

GULF OF MEXICO REGION
Instructions for Completing Form BOEM-1123

Designation of Operator

*These instructions pertain to the Designation of Operator Forms used in the Gulf of Mexico Region **only**. For guidance pertaining to the other Regions, please contact them directly.*

Designation of Operator (DOO) Form

- Use only Form BOEM-1123 (**Date**) or current dated form. Obsolete forms may not be used. The form must be typed.
- Forms can be found at website address: <http://www.boem.gov/About-BOEM/Procurement-Business-Opportunities/BOEM-OCS-Operation-Forms/BOEM-OCS-Operation-Forms.aspx>.
- If needed to reproduce this form with word processing software, you may duplicate or change the formatting of this form; however, you may not substantively modify the approved form or make any change to the associated information requirements.

Operator/Top Section of Form

- The lease number must be typed exactly as it appears on the lease instrument.
- The operator's name must be typed exactly as it appears in the qualification documents on file with BOEM (including case and punctuation).
- The Qualification Number of the Designated Operator must correspond to the name of the operator being designated.

Description of Block or Aliquot Portion To Which the Designation Applies

- The description must describe what is to be operated (all of the block or all applicable aliquots; split blocks and partial blocks must include the specific language that describes the portion of the block, i.e. "...seaward of the 1975 Supreme Court Decree Line..."), the block number, complete area name (including additions and extensions—only include "Area" if it appears on the lease instrument), and finally any limitations as to depths.
- "Less and except" language is not acceptable on any DOO Form. The description on the DOO Form must describe the part of the lease the company will operate.
- A block description may be subdivided by $\frac{1}{2}$ and $\frac{1}{4}$ only; the smallest allowable subdivision of a block is $\frac{1}{4}$ $\frac{1}{4}$.
- Always include any prefix or suffix associated with the block number.
EXAMPLE: "All of Block A-1, Galveston Area"
"All of Block 113B, Eugene Island Area"
- Pursuant to BOEM Regulation 550.143(a), the Regional Supervisor must approve any designation of operator before such designation is effective. BOEM will not normally approve a request to designate an operator for an individual well. Departures from this requirement, in accordance with 550.142, can be given in limited

circumstances. To request approval for a departure, the detailed description of departure request should accompany the DOO. It should describe the smallest aliquot (no smaller than $\frac{1}{4}$ $\frac{1}{4}$ $\frac{1}{4}$) and the depths where the original bottomhole of the well was drilled (depth must be reflected in terms of Total Vertical Depth). BOEM does not recognize plugged back depths. The description on the DOO Form does not have to include the entire well path, i.e. surface to 10,000' SSTVD. Leases that currently have an approved well-specific designation are "grandfathered" until a change of operator is approved for the part of the lease containing the well-specific designation.

Signature Block

- The Qualification Number of lessee or operating rights owner must correspond to the name of the company on BOEM's official records.
- The lessee's or operating rights owner's name should be typed exactly as it appears on the qualification documents. This **IS** case sensitive and punctuation sensitive.
EXAMPLE: "MOBIL OIL EXPLORATION & PRODUCING SOUTHEAST INC." (acceptable)
"MOBIL OIL Exploration and Producing Southeast Inc." (unacceptable)
- The individual signing the DOO form must be a person authorized to bind the company and must sign his/her name and title exactly as he/she is qualified per the qualification records on file with BOEM.
EXAMPLE: "Allen K. Smith cannot execute documents as Allen Smith or A.K. Smith."
- The signature block must include typed name of authorized official and his/her title.

General Rules

- One originally executed DOO form is required. However, if two are provided, the submitter will receive an approved copy back and will not have to obtain same from the online files. NO PHOTOCOPIES OR FAXED COPIES WILL BE ACCEPTED.
- If you are changing an operator, all lessees **and** operating rights owners having any ownership interest in the affected block or tract must submit DOO Forms. All of the DOO Forms must be submitted together as one package and must include a transmittal letter (cover letter). Pay.Gov receipt evidencing payment of the required service fee must be included in the package.
- If you are acquiring an interest in a lease via an assignment and are designating the existing operator(s), you cannot designate an operator for more aliquots and depths than you acquire an interest in. Currently, there is no fee to designate an existing operator(s).

The designation change may contain a depth limitation applicable either to the entire lease or to an aliquot part. If you specify a depth limitation, ensure that you designate the operator to the original bottomhole depth (not plugged-back or producing depth). For newly severed tracts, it must be described using Total Vertical Depth Sub Sea ("TVDSS"). Depths that are described by measured depth, stratigraphic equivalent, and/or that recite information from well logs are considered "non-conforming" depth measurements and are only acceptable when (1) an Operating Rights tract was previously approved by BOEM that contains non-conforming depths measurements. When designating an operator in connection with such Operating Rights tracts, you must use the non-conforming depth measurements used in the previously approved operating rights tract, and (2) for new operating rights tracts that will be contiguous with a previously approved operating rights tract, the depth of the new tract that will abut the previously approved tract must be described using the same type of measurement as the existing tract for the DOOs.

