

Bay Coquette; Bay Courant; Bay Dosgris; Bay Ronquille; Bay Tambour; Bayou Blanc; Bayou Lucien; Belle Isle; Belle Pass; Big Constance Lake; Black Bay North; Black Bay South; Breton Islands; Breton Islands SE; Buras; Burrwood Bayou East; Burrwood Bayou West; Calumet Island; Cameron; Caminada Pass; Cat Island; Cat Island Pass; Central Isles Dernieres; Chandeleur Light; Chef Mentur; Cheniere Au Tigre; Cocodrie; Coquille Point; Cow Island; Creole; Cypremort Point; Deep Lake; Dixon Bay; Dog Lake; Door Point; East Bay Junop; Eastern Isles; Dernieres; Ellerslie; Empire; English Lookout; False Mouth Bayou; Fearman Lake; Floating Turf Bayou; Fourleague Bay; Franklin; Freemason Island; Garden Island Pass; Grand Bayou; Grand Bayou du Large; Grand Chenier; Grand Gosier Islands; Grand Isle; Hackberry Beach; Hammock Lake; Happy Jack; Hebert Lake; Hell Hole Bayou; Hog Bayou; Holly Beach; Intercoastal City; Isle Au Pitre; Jacko Bay; Johnson Bayou; Kemper; Lake Athanasio; Lake Cuatro Caballo; Lake Eloi; Lake Eugene; Lake Felicity; Lake La Graisse; Lake Merchant; Lake Point; Lake Salve; Lake Tambour; Leeville; Lena Lagoon; Lost Lake; Main Pass; Malheureux Point; Marone Point; Martello Castle; Mink Bayou; Mitchell Key; Morgan City SW; Morgan Harbor; Mound Point; Mulberry Island East; Mulberry Island West; New Harbor Islands; North Islands; Oak Mound Bayou; Oyster Bayou; Pass A Loutre East; Pass A Loutre West; Pass du Bois; Pass Tante Phine; Pecan Island; Pelican Pass; Peveto Beach; Pilottown; Plumb Bayou; Point Au Fer; Point Au Fer NE; Point Chevreuil; Point Chicot; Port Arthur South; Port Sulphur; Pte. Aux Marchuttes; Proctor Point; Pumpkin Islands; Redfish Point; Rollover Lake; Sabine Pass; Saint Joe Pass; Smith Bayou; South of South Pass; South Pass; Stake Islands; Taylor Pass; Texas Point; Three Mile Bay; Tigre Lagoon; Timbalier Island; Triumph; Venice; Weeks; West of Johnson Bayou; Western Isles Dernieres; Wilkinson Bay; Yscloskey.

*Mississippi* (1:24,000 scale): Bay Saint Louis; Biloxi; Cat Island; Chandeleur Light; Deer Island; Dog Keys Pass; English Lookout; Gautier North; Gautier South; Grand Bay SW; Gulfport North; Gulfport NW; Gulfport South; Horn Island East; Horn Island West; Isle Au Pitre; Kreole; Ocean Springs; Pascagoula North; Pascagoula South; Pass Christian; Petit Bois Island; Saint Joe Pass; Ship Island; Waveland.

*Texas* (1:24,000 scale): Allyns Bright; Anahuac; Aransas Pass; Austwell; Bacliff; Bayside; Big Hill Bayou; Brown Cedar Cut; Caplen; Carancahua Pass; Cedar Lakes East; Cedar Lakes West; Cedar Lane NE; Christmas Point; Clam Lake; Corpus Christi; Cove; Crane Islands NW; Crane Islands SW; Decros Point; Dressing Point; Estes; Flake; Free-

port; Frozen Point; Galveston; Green Island; Hawk Island; High Island; Hitchcock; Hoskins Mound; Jones Creek; Keller Bay; Kleberg Point; La Comal; La Leona; La Parra Ranch NE; Laguna Vista; Lake Austin; Lake Como; Lake Stephenson; Lamar; Long Island; Los Amigos; Windmill; Maria Estella Well; Matagorda; Matagorda SW; Mesquite Bay; Mission Bay; Morgans Point; Mosquito Point; Mouth of Rio Grande; Mud Lake; North of Port Isabel NW; North of Port Isabel SW; Oak Island; Olivia; Oso Creek NE; Oyster Creek; Palacios; Palacios NE; Palacios Point; Palacios SE; Panther Point; Panther Point NE; Pass Cavallo SW; Pita Island; Point Comfort; Point of Rocks; Port Aransas; Port Arthur South; Port Bolivar; Port Ingleside; Port Isabel; Port Isabel NW; Port Lavaca East; Port Mansfield; Port O'Connor; Portland; Potrero Cortado; Potrero Lopeno NW; Potrero Lopeno SE; Potrero Lopeno SW; Rockport; Sabine Pass; San Luis Pass; Sargent; Sea Isle; Seadrift; Seadrift NE; Smith Point; South Bird Island; South Bird Island NW; South Bird Island SE; South of Palacios Point; South of Potrero Lopeno NE; South of Potrero Lopeno NW; South of Potrero Lopeno SE; South of Star Lake; St. Charles Bay; St. Charles Bay SE; St. Charles Bay SW; Star Lake; Texas City; Texas Point; The Jetties; Three Islands; Tivoli SE; Turtle Bay; Umbrella Point; Virginia Point; West of Johnson Bayou; Whites Ranch; Yarborough Pass.

**PART 556—LEASING OF SULFUR OR OIL AND GAS AND BONDING REQUIREMENTS IN THE OUTER CONTINENTAL SHELF**

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AUTHORITY: 30 U.S.C. 1701 note, 30 U.S.C. 1711, 31 U.S.C. 9701, 42 U.S.C. 6213, 43 U.S.C. 1331 note, 43 U.S.C. 1334, 43 U.S.C. 1801–1802.

SOURCE: 81 FR 18152, Mar. 30, 2016, unless otherwise noted.

### Subpart A—General Provisions

#### § 556.100 Statement of policy.

The management of Outer Continental Shelf (OCS) resources is to be conducted in accordance with the findings, purposes, and policy directions provided by the Outer Continental Shelf Lands Act Amendments of 1978 (OCSLA or the Act) (43 U.S.C. 1332,

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1801, 1802), and other executive, legislative, judicial and departmental guidance. The Secretary of the Interior (the Secretary) will consider available environmental information in making decisions affecting OCS resources.

### § 556.101 Purpose.

The purpose of the regulations in this part is to establish the procedures under which the Secretary will exercise the authority to administer a leasing program for oil and gas, and sulfur. The regulations pertaining to the procedures under which the Secretary will exercise the authority to administer a program to grant rights-of-use and easements are found in part 550 of this chapter.

### § 556.102 Authority.

(a) The Outer Continental Shelf Lands Act (OCSLA) (43 U.S.C. 1334) authorizes the Secretary of the Interior to issue, on a competitive basis, leases for oil and gas, and sulfur, in submerged lands of the OCS. The Act authorizes the Secretary to grant rights-of-way and easements through the submerged lands of the OCS.

(b) The Federal Oil and Gas Royalty Management Act of 1982 (FOGRMA) (30 U.S.C. 1711) governs oil and gas royalty management and requires the development of enforcement practices to ensure the prompt and proper collection of oil and gas revenues owed to the U.S.

(c) The Independent Offices Appropriations Act of 1952 (IOAA) (31 U.S.C. 9701) authorizes fees and charges for Federal government services.

(d) The Energy Policy and Conservation Act of 1975 (42 U.S.C. 6213) prohibits joint bidding by major oil and gas producers.

(e) The Gulf of Mexico Energy Security Act of 2006 (GOMESA) (Pub. L. 109-432, 43 U.S.C. 1331 note):

(1) Shares leasing revenues with Gulf producing states and the Land & Water Conservation Fund for coastal restoration projects; and

(2) Allows companies to exchange certain existing leases in moratorium areas for bonus and royalty credits to be used on other Gulf of Mexico leases.

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### § 556.103 Cross references.

The following includes some of the major regulations relevant to offshore oil and gas development:

(a) For other applicable Bureau of Ocean Energy Management (BOEM) oil and gas regulations, see 30 CFR parts 550 through 560.

(b) For Bureau of Safety and Environmental Enforcement (BSEE) regulations governing exploration, development and production, and oil spill response, see 30 CFR chapter II.

(c) For Office of Natural Resources Revenue (ONRR) regulations related to rentals, royalties, and fees, see 30 CFR chapter XII.

(d) For BOEM regulations governing the appeal of an order or decision issued under the regulations in this part, see 30 CFR part 590.

(e) For regulations on the National Environmental Policy Act (NEPA), see 40 CFR 1500-1508 and 43 CFR part 46.

(f) For ocean dumping sites, see the U.S. Environmental Protection Agency (USEPA) listing—40 CFR part 228.

(g) For air quality, see USEPA regulations at 40 CFR part 55 and BOEM regulations at 30 CFR part 550 subparts B and C.

(h) For related National Oceanic and Atmospheric Administration (NOAA) programs, see:

(1) Marine Sanctuary regulations, 15 CFR part 922;

(2) Fishermen's Contingency Fund, 50 CFR part 296;

(3) Coastal Zone Management Act (CZMA), 15 CFR part 930;

(4) Essential Fish Habitat, 50 CFR 600.90.

(i) For U.S. Coast Guard (USCG) regulations on the oil spill liability of vessels and operators, see 33 CFR parts 132, 135, and 136.

(j) For USCG regulations on port access routes, see 33 CFR part 164.

(k) For Department of Transportation regulations on offshore pipeline facilities, see 49 CFR part 195.

(1) For Department of Defense regulations on military activities on offshore areas, see 32 CFR part 252.

### § 556.104 Information collection and proprietary information.

(a) *Information collection.* (1) The Office of Management and Budget (OMB)

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approved the collection of information under 44 U.S.C. 3501–3521), and assigned OMB Control Number 1010–0006. The title of this collection of information is “Leasing of Sulfur or Oil and Gas in the Outer Continental Shelf (30 CFR part 550, part 556, and part 560).”

(2) BOEM collects this information to determine if an applicant seeking to obtain a lease or right-of-use and easement (RUE) on the OCS is qualified to hold such a lease or RUE and to determine whether any such applicant can meet the monetary and non-monetary requirements associated with a lease or RUE. Responses to this information collection are either required to obtain or retain a benefit or are mandatory under OCSLA (43 U.S.C. 1331–1356a). BOEM will protect proprietary information collected according to section 26 of OCSLA (43 U.S.C. 1352), and this section.

