Key Topics

• Agency Reorganization and Staffing
  – Staffing and Training

• Challenges for OCS Operators
  – Receiving Timely Approvals of Plans and Permits
  – Will there be more fees associated with operations?
  – Uncertainty of current and future legislation and regulation
    • Inspection and audit strategies for SEMS
    • Emergency Response Preparedness
    • Additional New Regulation
Government Initiated Actions

Regulatory Timeline

04/20/10 DWH Incident

04/30/10 MMS/USCG JIT
9/1/11 JIT Report

05/27/10 Safety Measures Report to Obama

05/30/10 Suspension of Deepwater Drilling (Moratorium)

06/18/10 MMS Abolished Functions Transferred to BOEMRE

05/21/10 National Commission on DWH Oil Spill
1/12/11 Commission Report

05/27/10 GOM, VA & 4 Sales in Chukchi /B Seas Cancelled

06/18/10 NTL 2010 N06 (WCD NTL)

06/18/10 NTL 2010 N05 (Safety NTL)

08/16/10 CERs Limited

10/15/10 SEMS

10/14/10 Drilling Safety Rule

10/12/10 Moratorium Ended

11/08/10 NTL 2010 N10 Containment & Compliance

06/08/10 Expired 12/31/10

APD Approved Post DWH 3/2011
Industry and DOI Accomplishments

✓ DOI Agencies Re-organized and Functional
✓ SEMS Implemented
✓ Enhanced drilling safety and blowout preventer standards
✓ Subsea Containment Systems in Place
✓ Spill Response Capabilities Increased
✓ Timing for Plan and Permit Approvals Improving
Critical Factors – Regulators

- Agency Staffing
- Plans & Permits
- Enforcement
- Challenges
- Implementation of New Regulations
Reorganization of MMS

• The re-organization from MMS to BOEMRE to BOEM and BSEE
Reorganization

Sec. of the Interior
Ken Salazar

Asst. Secretary Policy, Management & Budget
Rhea S. Suh

ONRR
Gregory Gould
• Revenue Collections

BSEE
James Watson
• Permits
• Inspections
• Spill Response

BOEM
Tommy Beaudreau
• Leasing
• NEPA Analysis
• Resource Evaluation

IRU
• Investigate Allegations of Misconduct

Asst. Secretary Land & Minerals Management
Marcilynn Burke
Office of Natural Resource Revenue (ONRR)

- ONRR has replaced Minerals Royalty Management
  - Revenue collection from energy production
  - Asset management
  - Auditing and compliance
  - Investigation and enforcement
Bureau of Ocean Energy Management

- Manage Exploration and Development
- Leasing
- Environmental Science
- Environmental Analysis and Assessment
- Resource Evaluation
- Plan Administration (EPs/DOCDs)
Bureau of Safety and Environmental Enforcement

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

- Turnover (Retirement, Public Sector)
- Hiring (Industry, Universities)

<table>
<thead>
<tr>
<th>Personnel</th>
<th>Pre-DWH</th>
<th>Current</th>
<th>Budgeted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Engineers</td>
<td>69</td>
<td>97</td>
<td>228</td>
</tr>
<tr>
<td>Inspectors</td>
<td>36</td>
<td>82</td>
<td>155</td>
</tr>
<tr>
<td>Oil Spill Response Division</td>
<td>5</td>
<td>10</td>
<td>22</td>
</tr>
<tr>
<td>Environmental Enforcement</td>
<td>0</td>
<td>9</td>
<td>38</td>
</tr>
<tr>
<td>(may assist BOEM also)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
BSEE Personnel Resources

• Training
  – National Offshore Training and Learning Center
    • Develop formal courses for engineers and inspectors
    • Develop qualification/certification processes
Critical Factors - Operators

- PLANS & PERMITS
- Enforcement
- Uncertainty!
- Increased Fees
- Future Regulation
# Deepwater Exploration Plans

## Average Approval Time for New Deepwater EPs submitted to BOEM since the 2\textsuperscript{nd} half of 2009:

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Average Approval Time (days)</th>
<th>Longest Approval Time (days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2nd half 2009/2010 (Pre-DWH)</td>
<td>52</td>
<td>107</td>
</tr>
<tr>
<td>2010 (Post-DWH)</td>
<td>234</td>
<td>325</td>
</tr>
<tr>
<td>2011</td>
<td>141</td>
<td>284</td>
</tr>
<tr>
<td>2012 (To Date)</td>
<td>88</td>
<td>141</td>
</tr>
</tbody>
</table>
# Deepwater DOCDs

Average Approval Time for New Deepwater DOCDs submitted to BOEM since the 2\textsuperscript{nd} half of 2009:

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Average Approval Time (days)</th>
<th>Longest Approval Time (days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2nd half 2009/2010 (Pre-DWH)</td>
<td>77</td>
<td>167</td>
</tr>
<tr>
<td>2010 (Post-DWH)</td>
<td>216</td>
<td>314</td>
</tr>
<tr>
<td>2011</td>
<td>198</td>
<td>320</td>
</tr>
<tr>
<td>2012</td>
<td>Pending</td>
<td>Pending</td>
</tr>
</tbody>
</table>
Development and Production Plans

