

**UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE
GULF OF MEXICO OCS REGION**

NTL No. 2000-G17

Effective Date: September 1, 2000

**NOTICE TO LESSEES AND OPERATORS OF FEDERAL
OIL AND GAS LEASES IN THE OUTER CONTINENTAL SHELF
GULF OF MEXICO OCS REGION**

Suspension of Production/Operations Overview

General Information

The Outer Continental Shelf Lands Act as amended requires the prompt and efficient exploration and development of your leased block. As such, you are expected to explore, develop and commence production within the initial period of any offshore Federal lease. However, under certain criteria, you may request a lease or unit suspension, which extends the term of the lease or unit. For the purposes of this document, all references made to a lease may also apply to a unit.

On January 27, 2000, the updated 30 CFR 250, Subpart A final regulations, became effective. These regulations clarify the distinction between granting and directing a suspension and the different consequences of each. The Minerals Management Service (MMS) grants or directs suspensions of production (SOP) and/or suspensions of operations (SOO) for leases consistent with 30 CFR 250.168 – 250.177. This NTL is intended to present general guidelines and an overview of the suspension program in the revised regulations.

Under 30 CFR 250.180, you may maintain leases beyond their initial period through operations. The term "operations" means well drilling, well reworking, or production in paying quantities. In the absence of one of these operations you may request and we may grant, a suspension consistent with 30 CFR 250.168 – 250.177.

Timing of a Suspension Request

We should receive an SOP request approximately 3 weeks before the lease expiration date. We may receive an SOO request later in the lease term because you are requesting it as a result of unforeseen circumstances beyond your control.

When we receive a suspension request late in the lease term and cannot take final action before the lease expires, the lease is treated as expired and you cannot conduct any operation until we take final action on the suspension request. In all cases, we are to receive suspension requests before the lease expiration date.

If you need an extension to a suspension, we are to receive your request before the current suspension expires.

Suspensions of Production (SOP)

We grant SOP's to facilitate lease production. You are to demonstrate a firm commitment to develop and produce the proven reserves that have been discovered by wellbore penetration. Support your commitment by a reasonable schedule of measurable milestones leading to the commencement of production.

We may grant an SOP under 30 CFR 250.172 or 30 CFR 250.174 for a lease that has a well determined to be capable of producing oil, gas or sulphur in paying quantities. We base this determination on the criteria established in 30 CFR 250.115, 30 CFR 250.116, or 30 CFR 250.1603.

We do not grant SOP's solely for exploration purposes.

Requirements Associated with an SOP Request

Include in your SOP request:

A brief lease history demonstrating diligence.

A firm commitment to production.

A description of your proposed course of action to initiate or restore lease production.

A reasonable activity schedule with measurable milestones that ultimately lead to production.

Reservoir structure map(s), isopach map(s), and a reserve estimate, including the anticipated reservoir life (only for initial SOP requests).

Length of the SOP

We may grant an SOP up to 5 years.

In most cases we grant SOP's for 1 year or less.

We will set the length of the SOP based upon the circumstances of each individual case.

After we approve an SOP, we monitor the milestones in your activity schedule through the commencement of production.

Usually we grant the SOP with an ending date coinciding with the first scheduled lease holding activity, even though the activity schedule may extend beyond the length of the SOP.

SOP for Co-development

We may grant an SOP for the co-development of leases when each individual lease is in the "development" stage and there is a firm commitment to produce all the leases. Your accompanying activity schedule identifies the measurable milestones common to the co-developed leases. We encourage co-development, where appropriate, to ensure the safe, prompt, efficient development of hydrocarbons and the timely commencement of production.

SOP for Phased Development

Phased development is waiting for production capacity at the host facility to become available. You plan to develop the hydrocarbons that have been discovered by wellbore penetration as a proposed satellite project to an existing or newly built production facility. The host capacity is primarily targeted for the major field discoveries, thus leaving no room for additional production from the satellite project. Capacity will not be available to accommodate satellite production within the initial lease term and is dependent upon the production decline at the host facility. Generally, we do not approve suspensions for phased development. However, we may consider, as an exception, phased development for (a) conserving the natural resource or (b) preventing waste (30 CFR 250.105) if you compellingly demonstrate that phased development is appropriate under unique circumstance.

SOP for Geophysical Acquisition and Analysis

We may grant an SOP that incorporates a geophysical program if you establish a firm commitment to development and production and your program is to be designed to:

Efficiently select a location for an additional development well.

Locate an additional well needed to size production facilities properly.

Assist in siting development facilities.

Changes in Suspension of Production Conditions

A new lease operator is to follow the prior operator's approved activity schedule, or one that is more diligent, when the lease is being held by an SOP. We will not give an additional SOP solely because of a lease operator change.

Example of a Suspension of Production Activity Schedule

<u>Activity</u>	<u>Deadline</u>
Commence bids and design of platform and facilities. Submit DWOP document for review.	February 2000
Commence fabrication of platform facilities and submit DOCD.	April 2000
Commence installation of platform and facilities.	September 2000
Commence installation of pipeline.	October 2000
Commence tieback and completion operations on Wells A-1 and A-2(SOP expires November 30, 2000).	November 2000
Apply for production measurement and/or surface commingling approval.	December 2000
Commence production.	January 2001

Suspension of Operations (SOO)

We may either direct or grant an SOO. Such SOO's are normally of short duration and granted or directed on a case-by-case basis according to 30 CFR 250.172, 30 CFR 250.173, or 30 CFR 250.175. We do not have a regulatory requirement for a lease to have a well capable of producing hydrocarbons in paying quantities in order for us to grant an SOO. The existing regulations, particularly 30 CFR 250.175, allow us to grant an SOO when diligent efforts to commence drilling operations are delayed by unforeseen circumstances such as adverse weather, unavoidable accidents, or short delays in a prearranged rig release date. We may grant an SOO when necessary to allow you time to begin drilling or other lease holding operations when circumstances beyond your control prevent you from conducting such operations. A fundamental component in determining whether or not you are "prevented beyond your control" is whether or not the particular drilling rig was scheduled to conduct operations at your location before the lease expiration date.

Direct a Suspension

When circumstances warrant, we may direct an SOO, SOP, or both, to temporarily prohibit drilling, production, or any other lease activity under the terms of the lease agreement.

Terminate a Suspension

It is your responsibility to inform us if circumstances justifying the SOP no longer exist. We may terminate any suspension if we determine that the circumstances that justified the suspension no longer exist or that the lease condition now warrants termination. We will notify you of the reason for termination and the effective date.

Payment of Rent and Royalty

According to 30 CFR 218.154, we will require you to pay rental or minimum royalty for or during the granted suspension period. However, we will not require such payments if an SOP or SOO, or both, is directed by us, except in those cases where you have failed to comply with an applicable law, regulation, order or provision of a lease or permit.

Paperwork Reduction Act of 1995 Statement

The information collection referred to in this NTL is intended to provide clarification, description, or interpretation of requirements contained in 30 CFR 250, Subpart A. The Office of Management and Budget (OMB) has approved the information collection requirements in these regulations under OMB control number 1010-0114. This NTL does not

impose any additional information collection requirements subject to the Paperwork Reduction Act of 1995.

Contact

If you have specific questions concerning unit suspensions please contact Mr. Ron Konecni at (504) 736-2661 or Mr. Mike Nixdorff at (504) 736-2660. For specific questions concerning lease suspensions please contact Mr. Kevin Karl at (504) 736-2632 or Mr. Mike Hrabec at (504) 736-2656.

Chris C. Oynes
Regional Director

DATE: 9-8-00

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