(3) The Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3521) requires us to inform the public that an agency may not conduct or sponsor, and that no one is required to respond to, a collection of information unless it displays a current and valid OMB control number.

(4) Send comments regarding any aspect of the collection of information under this part, including suggestions for reducing the burden, to the Information Collection Clearance Officer, Bureau of Ocean Energy Management, by mail at 45600 Woodland Road, Sterling, VA 20166 or by email to [regulation1@boem.gov](mailto:regulation1@boem.gov), or by phone at (703) 787–1025.

(b) *Proprietary information.* (1) Any proprietary information maintained by BOEM will be subject to the requirements of 43 CFR part 2.

(2) No proprietary information received by BOEM under 43 U.S.C. 1352(c) will be transmitted to any affected State unless the lessee, to whom such information applies, or the permittee and all persons, to whom such permittee has sold such information under promise of confidentiality, agree to such transmittal.

(c) Proprietary information in response to a Call for Information and Nominations (Call).

(1) A specific indication of interest in an area received in response to a Call

issued by the Secretary is proprietary information.

(2) Notwithstanding paragraph (c)(1) of this section, BOEM may provide a summary of indications of interest in areas received in response to a Call for a proposed sale.

### § 556.105 Acronyms and definitions.

(a) Acronyms and terms used in this part have the following meanings:

ASTM American Society for Testing and Materials  
BAST Best Available and Safest Technology  
BOEM Bureau of Ocean Energy Management  
BSEE Bureau of Safety and Environmental Enforcement  
CFR Code of Federal Regulations  
CPA Central Planning Area of the GOM  
CZMA Coastal Zone Management Act  
DOI Department of the Interior  
DOCD Development Operations Coordination Document  
DOO Designation of Operator  
DPP Development and Production Plan  
EIA Environmental Impact Analysis  
EP Exploration Plan  
EPA Eastern Planning Area of the GOM  
EPAct Energy Policy Act of 2005  
FNOS Final Notice of Sale  
FOGRMA Federal Oil and Gas Royalty Management Act of 1982  
G&G Geological and Geophysical  
GDIS Geophysical Data and Information Statement  
GOM Gulf of Mexico  
GOMESA Gulf of Mexico Energy Security Act of 2006  
IOAA Independent Offices Appropriations Act of 1952  
LLC Limited Liability Company  
MBB Mapping and Boundary Branch  
NAD North American Datum  
NEPA National Environmental Policy Act of 1969  
NGPA Natural Gas Processors Association  
NOAA National Oceanic and Atmospheric Administration  
NTL Notice to Lessees  
OCS Outer Continental Shelf  
OCSLA Outer Continental Shelf Lands Act  
OMB Office of Management and Budget  
ONRR Office of Natural Resources Revenue  
OPD Official Protraction Diagram  
PNOS Proposed Notice of Sale  
PRA Paperwork Reduction Act  
ROW Right of way  
RSV Royalty Suspension Volume  
RUE Right of Use and Easement  
SLA Submerged Lands Act of 1953  
U.S. United States  
U.S.C. United States Code  
USCG U.S. Coast Guard

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USEPA U.S. Environmental Protection Agency  
UTM Universal Transverse Mercator coordinate system  
WPA Western Planning Area of the GOM

(b) As used in this part, each of the terms and phrases listed below has the meaning given in the Act or as defined in this section.

*Act* means the Outer Continental Shelf Lands Act, as amended (OCSLA) (43 U.S.C. 1331-1356a).

*Affected State* means, with respect to any program, plan, lease sale, or other activity proposed, conducted, or approved pursuant to the provisions of OCSLA, any State:

(i) The laws of which are declared, pursuant to section 4(a)(2) of OCSLA (43 U.S.C. 1333(a)(2)), to be the law of the United States for the portion of the OCS on which such activity is, or is proposed to be, conducted;

(ii) Which is, or is proposed to be, directly connected by transportation facilities to any artificial island or structure referred to in section 4(a)(1) of OCSLA (43 U.S.C. 1333(a)(1));

(iii) Which is receiving, or in accordance with the proposed activity will receive, oil for processing, refining, or transshipment that was extracted from the OCS and transported directly to that State by means of one or more vessels or by a combination of means, including a vessel;

(iv) Which is designated by the Secretary as a State in which there is a substantial probability of significant impact on or damage to the coastal, marine, or human environment; or a State in which there will be significant changes in the social, governmental, or economic infrastructure resulting from the exploration, development, and production of oil and gas anywhere on the OCS; or

(v) In which the Secretary finds that because of such activity, there is, or will be, a significant risk of serious damage, due to factors such as prevailing winds and currents, to the marine or coastal environment in the event of any oil spill, blowout, or release of oil or gas from one or more vessels, pipelines, or other transshipment facilities.

*Aliquot or Aliquot part* means an officially designated subdivision of a

lease's area, which can be a half of a lease (1/2), a quarter of a lease (1/4), a quarter of a quarter of a lease (1/4 1/4), or a quarter of a quarter of a quarter of a lease (1/4 1/4 1/4).

*Authorized officer* means any person authorized by law or by delegation of authority to or within BOEM to perform the duties described in this part.

*Average daily production* means the total of all production in an applicable production period that is chargeable under § 556.514 divided by the exact number of calendar days in the applicable production period.

*Barrel* means 42 U.S. gallons. All measurements of crude oil and natural gas liquids under this section must be at 60 °F.

(i) For purposes of computing production and reporting of natural gas, 5,626 cubic feet of natural gas at 14.73 pounds per square inch equals one barrel.

(ii) For purposes of computing production and reporting of natural gas liquids, 1.454 barrels of natural gas liquids at 60 °F equals one barrel of crude oil.

*Bidding unit* means one or more OCS blocks, or any portion thereof, that may be bid upon as a single administrative unit and will become a single lease. The term "tract," as defined in this section, may be used interchangeably with the term "bidding unit."

*BOEM* means Bureau of Ocean Energy Management of the U.S. Department of the Interior.

*Bonus or royalty credit* means a legal instrument or other written documentation approved by BOEM, or an entry in an account managed by the Secretary, that a bidder or lessee may use in lieu of any other monetary payment for a bonus or a royalty due on oil or gas production from certain leases, as specified in, and permitted by, the Gulf of Mexico Energy Security Act of 2006, Pub. L. 109-432 (Div. C, Title 1), 120 Stat. 3000 (2006), codified at 43 U.S.C. 1331, note.

*BSEE* means Bureau of Safety and Environmental Enforcement of the U.S. Department of the Interior.

*Central Planning Area (CPA)* means that portion of the Gulf of Mexico that lies southerly of Louisiana, Mississippi, and Alabama. Precise boundary information is available from the BOEM

Leasing Division, Mapping and Boundary Branch (MBB).

*Coastal environment* means the physical, atmospheric, and biological components, conditions, and factors that interactively determine the productivity, state, condition, and quality of the terrestrial ecosystem from the shoreline inland to the boundaries of the coastal zone.

*Coastal zone* means the coastal waters (including the lands therein and thereunder) and the adjacent shorelands (including the water therein and thereunder), strongly influenced by each other and in proximity to the shorelines of one or more of the several coastal States, and includes islands, transition and intertidal areas, salt marshes, wetlands, and beaches, whose zone extends seaward to the outer limit of the United States territorial sea and extends inland from the shore lines to the extent necessary to control shorelands, the uses of which have a direct and significant impact on the coastal waters, and the inland boundaries of which may be identified by the several coastal States, under section 305(b)(1) of the Coastal Zone Management Act (CZMA) of 1972, 16 U.S.C. 1454(b)(1).

*Coastline* means the line of mean ordinary low water along that portion of the coast in direct contact with the open sea and the line marking the seaward limit of inland waters.

*Crude oil* means a mixture of liquid hydrocarbons, including condensate that exists in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities, but does not include liquid hydrocarbons produced from tar sand, gilsonite, oil shale, or coal.

*Designated operator* means a person authorized to act on your behalf and fulfill your obligations under the Act, the lease, and the regulations, who has been designated as an operator by all record title holders and all operating rights owners that own an operating rights interest in the aliquot/depths in which the designated operator, to which the Designation of Operator form applies, will be operating, and who has been approved by BOEM to act as designated operator.

*Desoto Canyon OPD* means the Official Protraction Diagram (OPD) designated as Desoto Canyon that has a western edge located at the universal transverse mercator (UTM) X coordinate 1,346,400 in the North American Datum of 1927 (NAD27).

*Destin Dome OPD* means the Official Protraction Diagram (OPD) designated as Destin Dome that has a western edge located at the Universal Transverse Mercator (UTM) X coordinate 1,393,920 in the NAD27.

*Development block* means a block, including a block susceptible to drainage, which is located on the same general geologic structure as an existing lease having a well with indicated hydrocarbons; a reservoir may or may not be interpreted to extend on to the block.

*Director* means the Director of the BOEM of the U.S. Department of the Interior, or an official authorized to act on the Director's behalf.

*Eastern Planning Area (EPA)* means that portion of the Gulf of Mexico that lies southerly and westerly of Florida. Precise boundary information is available from the BOEM Leasing Division, Mapping and Boundary Branch.

*Economic interest* means any right to, or any right dependent upon, production of crude oil, natural gas, or natural gas liquids and includes, but is not limited to: a royalty interest; an overriding royalty interest, whether payable in cash or kind; a working interest that does not include a record title interest or an operating rights interest; a carried working interest; a net profits interest; or a production payment.

*Human environment* means the physical, social, and economic components, conditions, and factors that interactively determine the state, condition, and quality of living conditions, employment, and health of those affected, directly or indirectly, by activities occurring on the OCS.

*Initial period or primary term* means the initial period referred to in 43 U.S.C. 1337(b)(2).

*Joint bid* means a bid submitted by two or more persons for an oil and gas lease under section 8(a) of the Act.

*Lease* means an agreement that is issued under section 8 or maintained

under section 6 of the Act and that authorizes exploration for, and development and production of, minerals on the OCS. The term also means the area covered by that agreement, whichever the context requires.

*Lease interest* means one or more of the following ownership interests in an OCS oil and gas or sulfur lease; a record title interest, an operating rights interest, or an economic interest.

*Lessee* means a person who has entered into a lease with the United States to explore for, develop, and produce the leased minerals and is therefore a record title owner of the lease, or the BOEM-approved assignee-owner of a record title interest. The term lessee also includes the BOEM-approved sublessee- or assignee-owner of an operating rights interest in a lease.