![Chart showing development and production plans for different models over the years 2011 and 2012. The chart illustrates the quantities planned for each model, with blue bars for 2011 and a red bar for 2012. The models include 9589-AT/LL, 9602-DC, 9617-DC, 9626-LL, 9637-DC, and 9643-DC.]
New Deepwater Well Permits with SS BOPs Approved by BSEE

2011 Approvals

274, 229, 229, 118, 62, 41, 59, 235, 110, 119, 83, 38, 36, 37, 28, 27, 32, 78, 41, 37, 44

KC 292 (DC01), GB 427 (PS04), WR 758 (PN02), GB 506 (PS04), GC 738 (SB101), GC 653 (SB101), MC 348 (003), GC 814 (001), AC 857 (GD001), GC 404 (SS001), MC 805 (WB001), MC 762 (WB002), MC 698 (001), MC 762 (WB003), MC 762 (WB001), MC 762 (SD001), MC 762 (SD002), MC 431 (001), WR 634 (PN001), MC 940 (002), WR 29 (A012), WR 29 (A004)
New Deepwater Well Permits with SS BOPs Approved By BSEE

2012 Approvals
## Deepwater Permits to Drill

Average Approval Time for New Deepwater APDs submitted to BOEM since the 2\textsuperscript{nd} half of 2009:

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Average Approval Time (days)</th>
<th>Longest Approval Time (days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2nd half 2009/2010 (Pre-DWH)</td>
<td>26</td>
<td>107</td>
</tr>
<tr>
<td>2010 (Post-DWH)</td>
<td>64</td>
<td>139</td>
</tr>
<tr>
<td>2011</td>
<td>90</td>
<td>274</td>
</tr>
<tr>
<td>2012 (To Date)</td>
<td>63</td>
<td>155</td>
</tr>
</tbody>
</table>
Critical Factors - Operators

- Plans & Permits
- Enforcement
- Uncertainty!
- INCREASED FEES
- Future Regulation
FY 2012 Inspection Fees

- DOI 2012 Appropriations Act increased inspection fees from $10 million in 2011 to $65 million in 2012
- Inspection fees collected for:
  - Production facilities in place on Oct. 1, 2011
  - Drilling rigs for all inspections conducted from Oct. 1, 2011 to Sept. 30, 2012
## FY 2012 Inspection Fees

<table>
<thead>
<tr>
<th>Type Facility/Drilling Rig</th>
<th>Fee 2012</th>
<th>Fee 2011</th>
<th>Fee 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Facility - No wells - Processing equipment or gathering lines</td>
<td>$10,500</td>
<td>$2,000</td>
<td>$2,000</td>
</tr>
<tr>
<td>Facilities 1-10 active or inactive wells</td>
<td>$17,000</td>
<td>$3,250</td>
<td>$3,250</td>
</tr>
<tr>
<td>Facilities &gt; 10 active or inactive wells</td>
<td>$31,500</td>
<td>$6,000</td>
<td>$6,000</td>
</tr>
<tr>
<td>Drilling rigs in WD &lt; 500 feet</td>
<td>$16,700*</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Drilling rigs in WD 500 ‘ or more</td>
<td>$30,500*</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

* Per Inspection
Definition of *Inspection*: A visit by a BSEE inspector to witness operations or to verify compliance with applicable laws, regulations, orders, standards, and applications and permit approvals

Problematic rationale:

<table>
<thead>
<tr>
<th>Inspection Scenario</th>
<th>Caisson</th>
<th>4-Pile Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inspection Fee for Facility 1-10 wells</td>
<td>1 Caisson</td>
<td>1 Structure $17,000</td>
</tr>
<tr>
<td>• Per Facility $17,000</td>
<td>$17,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td>50 Caissons</td>
<td>$850,000</td>
</tr>
<tr>
<td>Category</td>
<td>No. of Facilities</td>
<td>Fee</td>
</tr>
<tr>
<td>------------</td>
<td>------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>No wells</td>
<td>210</td>
<td>$2,205,000</td>
</tr>
<tr>
<td>1-10 wells</td>
<td>1935</td>
<td>$32,895,000</td>
</tr>
<tr>
<td>&gt;10 wells</td>
<td>303</td>
<td>$9,544,500</td>
</tr>
<tr>
<td>TOTAL COLLECTED</td>
<td></td>
<td>$44,644,500</td>
</tr>
</tbody>
</table>
## RIG INSPECTIONS GOM 2012

