

BSEE Extends Time OCS Lease Remains in Effect After Cessation of Operations or Production

On June 9, 2017, the Bureau of Safety and Environmental Enforcement (BSEE) issued a final rule amending certain regulations in 30 CFR Part 250 to extend the time that an Outer Continental Shelf (OCS) lease remains in effect after cessation of production or other operations to one year.

Under the previous regulations, an OCS lease beyond its primary term expired 180 days after the last operations, unless the operator resumed operations or applied for a Suspension of Operations (SOO) or a Suspension of Production (SOP) from the BSEE Regional Supervisor within that 180-day period. Operations include drilling, well-reworking, and production in paying quantities. To maintain a lease, OCS lessees and operators will now have one year after the cessation of operations to apply for an SOO or SOP or resume operations.

This rule is effective as of June 9, 2017. The Consolidated Appropriations Act of 2017 (CAA) directed the Secretary of the Interior to amend the regulations extending the time period from 180 days to one year. BSEE did not go through the prior notice and public comment process because the CAA required adoption of the exact language of the rule, leaving no discretion to BSEE.

The rule change will “provide operators with more time and flexibility to evaluate information (e.g., review prior well data, plan for an additional well, obtain Authorization for Expenditure approval) to determine if they will perform another leaseholding operation.” While the rule change does not apply retroactively, lessees and operators with pending SOOs or SOPs (or IBLA appeals of denials of SOOs or SOPs) may be able to utilize the new rule as an argument in favor of granting the SOO or SOP.