*Marine environment* means the physical, atmospheric, and biological components, conditions, and factors that interactively determine the productivity, state, conditions, and quality of the marine ecosystem, including the waters of the high seas, the contiguous zone, transitional and intertidal areas, salt marshes, and wetlands within the coastal zone and on the OCS.

*Mineral* means oil, gas, and sulfur; it also includes sand, gravel, and salt used to facilitate the development and production of oil, gas, and sulfur.

*Natural gas* means a mixture of hydrocarbons and varying quantities of non-hydrocarbons that exist in the gaseous phase.

*Natural gas liquids* means liquefied petroleum products produced from reservoir gas and liquefied at surface separators, field facilities, or gas processing plants worldwide, including any of the following:

(i) Condensate—natural gas liquids recovered from gas well gas (associated and non-associated) in separators or field facilities; or

(ii) Gas plant products—natural gas liquids recovered from natural gas in gas processing plants and from field facilities. Gas plant products include the following, as classified according to the standards of the Natural Gas Processors Association (NGPA) or the American Society for Testing and Materials (ASTM):

(A) Ethane—C<sub>2</sub>H<sub>6</sub>

(B) Propane—C<sub>3</sub>H<sub>8</sub>

(C) Butane—C<sub>4</sub>H<sub>10</sub>, including all products covered by NGPA specifications for commercial butane, including isobutane, normal butane, and other butanes—all butanes not included as isobutane or normal butane;

(D) Butane-Propane Mixtures—All products covered by NGPA specifications for butane-propane mixtures;

(E) Natural Gasoline—A mixture of hydrocarbons extracted from natural gas, that meets vapor pressure, end point, and other specifications for natural gasoline set by NGPA;

(F) Plant Condensate—A natural gas plant product recovered and separated as a liquid at gas inlet separators or scrubbers in processing plants or field facilities; and

(G) Other Natural Gas plant products meeting refined product standards (*i.e.*, gasoline, kerosene, distillate, etc.).

*Operating rights* means an interest created by sublease out of the record title interest in an oil and gas lease, authorizing the owner to explore for, develop, and/or produce the oil and gas contained within a specified area and depth of the lease (*i.e.*, operating rights tract).

*Operating rights owner* means the holder of operating rights.

*Operating rights tract* means the area within the lease from which the operating rights have been severed on an aliquot basis from the record title interest, defined by a beginning and ending depth.

*Operator* means the person designated as having control or management of operations on the leased area or a portion thereof. An operator may be a lessee, the operating rights owner, or a designated agent of the lessee or the operating rights owner.

*Outer Continental Shelf (OCS)* means all submerged lands lying seaward and outside of the area of lands beneath navigable waters as defined in the Submerged Lands Act (43 U.S.C. 1301-1315) and of which the subsoil and seabed appertain to the United States and are subject to its jurisdiction and control.

*Outer Continental Shelf Lands Act (OCSLA)* means the Outer Continental Shelf Lands Act (43 U.S.C. 1331-1356a), as amended.

*Owned*, as used in the context of restricted joint bidding or a statement of production, means:

(i) With respect to crude oil—having either an economic interest in or a power of disposition over the production of crude oil;

(ii) With respect to natural gas—having either an economic interest in or a power of disposition over the production of natural gas; and

(iii) With respect to natural gas liquids—having either an economic interest in or a power of disposition over any natural gas liquids at the time of completion of the liquefaction process.

*Pensacola OPD* means the Official Protraction Diagram (OPD) designated as Pensacola that has a western edge located at the UTM X coordinate 1,393,920 in the NAD27.

*Person* means a natural person, where so designated, or an entity, such as a partnership, association, State, political subdivision of a State or territory, or a private, public, or municipal corporation.

*Planning area* means a large portion of the OCS, consisting of contiguous OCS blocks, defined for administrative planning purposes.

*Primary term or initial period* means the initial period referred to in 43 U.S.C. 1337(b)(2).

*Regional Director* means the BOEM officer with responsibility and authority for a Region within BOEM.

*Regional Supervisor* means the BOEM officer with responsibility and authority for leasing or other designated program functions within a BOEM Region.

*Right-of-Use and Easement (RUE)* means a right to use a portion of the seabed at an OCS site other than on a lease you own, for the construction and/or use of artificial islands, facilities, installations, and other devices, established to support the exploration, development or production of oil and gas, mineral, or energy resources from an OCS or State submerged lands lease.

*Right-of-Way (ROW)* means an authorization issued by BSEE under the authority of section 5(e) of the OCSLA (43 U.S.C. 1334(e)) for the use of submerged lands of the Outer Continental Shelf for pipeline purposes.

*Secretary* means the Secretary of the Interior or an official or a designated

employee authorized to act on the Secretary's behalf.

*Security or securities* means any note, stock, treasury stock, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement; collateral-trust certificate; pre-organization certificate or subscription; transferable share; investment contract; voting-trust certificate; certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; or, in general, any interest or instrument commonly known as a "security" or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase any of the foregoing.

*Single bid* means a bid submitted by one person for an oil and gas lease under section 8(a) of the Act.

*Six-month bidding period* means the 6-month period of time:

- (i) From May 1 through October 31; or
- (ii) from November 1 through April 30.

*Statement of production* means, in the context of joint restricted bidders, the following production during the applicable prior production period:

(i) The average daily production in barrels of crude oil, natural gas, and natural gas liquids which it owned worldwide;

(ii) The average daily production in barrels of crude oil, natural gas, and natural gas liquids owned worldwide by every subsidiary of the reporting person;

(iii) The average daily production in barrels of crude oil, natural gas, and natural gas liquids owned worldwide by any person or persons of which the reporting person is a subsidiary; and

(iv) The average daily production in barrels of crude oil, natural gas, and natural gas liquids owned worldwide by any subsidiary, other than the reporting person, of any person or persons of which the reporting person is a subsidiary.

*Tract* means one or more OCS blocks, or any leasable portion thereof, that will be part of a single oil and gas lease. The term tract may be used

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interchangeably with the term “bidding unit.”

*We, us, and our* mean BOEM or the Department of the Interior, depending on the context in which the word is used.

*Western Planning Area* (WPA) means that portion of the Gulf of Mexico that lies south and east of Texas. Precise boundary information is available from the Leasing Division, Mapping and Boundary Branch.

*You*, depending on the context of the regulations, means a bidder, a prospective bidder, a lessee (record title owner), an operating rights owner, an applicant seeking to become an assignee of record title or operating rights, a designated operator or agent of the lessee, a predecessor lessee, a

RUE holder for a State or Federal lease, or a pipeline ROW holder.

[81 FR 18152, Mar. 30, 2016, as amended at 81 FR 70358, Oct. 12, 2016]

**§ 556.106 Service fees.**

(a) The table in this paragraph shows the fees you must pay to BOEM for the services listed. BOEM will adjust the fees periodically according to the Implicit Price Deflator for Gross Domestic Product and publish a document showing the adjustment in the FEDERAL REGISTER. If a significant adjustment is needed to arrive at a new fee for any reason other than inflation, then a proposed rule containing the new fees will be published in the FEDERAL REGISTER for comment.

**SERVICE FEE TABLE**

Service—processing of the following:	Fee amount	30 CFR Citation
(1) Assignment of record title interest in Federal oil and gas lease(s) for BOEM approval. ....	\$198	§ 556.701(a)
(2) Sublease or Assignment of operating rights interest in Federal oil and gas lease(s) for BOEM approval. ....	198	§ 556.801(a) § 556.715(a)
(3) Required document filing for record purpose, but not for BOEM approval. ....	29	§ 556.808(a) § 556.715(b)
(4) Non-required document filing for record purposes. ....	29	§ 556.808(b)

(b) Evidence of payment via pay.gov of the fees listed in paragraph (a) of this section must accompany the submission of a document for approval or filing, or be sent to an office identified by the Regional Director.

(c) Once a fee is paid, it is nonrefundable, even if your service request is withdrawn.

(d) If your request is returned to you as incomplete, you are not required to submit a new fee with the amended submission.

(e) The pay.gov Web site is accessible at <https://www.pay.gov/paygov/> or through the BOEM Web site at <http://www.boem.gov/Fees-for-Services>.

(f) The fees listed in the table above apply equally to any document or information submitted electronically pursuant to part 560, subpart E, of this chapter.

**§ 556.107 Corporate seal requirements.**

(a) If you electronically submit to BOEM any document or information referenced in § 560.500 of this chapter,

any requirement to use a corporate seal under this chapter will be satisfied, and you will not need to affix your corporate seal to such document or information, if:

(1) You properly file with BOEM a paper, with a corporate seal and the signature of the authorized person(s), stating that electronic submissions made by you will be legally binding, as set forth in § 560.502 of this chapter; and

(2) You make electronic submissions to BOEM through a secure electronic filing system that conforms to the requirements of § 560.500; or,

(b) You may file with BOEM a non-electronic document, containing a corporate seal and the signature of an authorized person(s), attesting that future documents and information filed by you by electronic or non-electronic means will be legally binding without an affixed corporate seal. If you file such a non-electronic attestation document with BOEM, any requirement for use of a corporate seal under the regulations of this chapter will be satisfied,

and you will not need to affix your corporate seal to submissions where they would have been otherwise required.

(c) If the State or territory in which you are incorporated does not issue or require corporate seals, the document referred to in paragraphs (a) and (b) of this section need not contain a corporate seal, but must still contain the signature of the authorized person(s), a statement that the State in which you are incorporated does not issue or require corporate seals, and a statement that submissions made by you will be legally binding.

(d) Any document, or information submitted without corporate seal must still contain the signature of an individual qualified to sign who has the requisite authority to act on your behalf.

(e) Any document or information submitted pursuant to this section is submitted subject to the penalties of 18 U.S.C. 1001, as amended by the False Statements Accountability Act of 1996.

**Subpart B—Oil and Gas Five Year Leasing Program**

**§ 556.200 What is the Five Year leasing program?**

Section 18(a) of OCSLA (43 U.S.C. 1344(a)), requires the Secretary to prepare an oil and gas leasing program that consists of a five-year schedule of proposed lease sales to best meet national energy needs, showing the size, timing, and location of leasing activity as precisely as possible. BOEM prepares the five year schedule of proposed lease sales consistent with the principles set out in section 18(a)(1) and (2)(A)-(H) of OCSLA (43 U.S.C. 1344(a)(1) and (2)(A)-(H)) to obtain a proper balance among the potential for environmental damage, the potential for the discovery of oil and gas, and the potential for adverse impact on the coastal zone, as required by OCSLA section 18(a)(3) (43 U.S.C. 1344(a)(3)).