- **Bringing a Lease into Compliance:** Under 30 CFR 550.143(a), you must submit a DOO Form unless you are the only lessee and the only person conducting lease operations. Leases that currently have more than one lessee or operating rights owner or that will have more than one lessee or operating rights owner after approval of a pending assignment must have a DOO Form (1123) on file from each lessee/operating rights owner. In instances where an operator is also an affected lessee, the operator will have to designate itself. The term “affected lessees and operating rights owners” encompasses all record title owners and operating rights owners that have an interest in the area operated by the designated operator. If any part of a lease is “out of compliance,” the entire lease must be brought into compliance. This includes all actions affecting a lease, including, but not limited to assignments, stand-alone DOOs, mergers, etc. *When conducting due diligence before submitting an action, you can determine if the current operator(s) has designated itself by reviewing the serial register pages and the online lease files. If they have not, you must secure their designation and submit it as part of your assignment and/or designation package.* There is no fee to bring a lease into compliance, unless the lessees decide to change the operator.

- **“All-inclusive” DOO Forms** – DOO Forms must include all aliquots for which the company will operate in relation to the ownership of the company signing the form. We refer to this as an “all-inclusive” DOO Form.

EXAMPLE: Company A is designated to operate the NE $\frac{1}{4}$ of a Block. DOO Forms are then submitted that designate Company A to operate the NW $\frac{1}{4}$. If you just designate Company A for the NW $\frac{1}{4}$, the new DOO will supersede the first DOO; resulting in Company A only operating the NW $\frac{1}{4}$ **not both** the NE $\frac{1}{4}$ and the NW $\frac{1}{4}$. Therefore, the “all-inclusive” DOO would designate Company A to operate the N/2.

- **Sequenced DOO Forms** – When a submittal includes multiple assignments of interest, the DOO Forms must be sequenced with the assignments.

EXAMPLE: Company A is acquiring an operating rights interest in the N/2 of a block via Assignment #1. The DOO Form accompanying Assignment #1 must designate the operator for the N/2 of the block. Thereafter, Company A acquires an operating rights interest in the S/2 of a block via Assignment #2. The DOO Form accompanying Assignment #2 must designate the operator for “All of Block.” BOEM must have a DOO for each of the assignments.

- Before any DOO Form will be approved, the entire lease must be covered by an operator or operators. BOEM will not approve any change in operator that leaves a part of the lease without an approved operator.

EXAMPLE: First Company A is designated to operate all of the block.
 Then Company B is designated to operate the NE $\frac{1}{4}$ of the block.
RESULT: Company A operates the NW $\frac{1}{4}$; S $\frac{1}{2}$ of the block;
 Company B operates the NE $\frac{1}{4}$ of the block.
 Next, the owners attempt to designate Company B to operate the NW $\frac{1}{4}$ of the block. This designation would supersede the prior designation for Company B.
RESULT: Company A operates the S $\frac{1}{2}$;
 Company B operates the NW $\frac{1}{4}$;
 NE $\frac{1}{4}$ is un-operated.

A DOO will be required covering NE $\frac{1}{4}$ of the block, before the operatorship can be changed. BOEM **will not** make any assumption as to the operator of NE $\frac{1}{4}$ of the block.

Changing an Operator on an Expired/Terminated/Relinquished Lease – BOEM does not allow a change of operator to an expired/terminated/relinquished lease. If it is necessary to change an operator for decommissioning operations, this can be accomplished through the eWell Application. The current operator can designate a local agent, and allow the local agent to file applications and permits on its behalf and allow the local agent to perform the necessary work on a contract basis.

The eWell Application Manual in NTL No. 2007-G15 (<http://www.bsee.gov/Regulations-and-Guidance/Notices-to-Lessees-and-Operators.aspx>) describes the process and forms required to designate eWell administrators, users, and agents. The current operator must first have an eWell administrator before it can designate a local agent for eWell. You can request an eWell administrator by submitting a completed eWell Administrator Request Form included in the NTL. Your Administrator may submit the well permits and reports, or you may submit an eWell Agent User Request Form to designate a local eWell agent. Your eWell Administrator will set up the entitlements for the agent to limit access to the particular lease or well in the eWell system. Additional help is provided for the Administrator in eWell online tutorials located on the Bureau of Safety and Environmental Enforcement's (BSEE's) website.