<table>
<thead>
<tr>
<th>Month</th>
<th>Fiscal Year</th>
<th>Fee</th>
<th>Rig Inspections</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>FY 12</td>
<td>$1,566,300</td>
<td>69</td>
</tr>
<tr>
<td>02</td>
<td>FY 12</td>
<td>$1,143,700</td>
<td>47</td>
</tr>
<tr>
<td>03</td>
<td>FY 12</td>
<td>$1,585,200</td>
<td>66</td>
</tr>
<tr>
<td>04</td>
<td>FY 12</td>
<td>$1,869,100</td>
<td>83</td>
</tr>
<tr>
<td>YR to Date</td>
<td></td>
<td>$6,164,300</td>
<td>265</td>
</tr>
</tbody>
</table>
BOEM & BSEE Budgets

BOEM
- 2011 Actual: 161
- 2012 Enacted: 161.1
- 2013 Requested: 164.1
- 2011 Actual: 133.5

BSEE
- 2012 Enacted: 182.4
- 2013 Requested: 222.2

Bars represent Offset Appropriations and Treasury.
Critical Factors - Operators

- Plans & Permits
- ENFORCEMENT
- Uncertainty!
- Increased Fees
- Future Regulation
BSEE Enforcement Program

• Environmental Compliance Inspections
• Enforce relevant laws and regulations including the CAA, CWA and NEPA
• Evaluate the effectiveness of environmental monitoring programs and mitigation measures
• Take enforcement actions to ensure industry compliance with applicable laws and regulations
• 2012 budget provided for a total of 33 new employees in Environmental Compliance Program
BSEE Enforcement Program

- Oil Spill Response Division
  - Unannounced Exercises
  - Three Spill Drills to date – Deepwater
- Increased quantity and intensity of drills
Evaluating Effectiveness of SEMS

- October 2010 – SEMS Final Rule
- Implementation Date – November 15, 2011
- BOEMRE requested the Transportation Research Board examine methods for assessing the effectiveness of an operator's SEMS program
Evaluating Effectiveness of SEMS

- Holistic approach
- Assess attitudes and actions rather than documentation and paperwork
- Include:
  - Inspections
  - Audits - Operator
  - Audits - BSEE
  - Key performance indicators
  - Whistleblower program
Evaluating Effectiveness of SEMS

- BSEE need:
  - Qualified Inspectors
  - Trained Auditors

- Funding for BSEE Audits
  - Utilize Operator provided transportation
  - Utilize Operator provided accommodations
  - Increase Inspection Fees
Evaluating Effectiveness of SEMS

- Identify both high and low risk facilities
- Maximize involvement of the operator
- Identify best practices and common trends and share with regulated community
Critical Factors - Operators

- Plans & Permits
- Enforcement
- Increased Fees
- Uncertainty!
- FUTURE REGULATIONS
Oil Spill Financial Responsibility and Liability for Cleanup and Damages

• Current requirements:
  – Financial Responsibility $35MM to $150MM
  – Liability = Total cost of clean up + $75MM in damages

• Uncertainty:
  – New Legislation for Increasing Oil Spill Financial Responsibility and Liability
  – When, how much, risk-ranked?
Spill Response Preparedness

• Oil Spill Response NTL soon
• New OSRP Regulations forthcoming
• Questions:
  – Changes to OSRPs?
  – WCD vs. Contracts for equipment?
  – Increased number of unannounced drills?
Spill Response Preparedness

- **65 plans approved** (for 52 operators) for different reasons:
  - Initial plans
  - Significant change updates
  - Biennial submissions

- **14 are deepwater plans**
### Preparedness

- **Oil Spill Response Equipment**
  - Clean Gulf Associates
  - Marine Spill Response Corporation
  - National Response Corporation

<table>
<thead>
<tr>
<th>Asset</th>
<th>Pre-DWH</th>
<th>Post-DWH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skimming – Recovery Capacity (Barrels per Day)</td>
<td>445,000</td>
<td>900,000</td>
</tr>
<tr>
<td>Dispersant (Gallons)</td>
<td>74,190</td>
<td>158,000</td>
</tr>
<tr>
<td>In-Situ Burn Boom (Feet)</td>
<td>6,000</td>
<td>24,000</td>
</tr>
</tbody>
</table>
Upcoming Regulations

- Final Drilling Safety Rule
- Final SEMS 2 Rule
- Proposed Rule to enhance the requirements for BOPs
- Proposed Rule on Production Safety Systems and Lifecycle Analysis
On the Radar

• Potential Rules

  – Add Annual Performance Review into regulations
  – Require submittal of a *Performance Improvement Plan* for poor performing operators
  – MODUs and Floating Production Facilities – equip with tracking beacons and black boxes
  – Clear timeframes of when wells must be abandoned and platforms decommissioned
5 Year Leasing Program 2012 – 2017

Areas in proposed program (number of leases)

- Western Gulf (5)
- Central Gulf (5)
- Eastern Gulf (2)*

Currently active leases

- Chukchi Sea (1)
- Beaufort Sea (1)
- Cook Inlet (1)

*In areas of the Eastern Gulf that are not currently under congressional moratorium.

Source: Interior Department
Thank you!