**§ 556.201 Does BOEM consider multiple uses of the OCS?**

BOEM gathers information about multiple uses of the OCS in order to assist the Secretary in making decisions on the 5-year program pursuant to provisions of 43 U.S.C. 1344. For this pur-

pose, BOEM invites and considers suggestions from States and local governments, industry, and any other interested parties, primarily through public notice and comment procedures. BOEM also invites and considers suggestions from Federal agencies.

**§ 556.202 How does BOEM start the Five Year program preparation process?**

To begin preparation of the Five Year program, BOEM invites and considers nominations for any areas to be included or excluded from leasing, by doing the following:

(a) BOEM prepares and makes public official protraction diagrams and leasing maps of OCS areas. In any area properly included in the official Five Year diagrams and maps, any area not already leased for oil and gas may be offered for lease.

(b) BOEM invites and considers suggestions and relevant information from governors of States, local governments, industry, Federal agencies, and other interested parties, through a publication of a request for information in the FEDERAL REGISTER. Any local government must first submit its comments on the request for information to its State governor before sending the comments to BOEM.

(c) BOEM sends a letter to the governor of each affected State asking the governor to identify specific laws, goals, and policies that should be considered. Each State governor, as well as the Department of Commerce, is requested to identify the relationship between any oil and gas activity and the State under sections 305 and 306 of the CZMA, 16 U.S.C. 1454 and 1455.

(d) BOEM asks the Department of Energy for information on regional and national energy markets and transportation networks.

**§ 556.203 What does BOEM do before publishing a proposed Five Year program?**

After considering the comments and information described in § 556.202, BOEM will prepare a draft proposed Five Year program.

(a) At least 60 days before publication of a proposed program, BOEM will send

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a letter, together with the draft proposed program, to the governor of each affected State, inviting the governor to comment on the draft proposed program.

(b) A governor, whether for purposes of preparing that State's comments or otherwise, may solicit comments from local governments that he determines may be affected by an oil and gas leasing program.

(c) If a governor's comments on the draft proposed program are received by BOEM at least 15 days before submission of the proposed program to Congress and its publication for comment in the FEDERAL REGISTER, BOEM will reply to the governor in writing.

### **§ 556.204 How do governments and citizens comment on a proposed Five Year program?**

BOEM publishes the proposed program in the FEDERAL REGISTER for comment by the public. At the same time, BOEM sends the proposed program to the governors of the affected States and to Congress and the Attorney General of the United States for review and comment.

(a) Governors are responsible for providing a copy of the proposed program to affected local governments in their States. Local governments may comment directly to BOEM, but must also send their comments to the governor of their State.

(b) All comments from any party are due within 90 days after publication of the request for comments in the FEDERAL REGISTER.

### **§ 556.205 What does BOEM do before approving a proposed final Five Year program or a significant revision of a previously-approved Five Year program?**

At least 60 days before the Secretary may approve a proposed final Five Year program or a significant revision to a previously approved final Five Year program, BOEM will submit a proposed final program or proposed significant revision to the President and Congress. BOEM will also submit comments received and indicate the reasons why BOEM did or did not accept any specific recommendation of the Attorney General of the United States, the gov-

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ernor of a State, or the executive of a local government.

### **Subpart C—Planning and Holding a Lease Sale**

#### **§ 556.300 What reports may BOEM and other Federal agencies prepare before a lease sale?**

For an oil and gas lease sale in a Five Year program, and as the need arises for other mineral leasing pursuant to part 581 of this chapter, BOEM will prepare a report describing the general geology and potential mineral resources of the area under consideration. The Director may request other interested Federal agencies to prepare reports describing, to the extent known, any other valuable resources contained within the general area and the potential effect of mineral operations upon the resources or upon the total environment or other uses of the area.

#### **§ 556.301 What is a Call for Information and Nominations?**

BOEM issues a Call for Information and Nominations ("Call") on an area proposed for leasing in the Five Year program through publication in the FEDERAL REGISTER and other publications. A Call may include more than one proposed sale. Comments are requested from industry and the public on:

(a) Industry interest in the area proposed for leasing, including nominations or indications of interest in specific blocks within the area;

(b) Geological conditions, including bottom hazards;

(c) Archaeological sites on the seabed or near shore;

(d) Potential multiple uses of the proposed leasing area, including navigation, recreation, and fisheries;

(e) Areas that should receive special concern and analysis; and

(f) Other socioeconomic, biological, and environmental information.

#### **§ 556.302 What does BOEM do with the information from the Call?**

(a) Based upon information and nominations received in response to the Call, and in consultation with appropriate Federal agencies, the Director will develop a recommendation of

areas proposed for leasing for the Secretary for further consideration for leasing and/or environmental analysis.

(1) In developing the recommendation, the Director will consider available information concerning the environment, conflicts with other uses, resource potential, industry interest, and other relevant information, including comments received from State and local governments and other interested parties in response to the Call.

(2) The Director, on his/her own motion, may include in the recommendation areas in which interest has not been indicated in response to a Call. In making a recommendation, the Director will consider all available environmental information.

(3) Upon approval by the Secretary, the Director will announce the area identified in the FEDERAL REGISTER.

(b) BOEM will evaluate the area(s) identified for further consideration for the potential effects of leasing on the human, marine, and coastal environments, and may develop measures to mitigate adverse impacts, including lease stipulations, for the options to be analyzed. The Director may hold public hearings on the environmental analysis after an appropriate notice.

(c) BOEM will seek to inform the public, as soon as possible, of changes from the area(s) proposed for leasing that occur after the Call process.

(d) Upon request, the Director will provide relative indications of interest in areas, as well as any comments filed in response to a Call for a proposed sale. However, no information transmitted will identify any particular area with the name of any particular party so as not to compromise the competitive position of any participants in the process of indicating interest.

(e) For supplemental sales provided for by § 556.308, the Director's recommendation will be replaced by a statement describing the results of the Director's consideration of the factors specified above in this section.

**§ 556.303 What does BOEM do if an area proposed for leasing is within three nautical miles of the seaward boundary of a coastal State?**

For an area proposed for leasing that is within three nautical miles of the seaward boundary of a coastal State, as governed by section 8(g)(1) of OCSLA (43 U.S.C. 1337(g)(1)):

(a) BOEM provides the governor of the coastal State, subject to the confidentiality requirements in this chapter:

- (1) A schedule for leasing; and
- (2) An estimate of the potential oil and gas resources.

(b) At the request of the governor of a coastal State, BOEM will provide to that governor, subject to the confidentiality requirements in this chapter:

- (1) Information concerning geographical, geological, and ecological characteristics; and
- (2) An identification of any field, geological structure, or trap, or portion thereof, that lies within three nautical miles of the State's boundary.

**§ 556.304 How is a proposed notice of sale prepared?**

(a) The Director will, in consultation with appropriate Federal agencies, develop measures, including lease stipulations and conditions, to mitigate adverse impacts on the environment, which will be contained, or referenced, in the proposed notice of sale.

(b) A proposed notice of sale will be submitted to the Secretary for approval. All comments and recommendations received and the Director's findings or actions thereon, will also be forwarded to the Secretary.

(c) Upon approval by the Secretary, BOEM will send a proposed notice of sale to the governors of affected States and publish the notice of its availability in the FEDERAL REGISTER. The proposed notice of sale references or provides a link to the lease form, and contains a description of the area proposed for leasing, the proposed lease terms and conditions of sale, and proposed stipulations to mitigate potential adverse impacts on the environment.

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**§ 556.305 How does BOEM coordinate and consult with States regarding a proposed notice of sale?**

(a) Within 60 days after receiving the proposed notice of sale, governors of affected States may submit comments and recommendations to BOEM regarding the size, timing, and location of the proposed sale. Local governments may comment to BOEM directly, but must also send their comments to the governor of their State.

(b) BOEM will provide a consistency determination under the Coastal Zone Management Act (CZMA) (16 U.S.C. 1456) to each State with an approved coastal zone management program that will determine whether the proposed sale is consistent, to the maximum extent practicable, with the enforceable policies of the State's approved coastal zone management program.

**§ 556.306 What if a potentially oil- or gas-bearing area underlies both the OCS and lands subject to State jurisdiction?**

(a) Whenever the Director or the governor of a coastal State determines that a common potentially hydrocarbon-bearing area may underlie the Federal OCS and State submerged lands, the Director or the governor will notify the other party in writing of the determination.

(b) Thereafter the Director will provide to the governor of the coastal State, subject to the confidentiality requirements in this chapter:

(1) An identification of the areas proposed for leasing and a schedule for, leasing; and

(2) An estimate of the oil and gas resources.

(c) At the request of the governor of the coastal State, the Director will provide to such governor, subject to the confidentiality requirements in this chapter:

(1) All geographical, geological, and ecological characteristics of the areas proposed for leasing; and

(2) An identification of any field, geological structure, or trap that lies within 3 miles of the State's seaward boundary.

(d) If BOEM intends to lease such blocks or tracts, the Director and the

governor of the coastal State may enter into an agreement for the equitable disposition of the revenues from production of any common potentially hydrocarbon-bearing area, pursuant to OCSLA section 8(g)(3) (43 U.S.C. 1337(g)(3)). Any revenues received by the United States under such an agreement are subject to the requirements of OCSLA section 8(g)(2) (43 U.S.C. 1337(g)(2)).

(e) If the Director and the governor do not enter into an agreement under paragraph (d) of this section within 90 days, BOEM may nevertheless proceed with the leasing of the tracts, in which case all revenues will be deposited in a separate account in the Treasury of the United States, pending disposition of 27% (twenty-seven percent) of the revenues to the relevant coastal state(s), pursuant to the requirements of OCSLA section 8(g)(2). (43 U.S.C. 1337(g)(2)).

**§ 556.307 What does BOEM do with comments and recommendations received on the proposed notice of sale?**

(a) BOEM will consider all comments and recommendations received in response to the proposed notice of sale.

(b) If the Secretary determines, after providing opportunity for consultation, that a governor's comments, and those of any affected local government, provide a reasonable balance between the national interest and the well-being of the citizens of the State, the Secretary will accept the recommendations of a State and/or local government(s). Any such determination of the national interest will be based on the findings, purposes and policies of the Act set forth in 43 U.S.C. 1332 and 43 U.S.C. 1801.

(c) BOEM will send to each governor written reasons for its determination to accept or reject each governor's recommendation, and/or to implement any alternative means to provide for a reasonable balance between the national interest and the interests of the citizens of the State.

