected within 14 days



Increased Enforcement



Current Civil Penalty Max is
\$40,000/day/violation



10 Yr Comparison of Civil Penalties

Year	No. of Cases	Total Civil Penalty \$	Highest Penalty \$	Average Penalty
2015	42	3,659,018	490,000	87,119
2010	26	2,073,000	435,000	79,730
2005	26	796,600	140,000	30,638

Sample Civil Penalties Paid 2015

Incident of Non-Compliance Leading to Civil Penalty	Penalty Assessed
Allowing personnel to climb over the handrails without fall protection resulting in a threat to the safety of the personnel involved.	\$165,000
Worker received a laceration to his left index finger during well tripping operations. He was attempting to tighten the lifting sub on the drill collar.	\$30,000
A section of handrail on the waiting deck under the heliport was not secured. The socket sleeve for securing the handrail had been removed. It caused a threat, which would have allowed a person to fall 40 feet to the deck below.	\$350,000
Floor hand sustained a finger injury during casing lifting during drilling operations. The injury was caused by an unsupported casing joint.	\$35,000
Oil on the facility created unsafe conditions. 2 leaks (2 violations)	\$111,750
Operator failed to utilize a rig skidding procedure. Created a threat & property damage during each skidding operation since rig package was installed.	\$87,000
Eye injury caused by improper mixture of caustic material and failure to wear proper personal protective equipment. (2 violations)	\$55,000

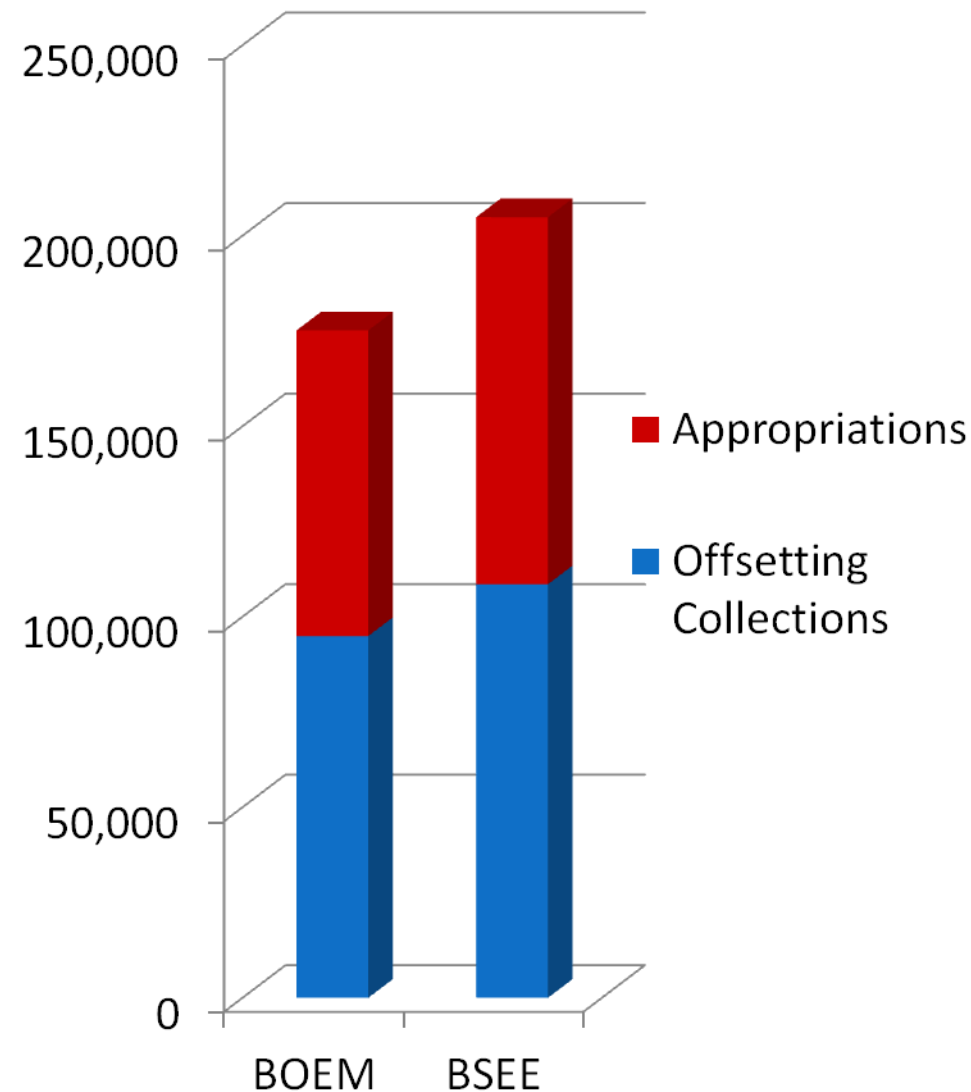
BSEE INCs Contractors

- BSEE intent is to issue INCs to contractors for “egregious conduct”
- Joint Liability Operator/Contractor
- Platform fire and fatalities in 2012 resulted in:
 - 41 INCs issued to Operator and 3 of its contractors

Inspection Fees - BSEE

Type Facility/Drilling Rig	Fees
Facility with processing equipment or gathering lines, no wells	\$10,500
Facility 1-10 active or inactive wells	\$17,000
Facility > 10 active or inactive wells	\$31,500
Drilling rigs < 500 feet WD (per inspection)	\$16,700
Drilling rigs > 500 ' WD (per inspection)	\$30,500

BOEM / BSEE: 2017 Budgets



Source	BOEM Budget (million)	BSEE Budget (million)
Offsetting Collections		
•Rentals	\$88.4	\$37.9
•Cost Recovery Fees	\$6.5	\$5.6
•Inspections		\$65
Total Offsetting Collections	\$94.9	\$108.5
Total Appropriations	\$80.2	\$96.3
Total 2017 Budget	\$175.1	\$204.8

Additional Fees Proposed

Type	Agency	Industry Cost
Cost Recovery Fee to review “Tailored Plans” for Risk Management	BOEM	\$2.9 MM Annually
BSEE to adjust 31 Cost Recovery Fees	BSEE	Unknown
Fees for more than one Facility Inspection per year	BSEE	\$10,500 - \$31,500 per inspection
Adjust Civil Penalty Amounts for Inflation	BSEE and ONRR	Unknown

Thank You!

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