**§ 556.308 How does BOEM conduct a lease sale?**

(a) BOEM publishes a final notice of sale in the FEDERAL REGISTER and in

other publications, as appropriate, at least 30 days before the date of the sale. The final notice:

(1) States the place, time, and method for filing bids and the place, date, and hour for opening bids; and

(2) Contains or references a description of the areas offered for lease, the lease terms and conditions of sale, and stipulations to mitigate potential adverse impacts on the environment.

(b) Oil and gas tracts are offered for lease by competitive sealed bid in accordance with the terms and conditions in the final notice of sale and applicable laws and regulations.

(c) Unless BOEM finds that a larger area is necessary for reasonable economic production, no individual tract for oil and gas leasing will exceed 5,760 acres in area. If BOEM finds that an area larger than 5,760 acres is necessary in any particular area, the size of any such tract will be specified in the final notice of sale.

(d) The final notice of sale references, or provides a link to, the OCS lease form which will be issued to successful bidders.

**§ 556.309 Does BOEM offer blocks in a sale that is not on the Five Year program schedule (called a Supplemental Sale)?**

(a) Except as provided in paragraph (c) of this section, BOEM may offer a block within a planning area included in the Five Year program in an otherwise unscheduled sale, if the block:

(1) Received a bid that was rejected in an earlier sale;

(2) Had a high bid that was forfeited in a scheduled sale; or

(3) Is a development block subject to drainage.

(b) For an unscheduled sale, BOEM may disclose the classification of the block as a development block.

(c) Blocks in the Central or Western Gulf of Mexico Planning Areas cannot be offered in a sale that is not on the schedule.

**Subpart D—Qualifications**

**§ 556.400 When must I demonstrate that I am qualified to hold a lease on the OCS?**

In order to bid on, own, hold, or operate a lease on the OCS, bidders, record title holders, and operating rights owners must first obtain a qualification number from BOEM.

**§ 556.401 What do I need to show to become qualified to hold a lease on the OCS and obtain a qualification number?**

(a) You may become qualified to hold a lease on the OCS and obtain a qualification number in accordance with § 556.402, if you submit evidence demonstrating that you are:

(1) A natural person who is a citizen or national of the United States;

(2) A natural person who is an alien lawfully admitted for permanent residence in the United States, as defined in 8 U.S.C. 1101(a)(20);

(3) A private, public, or municipal corporation or Limited Liability Company or Limited Liability Corporation (either/both sometimes herein referred to as “LLC”) organized under the laws of any State of the United States, the District of Columbia, or any territory or insular possession subject to United States jurisdiction;

(4) An association of such citizens, nationals, resident aliens, or corporations;

(5) A State, the District of Columbia, or any territory or insular possession subject to United States jurisdiction;

(6) A political subdivision of a State, the District of Columbia, or any territory or insular possession subject to United States jurisdiction; or

(7) A Trust organized under the laws of any State of the United States, the District of Columbia, or any territory or insular possession subject to United States jurisdiction;

(b) Statements and evidence submitted to demonstrate qualification under paragraphs (a)(1) through (6) of this section are subject to the penalties of 18 U.S.C. 1001.

(b) BOEM may issue you a qualification number after you have provided evidence acceptable to BOEM.

**§ 556.402 How do I make the necessary showing to qualify and obtain a qualification number?**

(a) If BOEM has already issued you a qualification number, you may present that number to BOEM. If not, in order to become qualified, you must provide the information in paragraph (b) or (c) of this section before BOEM will issue you a BOEM qualification number.

(b) A natural person must be a citizen or national of the United States, or a resident alien, to qualify. A United States citizen or national must submit written evidence acceptable to BOEM attesting to United States citizenship or national status. A resident alien must submit an original or a photocopy of the United States Citizenship and Immigration Services form evidencing legal status as a resident alien.

(c) A person who is not a natural person must submit evidence (refer to paragraph (d) of this section) acceptable to BOEM that:

(1) It is authorized to conduct business under the laws of a State, the District of Columbia, or any territory or insular possession subject to United States jurisdiction under which it is organized;

(2) Under the operating rules of its business, it is authorized to hold OCS leases; and

(3) Includes an up-to-date list of persons, and their titles, who are authorized to bind the corporation, association or other entity when conducting business on the OCS. It is up to you, in accordance with your organizational structure or rules, to identify the individual, or group of individuals, who has actual authority to bind your organization, and the title(s) they will use when they sign documents to bind the organization. You must maintain and regularly update the information as to who has the authority to bind the organization whenever that information changes.

(d) Acceptable evidence under paragraph (c) of this section includes, but is not limited to:

(1) For a corporation,

(i) A statement by the Secretary of the corporation, over corporate seal, certifying that the corporation is authorized to hold OCS leases; and

(ii) Evidence of authority of holders of positions entitled to bind the corporation, certified by Secretary of the corporation, over corporate seal, such as:

(A) Certified copy of resolution of the board of directors with titles of officers authorized to bind corporation;

(B) Certified copy of resolutions granting corporate officer authority to issue a power of attorney; or

(C) Certified copy of power of attorney or certified copy of resolution granting power of attorney.

(2) For a Limited or General Partnership,

(i) A statement by an authorized party certifying that the partnership is authorized to hold OCS leases;

(ii) A copy of your signed partnership formation documents, including a partnership agreement;

(iii) A statement from each partner indicating, as appropriate, U.S. citizenship or incorporation or organization under the laws of a State, the District of Columbia, or any territory or insular possession subject to U.S. jurisdiction; and

(iv) Documentation evidencing the existence of the partnership and that it was properly created, either from the Secretary of State of the State in which the partnership is registered or by an equivalent State or governmental office.

(3) For a Limited Liability Company or Limited Liability Corporation,

(i) A certificate of formation of the LLC;

(ii) A statement by an individual authorized to bind the LLC, as listed under (c)(4) above, certifying that the LLC is authorized to hold OCS leases;

(iii) A statement from each member indicating, as appropriate, U.S. citizenship, or incorporation or organization under the laws of a State, the District of Columbia, or any territory or insular possession subject to U.S. jurisdiction; and

(iv) Evidence of authority of holders of positions entitled to bind the LLC, certified by an individual authorized to bind the LLC.

(4) For a Trust,

(i) A copy of the trust agreement or document establishing the trust and all

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amendments, properly certified by the trustee; and

(ii) A statement indicating the law under which the trust is established and that the trust is authorized to hold OCS leases.

(e) In the event that a person may be eligible to hold OCS leases, but that type of person is not listed in paragraphs (c) or (d) of this section, evidence of such eligibility will be submitted and certified by the highest level of management of the person authorized to do so pursuant to its operating agreement or governance documents.

(f) Any person who obtains a qualification number from BOEM is responsible to ensure that it is not using the qualification number approved by BOEM for any purpose that its operating rules do not allow.

(g) Any evidence submitted in response to paragraphs (c), (d), or (e) of this section is submitted subject to 18 U.S.C. 1001.

(h) A person may not hold leases on the OCS until the evidence requested in this section has been accepted and approved by BOEM and BOEM has issued a qualification number to that person.

(i) If use of a corporate seal is required by this section, you may meet the requirement as specified in § 556.107.

### **§ 556.403 Under what circumstances may I be disqualified from acquiring a lease or an interest in a lease on the OCS?**

You may be disqualified from acquiring a lease or an interest in a lease on the OCS if:

(a) You or your principals are excluded or disqualified from participating in a transaction covered by Federal non-procurement debarment and suspension (2 CFR parts 180 and 1400), unless the Department explicitly approves an exception for a transaction pursuant to the regulations in those parts;

(b) The Secretary finds, after notice and hearing, that you or your principals (including in the meaning of "you," for purposes of this subparagraph, a bidder or prospective bidder) fail to meet due diligence requirements or to exercise due diligence under sec-

tion 8(d) of OCSLA (43 U.S.C. 1337(d)) on any OCS lease; or

(c) BOEM disqualifies you from acquiring a lease or an interest in a lease on the OCS based on your unacceptable operating performance. BOEM will give you adequate notice and opportunity for a hearing before imposing a disqualification, unless BSEE has already provided such notice and opportunity for a hearing.

[81 FR 34275, May 31, 2016]

### **§ 556.404 What do the non-procurement debarment rules require that I do?**

You must comply with the Department's non-procurement debarment regulations at 2 CFR parts 180 and 1400.

(a) You must notify BOEM if you know that you or your principals are excluded, disqualified, have been convicted or are indicted of a crime as described in 2 CFR part 180, subpart C. You must make this notification before you sign a lease, sublease, or an assignment of record title interest or operating rights interest, or become a lease or unit operator. This paragraph does not apply if you have previously provided a statement disclosing this information, and you have received an exception from the Department, as described in 2 CFR 180.135 and 2 CFR 1400.137.

(b) If you wish to enter into a covered transaction with another person at a lower tier, as described in 2 CFR 180.200, you must first:

(1) Verify that the person is not excluded or disqualified under 2 CFR part 180; and

(2) Require the person to:

(i) Comply with 2 CFR part 180, subpart C; and

(ii) Include the obligation to comply with 2 CFR part 180, subpart C in its contracts and other transactions.

(c) After you enter into a covered transaction, you must immediately notify BOEM in writing if you learn that:

(1) You failed to disclose pertinent information earlier; or

(2) Due to changed circumstances, you or your principals now meet any of the criteria in 2 CFR 180.800.

**§ 556.405 When must I notify BOEM of mergers, name changes, or changes of business form?**

You must notify BOEM of any merger, name change, or change of business form as soon as practicable, but in no case later than one year after the earlier of the effective date or the date of filing the change or action with the Secretary of State or other authorized official in the State of original registry.

**Subpart E—Issuance of a Lease**

How To Bid

**§ 556.500 Once qualified, how do I submit a bid?**

(a) You must submit a separate sealed bid for each tract or bidding unit to the address provided and by the time specified in the final notice of sale. You may not bid on less than an entire tract or bidding unit.

(b) BOEM requires a deposit for each bid. The final notice of sale will specify the amount and method of payment.

(c) Unless otherwise specified in the final notice of sale, the bid deposit amount will be 20 percent of the amount of the bid for any given tract or bidding unit.

(d) You may not submit a bid on an OCS tract if, after notice and hearing under section 8(d) of OCSLA (43 U.S.C. 1337(d)), the Secretary finds that you are not meeting the diligence requirements on any OCS lease.

(e) If the authorized officer within BOEM rejects your high bid, the decision is final for the Department, subject only to reconsideration upon your written request as set out in § 556.517.

**§ 556.501 What information do I need to submit with my bid?**

In accordance with OCSLA section 18(a)(4) (43 U.S.C. 1344(a)(4)), BOEM must evaluate every bid to ensure that the federal government receives fair market value for every lease. Section 26(a)(1)(A) of OCSLA (43 U.S.C. 1352(a)(1)(A)) provides that, in accordance with regulations prescribed by the Secretary, any lessee or permittee conducting any exploration for, or development or production of, oil or gas must provide the Secretary access to

all data and information (including processed, analyzed, and interpreted information) obtained from that activity and must provide copies of that data and information as the Secretary may request.

(a) As part of the lease sale process, every bidder submitting a bid on a tract, or participating as a joint bidder in such a bid, may at the time of bid be required to submit various information, including a Geophysical Data and Information Statement (GDIS) corresponding to that tract, as well as the bidder's exclusive/proprietary geophysical data in order for BOEM to properly evaluate the bid. If a GDIS required, each GDIS must include, as required by § 551.12(b) and (c) of this chapter:

(1) A list of geophysical surveys or other information used as part of the decision to bid or participate in a bid on the block.

(2) An accurate and complete record of each geophysical survey conducted, including digital navigational data and final location maps. The bidder and any joint bidder must include a map for each survey identified in the GDIS that illustrates the actual areal extent of the proprietary geophysical data.

(b) If a bidder is required to submit a GDIS, the GDIS must be submitted even if the bidder did not rely on proprietary geophysical data and information in deciding to bid or participate as a joint bidder in the bid for any particular block, and must include entries for all such blocks.

(c) The bidder must submit each GDIS in a separate and sealed envelope, or in an electronically readable spreadsheet format, with proprietary seismic data maps also available in an electronic format. Each bidder must submit the GDIS even if its joint bidder or bidders on a specific block also have submitted a GDIS.

(d) If BOEM requires additional information related to bidding, it will describe the additional information requirements in the final notice of sale.

(e) BOEM will reimburse bidders for the costs of complying with the requirements of this section, in accordance with § 550.196 (on lease) and/or § 551.13 (off lease) of this chapter.

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(f) Bids that are not made in compliance with this section will be considered incomplete and invalid.

### RESTRICTIONS ON JOINT BIDDING

#### **§ 556.511 Are there restrictions on bidding with others and do those restrictions affect my ability to bid?**

The Energy Policy and Conservation Act of 1975, 42 U.S.C. 6213, prohibits joint bidding by major oil and gas producers under certain circumstances. BOEM implements 42 U.S.C. 6213 as follows:

(a) BOEM publishes twice yearly in the FEDERAL REGISTER a restricted joint bidders list. A person appearing on this list is limited in its ability to submit a joint bid. The list:

(1) Consists of the persons chargeable with an average worldwide daily production in excess of 1.6 million barrels of crude oil and/or its equivalent in natural gas liquids and natural gas for the prior production period; and

(2) Is based upon the statement of production that filed as required by § 556.513.

(b) If BOEM places you on the restricted joint bidders list, BOEM will send you a copy of the order placing you on the list. You may appeal this order to the Interior Board of Land Appeals under 30 CFR part 590, subpart A.

(c) If you are listed in the FEDERAL REGISTER in any group of restricted bidders, you may not bid:

(1) Jointly with another person in any other group of restricted bidders for the applicable 6-month bidding period; or

(2) Separately during the 6-month bidding period if you have an agreement with another restricted bidder that will result in joint ownership in an OCS lease.

(d) If you are listed in the FEDERAL REGISTER in any group of restricted bidders, you may not make any pre-bidding agreement for the conveyance of any potential lease interest, whether by assignment, sale, transfer, or other means, to any person on the list of restricted joint bidders.

(e) Even if you are not listed in the FEDERAL REGISTER in any group of restricted bidders, you are prohibited from making any pre-bidding agreement for the assignment, sale, transfer,

or other conveyance of any potential lease interest to two or more persons in different groups on the list of restricted joint bidders.

(f) As a bidder, you are prohibited from unlawful combination with, or intimidation of, bidders under 18 U.S.C. 1860.

#### **§ 556.512 What bids may be disqualified?**

The following bids for any oil and gas lease will be disqualified and rejected in their entirety:

(a) A joint bid submitted by two or more persons who are on the effective List of Restricted Joint Bidders; or

(b) A joint bid submitted by two or more persons when:

(1) One or more of those persons is chargeable for the prior production period with an average daily production in excess of 1.6 million barrels of crude oil, natural gas and natural gas liquids and has not filed a Statement of Production, as required by § 556.513 of this part for the applicable 6-month bidding period, or

(2) Any of those persons have failed or refused to file a detailed report of production when required to do so under § 556.513, or

(c) A single or joint bid submitted pursuant to an agreement (whether written or oral, formal or informal, entered into or arranged prior to or simultaneously with the submission of such single or joint bid, or prior to or simultaneously with the award of the bid upon the tract) that provides:

(1) For the assignment, transfer, sale, or other conveyance of less than a 100 percent interest in the entire tract on which the bid is submitted, by a person or persons on the List of Restricted Joint Bidders, effective on the date of submission of the bid, to another person or persons on the same List of Restricted Joint Bidders; or

(2) For the assignment, sale, transfer or other conveyance of less than a 100 percent interest in any fractional interest in the entire tract (which fractional interest was originally acquired by the person making the assignment, sale, transfer or other conveyance, under the provisions of the act) by a person or persons on the List of Restricted Joint Bidders, effective on the

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date of submission of the bid, to another person or persons on the same List of Restricted Joint Bidders; or

(3) For the assignment, sale, transfer, or other conveyance of any interest in a tract by a person or persons not on the List of Restricted Joint Bidders, effective on the date of submission of the bid, to two or more persons on the same List of Restricted Joint Bidders; or

(4) For any of the types of conveyances described in paragraphs (c)(1), (2), or (3) of this section where any party to the conveyance is chargeable for the prior production period with an average daily production in excess of 1.6 million barrels of crude oil, natural gas and natural gas liquids and has not filed a Statement of Production pursuant to § 556.513 for the applicable six-month bidding period. Assignments expressly required by law, regulation, lease or lease stipulation will not disqualify an otherwise qualified bid; or

(d) A bid submitted by or in conjunction with a person who has filed a false, fraudulent or otherwise intentionally false or misleading detailed Report of Production.

**§ 556.513 When must I file a statement of production?**

(a) You must file a statement of production if your average worldwide daily production exceeded 1.6 million barrels for the prior production period, as determined using the method set forth in § 556.514. Your statement of production must specify that you were chargeable with an average daily production in excess of 1.6 million barrels for the prior production period.

(b) The prior production periods are as follows:

For the bidding period of	The prior production period is the preceding
(1) May through October .....	July through December.
(2) November through April ...	January through June.

(c) You must file the statement of production by the following deadlines:

For the bidding period of	You must file the statement by
(1) May through October .....	March 17.
(2) November through April ...	September 17.

(d) If you are required to file a statement of production, BOEM may require you to submit a detailed report of production.

(1) The detailed report of production must list crude oil, natural gas liquids, and natural gas produced worldwide from reservoirs during the prior production period, and therefore chargeable to the prior production period.

(i) The amount of crude oil chargeable to the prior production period will be established by measurement of volumes delivered at the point of custody transfer (e.g., from storage tanks to pipelines, trucks, tankers, or other media for transport to refineries or terminals), with adjustments for net differences between opening and closing inventories, and basic sediment and water.

(ii) The amount of natural gas liquids chargeable to the prior production period must include gas liquefied at surface separators, field facilities, or gas processing plants.

(iii) The amount of natural gas chargeable to the prior production period must include adjustments, where applicable, to reflect the volume of gas returned to natural reservoirs, and the reduction of volume resulting from the removal of natural gas liquids and non-hydrocarbon gases.

(2) You must submit the detailed report of production within 30 days after receiving BOEM's request.

(3) BOEM may inspect and copy any document, record of production, analysis, and other material to verify the accuracy of any earlier statement of production.

(e) If you submit a statement of production that misrepresents your chargeable production, the Department may cancel any lease awarded in reliance upon the statement.

**§ 556.514 How do I determine my production for purposes of the restricted joint bidders list?**

(a) To determine the amount of production chargeable to you, add together:

(1) Your average daily production in barrels of crude oil, natural gas liquids, and natural gas worldwide, all measured at 60 °F, using the equivalency or

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conversion factors for natural gas liquids and natural gas set out in 42 U.S.C. 6213(b)(2) and (3); and

(2) Your proportionate share of the average daily production owned by any person that has an interest in you and/or in which you have an interest.

(b) For the purpose of paragraph (a)(1) of this section, your production includes 100 percent of production owned by:

- (1) You;
- (2) Every subsidiary of yours;
- (3) Every person of which you are a subsidiary; and
- (4) Every subsidiary of any person of which you are a subsidiary.

(c) For purposes of paragraph (a)(2) of this section, interest means at least a five percent ownership or control of you or the reporting person and includes any interest:

- (1) From ownership of securities or other evidence of ownership; or,
- (2) By participation in any contract, agreement, or understanding regarding control of the person or their production of crude oil, natural gas liquids, or natural gas.

(d) For purposes of this section, subsidiary means a person, 50 percent or more of whose stock or other interest having power to vote for the election of a controlling body, such as directors or trustees, is directly or indirectly owned or controlled by another person.

(e) For purposes of this section, production chargeable to you includes, but is not limited to, production obtained as a result of a production payment or a working, net profit, royalty, overriding royalty, or carried interest.

(f) For purposes of this section, production must be measured with appropriate adjustments for:

- (1) Basic sediment and water;
- (2) Removal of natural gas liquids and non-hydrocarbon gases; and
- (3) Volume of gas returned to natural reservoirs.

### **§ 556.515 May a person be exempted from joint bidding restrictions?**

BOEM may exempt you from some or all of the reporting requirements listed in § 556.513, and/or some or all of the joint bidding restrictions listed in §§ 556.511 and/or 556.512(a), (b), and/or (c), if, after opportunity for a hearing,

BOEM determines that the extremely high costs in an area will preclude exploration and development without an exemption.

### **How DOES BOEM ACT ON BIDS?**

### **§ 556.516 What does BOEM do with my bid?**

(a) BOEM opens the sealed bids at the place, date, and hour specified in the final notice of sale for the sole purpose of publicly announcing and recording the bids. BOEM does not accept or reject any bids at that time.

(b) BOEM reserves the right to reject any and all bids received, regardless of the amount offered. BOEM accepts or rejects all bids within 90 days of opening. BOEM reserves the right to extend that time if necessary, and in that event, BOEM will notify bidder(s) in writing prior to the expiration of the initial 90-day period, or of any extension. Any bid not accepted within the prescribed 90-day period, or any extension thereof, will be deemed rejected. If your bid is rejected, BOEM will refund any money deposited with your bid, plus any interest accrued.

(c) If the highest bids are a tie, BOEM will notify the bidders who submitted the tie bids. Within 15 days after notification, those bidders, if qualified, and not otherwise prohibited from bidding together, may:

(1) Agree to accept the lease jointly. The bidders must notify BOEM of their decision and submit a copy of their agreement to accept the lease jointly.

(2) Agree between/among themselves which bidder will accept the lease. The bidders must notify BOEM of their decision.

(d) If no agreement is submitted pursuant to paragraph (c) of this section, BOEM will reject all the tie bids.

(e) The Attorney General, in consultation with the Federal Trade Commission, has 30 days to review the results of the lease sale before BOEM may accept the bid(s) and issue the lease(s).

### **§ 556.517 What may I do if my high bid is rejected?**

(a) The decision of the authorized officer on bids is the final action of the

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Department, subject only to reconsideration of the rejection of the high bid by the Director, in accordance with paragraph (b) of this section.

(b) Within 15 days of bid rejection, you may file a written request for reconsideration with the Director, with a copy to the authorized officer. Such request must provide evidence as to why the Director should reconsider your bid. You will receive a written response either affirming or reversing the rejection of your bid.

(c) The Director's decision on the request for reconsideration is not subject to appeal to the Interior Board of Land Appeals in the Department's Office of Hearings and Appeals.

### AWARDING THE LEASE

#### **§ 556.520 What happens if I am the successful high bidder and BOEM accepts my bid?**

(a) If BOEM accepts your bid, BOEM will provide you with the appropriate number of copies of the lease for you to execute and return to BOEM. Within 11 business days after you receive the lease copies, you must:

- (1) Execute all copies of the lease;
- (2) Pay the first year's rental;
- (3) Pay the balance of the bonus bid, unless deferred under paragraph (b) below;
- (4) Comply with subpart I of this part; and,
- (5) Return all copies of the executed lease, including any required bond or other form of security approved by the Regional Director, to BOEM.

(b) If provided for in the final notice of sale, BOEM may defer any part of the bonus and bid payment for up to five years after the sale according to a schedule included in the final notice of sale. You must provide a bond acceptable to BOEM to guarantee payment of a deferred bonus bid.

(c) If you do not make the required payments and execute and return all copies of the lease and any required bond within 11 business days after receipt, or if you otherwise fail to comply with applicable regulations, your deposit will be forfeited. However, BOEM will return any deposit with interest if the tract is withdrawn from leasing before you execute the lease.

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(d) If you use an agent to execute the lease, you must include evidence with the executed copies of the lease that a person who is on the list of persons referenced in § 556.402(c)(3) authorized the agent to act for you.

(e) After you comply with all requirements in this section, and after BOEM has executed the lease, BOEM will send you a fully executed lease.

#### **§ 556.521 When is my lease effective?**

Your lease is effective on the first day of the month following the date that BOEM executes the lease. You may request in writing, before BOEM executes the lease, that your lease be effective as of the first day of the month in which BOEM executes the lease. If BOEM agrees to make the lease effective as of the earlier date, BOEM will so indicate when it executes the lease.

#### **§ 556.522 What are the terms and conditions of the lease and when are they published?**

The terms and conditions of the lease will be stated in the final notice of sale and contained in the lease instrument itself. Oil and gas leases and leases for sulfur will be issued on forms approved by the Director.

### **Subpart F—Lease Term and Obligations**

#### LENGTH OF LEASE

#### **§ 556.600 What is the primary term of my oil and gas lease?**

(a) The primary term of an oil and gas lease will be five years, unless BOEM determines that:

(1) The lease is located in unusually deep water or involves other unusually adverse conditions; and,

(2) A lease term longer than five years is necessary to explore and develop the lease.

(b) If BOEM determines that the criteria in paragraphs (a)(1) and (2) of this section are met, it may specify a longer primary term, not to exceed 10 years.

(c) BOEM will specify the primary term in the final notice of sale and in the lease instrument.

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(d) The lease will expire at the end of the primary term, unless maintained beyond that term in accordance with the provisions of § 556.601.

### § 556.601 How may I maintain my oil and gas lease beyond the primary term?

You may maintain your oil and gas lease beyond the expiration of the primary term as long as:

(a) You are producing oil or gas in paying quantities;

(b) You are conducting approved drilling or well reworking operations with the objective of establishing production in paying quantities, in accordance with 30 CFR 250.180;

(c) You are producing from, or drilling or reworking, an approved well adjacent to or adjoining your lease that extends directionally into your lease in accordance with 30 CFR 256.71;

(d) You make compensatory payments on your lease in accordance with 30 CFR 256.72;

(e) Your lease is included in a BSEE-approved unit, in accordance with 30 CFR part 250, subpart M; or

(f) Your lease is subject to a suspension of production or a suspension of operations, in accordance with 30 CFR 250.168 through 250.180, for reasons other than gross negligence or a willful violation of a provision of your lease or any governing regulations.

### § 556.602 What is the primary term of my sulfur lease?

(a) Your sulfur lease will have a primary term of not more than 10 years, as specified in the lease.

(b) BOEM will announce the primary term prior to the lease sale.

(c) The lease will expire at the end of the primary term unless maintained beyond that term in accordance with the provisions of § 556.603.

### § 556.603 How may I maintain my sulfur lease beyond the primary term?

You may maintain your sulfur lease after the primary term as long as you are producing sulfur in paying quantities, conducting drilling, well reworking or plant construction, or other operations for the production of sulfur or you are granted a suspension by BSEE; or your lease is subject to a sus-

pension directed by BSEE for reasons other than gross negligence or a willful violation of a provision of your lease or governing regulations.

## LEASE OBLIGATIONS

### § 556.604 What are my rights and obligations as a record title owner?

(a) As a record title owner, you are responsible for all administrative and operating performance on the lease, including paying any rent and royalty due.

(b)(1) A record title owner owns operating rights to the lease, unless and until he or she severs the operating rights by subleasing them to someone else.

(2) A sublease of operating rights from record title may be for a whole or undivided fractional interest in the entire lease or a described aliquot portion of the lease and/or a depth interval. The sublease creates an operating rights interest in the sublessee, herein referred to as the operating rights owner.

(c) Within any given aliquot, the record title owner may sublease operating rights for up to a maximum of two depth divisions, which may result in a maximum of three different depth intervals. But, if the one, or two, depth divisions to which operating rights are subleased do not include the entire depth of the lease, whatever depth division(s) has not been subleased, remains part of the lessee/sublessor's record title interest. The depth intervals for which operating rights are subleased must be defined by a beginning and ending depth and the ending of one depth level must abut the beginning of the next depth level, with no gap in between.

(d) Every current and prior record title owner is jointly and severally liable, along with all other record title owners and all prior and current operating rights owners, for compliance with all non-monetary terms and conditions of the lease and all regulations issued under OCSLA, as well as for fulfilling all non-monetary obligations, including decommissioning obligations, which accrue while it holds record title interest.

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(e) Record title owners that acquired their record title interests through assignment from a prior record title owner are also responsible for remedying all existing environmental or operational problems on any lease in which they own record title interests, with subrogation rights against prior lessees.

(f) For monetary obligations, your obligation depends on the source of the monetary obligation and whether you have retained or severed your operating rights.

(1) With respect to those operating rights that you have retained, you are primarily liable under 30 U.S.C. 1712(a) for your pro-rata share of all other monetary obligations pertaining to that portion of the lease subject to the operating rights you have retained, based on your share of operating rights in that portion of the lease.

(2) With respect to all monetary obligations arising from or in connection with those operating rights that have been severed from your record title interest, your obligation is secondary to that of the sublessee(s) or later assignee(s) of the operating rights that were severed from your record title interest, as prescribed in 30 U.S.C. 1712(a).

**§ 556.605 What are my rights and obligations as an operating rights owner?**

(a) As an operating rights owner, you have the right to enter the leased area to explore for, develop, and produce oil and gas resources, except helium gas, contained within the aliquot(s) and depths within which you own operating rights, according to the lease terms, applicable regulations, and BOEM's approval of the sublease or subsequent assignment of the operating rights.

(b) Unless otherwise prohibited, you have the right to authorize another party to conduct operations on the part of the lease to which your operating rights appertain.

(c) An owner of operating rights who is designating a new designated operator must file a designation of operator under § 550.143 of this chapter.

(d) An operating rights owner is only liable for obligations arising from that portion of the lease to which its oper-

ating rights appertain and that accrue during the period in which the operating rights owner owned the operating rights.

(e) You are jointly and severally liable with other operating rights owners and the record title owners for all non-monetary lease obligations pertaining to that portion of the lease subject to your operating rights, which accrued during the time you held your operating rights interest.

(f) An operating rights owner that acquires its operating rights interests through assignment from a prior operating rights owner is also responsible, with subrogation rights against prior operating rights owners, for remedying existing environmental or operational problems, to the extent that such problems arise from that portion of the lease to which its operating rights appertain, on any lease in which it owns operating rights.

(g) You are primarily liable for monetary obligations pertaining to that portion of the lease subject to your operating rights, and the record title owners are secondarily liable. If there is more than one operating rights owner in a lease, each operating rights owner is primarily liable for its pro-rata share of the monetary obligations that pertain to the portion of the lease that is subject to its operating rights.

**HELIUM**

**§ 556.606 What must a lessee do if BOEM elects to extract helium from a lease?**

(a) BOEM reserves the ownership of, and the right to extract, helium from all gas produced from your OCS lease. Under section 12(f) of OCSLA (43 U.S.C. 1341(f)), upon our request, you must deliver all or a specified portion of the gas containing helium to BOEM at a point on the leased area or at an on-shore processing facility that BOEM designates.

(b) BOEM will determine reasonable compensation and pay you for any loss caused by the extraction of helium, except for the value of the helium itself. BOEM may erect, maintain, and operate on your lease any reduction work and other equipment necessary for helium extraction. Our extraction of helium will be conducted in a manner to

not cause substantial delays in the delivery of gas to your purchaser.

### **Subpart G—Transferring All or Part of the Record Title Interest in a Lease**

#### **§ 556.700 May I assign or sublease all or any part of the record title interest in my lease?**

(a) With BOEM approval, you may assign your whole, or a partial record title interest in your entire lease, or in any aliquot(s) thereof.

(b) With BOEM approval, you may sever all, or a portion of, your operating rights.

(c) You must request approval of each assignment of a record title interest and each sublease of an operating rights interest. Each instrument that transfers a record title interest must describe, by aliquot parts, the interest you propose to transfer. Each instrument that severs an operating rights interest must describe, by officially designated aliquot parts and depth levels, the interest proposed to be transferred.

#### **§ 556.701 How do I seek approval of an assignment of the record title interest in my lease, or a severance of operating rights from that record title interest?**

(a) The Regional Director will provide the form to record an assignment of record title interest in a Federal OCS oil and gas or sulfur lease, or a severance of operating rights from that record title interest. You must submit to BOEM two originals of each instrument that transfers ownership of record title within 90 days after the last party executes the transfer instrument. You must pay the service fee listed in § 556.106 with your request and your submission must include evidence of payment via pay.gov.

(b) Before BOEM approves an assignment or transfer, it must consult with, and consider the views of, the Attorney General. The Secretary may act on an assignment or transfer if the Attorney General has not responded to a request for consultation within 30 days of said request.

(c) A new record title owner or lessee must file a designation of oper-

ator, in accordance with § 550.143 of this chapter, along with the request for the approval of the assignment.

#### **§ 556.702 When will my assignment result in a segregated lease?**

(a) When there is an assignment by all record title owners of 100 percent of the record title to one or more aliquots in a lease, the assigned and retained portions become segregated into separate and distinct leases. In such case, both the new lease and the remaining portion of the original lease are referred to as “segregated leases” and the assignee(s) becomes the record title owner(s) of the new lease, which is subject to all the terms and conditions of the original lease.

(b) If a record title holder transfers an undivided interest, *i.e.*, less than 100 percent of the record title interest in any given aliquot(s), that transfer will not segregate the portions of the aliquots, or the whole aliquots, in which part of the record title was transferred, into separate leases from the portion(s) in which no interest was transferred. Instead, that transfer will create a joint ownership between the assignee(s) and assignor(s) in the portions of the lease in which part of the record title interest was transferred. Any transfer of an undivided interest is subject to approval by BOEM.

#### **§ 556.703 What is the effect of the approval of the assignment of 100 percent of the record title in a particular aliquot(s) of my lease and of the resulting lease segregation?**

(a) The bonding/financial assurance requirements of subpart I of this part apply separately to each segregated lease.

(b) The royalty, minimum royalty, and rental provisions of the original lease will apply separately to each segregated lease.

(c) BOEM will allocate among the segregated leases, on a basis that is equitable under the circumstances, any remaining unused royalty suspension volume or other form of royalty suspension or royalty relief that had been granted to the original lease, not to exceed in aggregate the total remaining amount.

(d) Each segregated lease will continue in full force and effect for the

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primary term of the original lease and so long thereafter as each segregated lease meets the requirements outlined in § 556.601. A segregated lease that does not meet the requirements of § 556.601 does not continue in force even if another segregated lease, which was part of the original lease, continues to meet those requirements.

### **§ 556.704 When would BOEM disapprove an assignment or sublease of an interest in my lease?**

(a) BOEM may disapprove an assignment or sublease of all or part of your lease interest(s):

(1) When the transferor or transferee has unsatisfied obligations under this chapter or 30 CFR chapters II or XII;

(2) When a transferor attempts a transfer that is not acceptable as to form or content (e.g., not on standard form, containing incorrect legal description, not executed by a person authorized to bind the corporation, transferee does not meet the requirements of § 556.401, etc.); or,

(3) When the transfer does not conform to these regulations, or any other applicable laws or regulations (e.g., departmental debarment rules).

(b) A transfer will be void if it is made pursuant to any prelease agreement that would cause a bid to be disqualified, such as those described in § 556.511(c), (d), or (e).

### **§ 556.705 How do I transfer the interest of a deceased natural person who was a lessee?**

(a) An heir or devisee must submit evidence by means of a certified copy of an appropriate court order or decree that the person is deceased; or, if no court action is necessary, a certified copy of the will and death certificate or notarized affidavits of two disinterested parties with knowledge of the facts.

(b) The heir or devisee, if the lawful successor in interest, must submit evidence that he/she is the person named in the will or evidence from an appropriate judgment of a court or decree that he/she is the lawful successor in interest, along with the required evidence of his/her qualifications to hold a lease under subpart D of this part.

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(c) If the heir or devisee does not qualify to hold a lease under subpart D of this part, he/she will be recognized as the successor in interest, but he/she must divest him/herself of this interest in the lease, to a person qualified to be a hold a lease, within two years.

### **§ 556.706 What if I want to transfer record title interests in more than one lease at the same time, but to different parties?**

You may not transfer interests in more than one lease to different parties using the same instrument. If you want to transfer the interest in more than one lease at the same time, you must submit duplicate, originally executed forms for each transfer. The forms used for each transfer must be accompanied by a cover letter executed by one of the parties to the transfer (or an authorized agent thereof) and evidence of payment via pay.gov.

### **§ 556.707 What if I want to transfer different types of lease interests (not only record title interests) in the same lease to different parties?**

You may not transfer different types of lease interests in a lease to different parties using the same instrument. You must submit duplicate, originally executed forms for each transfer, to a different party, of a different type of lease interest. The form used to transfer each type of lease interest must be accompanied by a cover letter executed by one of the parties to the transfer (or an authorized agent thereof) and evidence of payment via pay.gov.

### **§ 556.708 What if I want to transfer my record title interests in more than one lease to the same party?**

You may not transfer your record title interests in more than one lease to the same party using the same instrument. If you want to transfer record title interests in more than one lease at the same time, you must submit separate, originally executed forms for each transfer. The forms used for each transfer must be accompanied by a cover letter executed by one of the parties to the transfer (or an authorized agent thereof), and evidence of payment via pay.gov. A separate fee applies to each individual transfer of interest.

**§ 556.709 What if I want to transfer my record title interest in one lease to multiple parties?**

You may transfer your record title interest in one lease to multiple parties using the same instrument. That instrument must be submitted in duplicate originals, accompanied by a cover letter executed by one of the parties to the transfer (or an authorized agent thereof). In such a multiple transfer of interests using a single instrument, a separate fee applies to each individual transfer of interest, and evidence of payment via pay.gov must accompany the instrument.

**§ 556.710 What is the effect of an assignment of a lease on an assignor's liability under the lease?**

If you assign your record title interest, as an assignor you remain liable for all obligations, monetary and non-monetary, that accrued in connection with your lease during the period in which you owned the record title interest, up to the date BOEM approves your assignment. BOEM's approval of the assignment does not relieve you of these accrued obligations. Even after assignment, BOEM or BSEE may require you to bring the lease into compliance if your assignee or any subsequent assignee fails to perform any obligation under the lease, to the extent the obligation accrued before approval of your assignment. Until there is a BOEM-approved assignment of interest, you, as the assignor, remain liable for the performance of all lease obligations that accrued while you held record title interest, until all such obligations are fulfilled.

**§ 556.711 What is the effect of a record title holder's sublease of operating rights on the record title holder's liability?**

(a) A record title holder who subleases operating rights remains liable for all obligations of the lease, including those obligations accruing after BOEM's approval of the sublease, subject to § 556.604(e) and (f).

(b) Neither the sublease of operating rights, nor subsequent assignment of those rights by the original sublessee, nor by any subsequent assignee of the operating rights, alters in any manner

the liability of the record title holder for nonmonetary obligations.

(c) Upon approval of the sublease of the operating rights, the sublessee and subsequent assignees of the operating rights become primarily liable for monetary obligations, but the record title holder remains secondarily liable for them, as prescribed in 30 U.S.C. 1712(a) and § 556.604(f)(2).

**§ 556.712 What is the effective date of a transfer?**

Any transfer is effective at 12:01 a.m. on the first day of the month following the date on which BOEM approves your request, unless you request an earlier effective date and BOEM approves that earlier date, but such earlier effective date, if prior to the date of BOEM's approval, does not relieve you of obligations accrued between that earlier effective date and the date of approval.

**§ 556.713 What is the effect of an assignment of a lease on an assignee's liability under the lease?**

As assignee, you and any subsequent assignees are liable for all obligations that accrue after the effective date of your assignment. As assignee, you must comply with all the terms and conditions of the lease and regulations issued under OCSLA, and in addition, you must remedy all existing environmental and operational problems on the lease, properly abandon all wells, and reclaim the site, as required under 30 CFR part 250.

**§ 556.714 As a restricted joint bidder, may I transfer an interest to another restricted joint bidder?**

(a) Where the proposed assignment or transfer is by a person who, at the time of acquisition of an interest in the lease, was on the List of Restricted Joint Bidders, and that assignment or transfer is of less than the entire interest held by the assignor or transferor and to a person or persons on the same List of Restricted Joint Bidders, the assignor or transferor must file, prior to the approval of the assignment, a copy of all agreements applicable to the acquisition of that lease or fractional interest, or a description of the timing and nature of the agreement(s)

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by which the assignor or transferor acquired the interest it now wishes to transfer.

(b) Such description of the timing and nature of the transfer agreement must be submitted together with a certified statement that attests to the truth and accuracy of any information reported concerning that agreement, subject to the penalties of 18 U.S.C. 1001.

(c) If you wish to transfer less than your entire interest to another restricted joint bidder, BOEM may request the opinion of the Attorney General before acting on your request.

(d) You may request that any submission to BOEM made pursuant to this part be treated confidentially. Please note such a request on your submission. BOEM will treat this request for confidentiality in accordance with the regulations at § 556.104 and the regulations at 43 CFR part 2.

### **§ 556.715 Are there any interests I may transfer or record without BOEM approval?**

(a) You may create, transfer, or assign economic interests without BOEM approval. However, for record purposes, you must send BOEM a copy of each instrument creating or transferring such interests within 90 days after the last party executes the transfer instrument. For each lease affected, you must pay the service fee listed in § 556.106 with your documents submitted for record purposes and your submission must include evidence of payment via pay.gov.

(b) For recordkeeping purposes, you may also submit other legal documents to BOEM for transactions that do not require BOEM approval. If you submit such documents for record purposes not required by this part, you must pay the service fee listed in § 556.106 with your document submissions for each lease affected. Your submission must include evidence of payment via pay.gov.

### **§ 556.716 What must I do with respect to the designation of operator on a lease when a transfer of record title is submitted?**

(a) If a transfer of ownership of the record title interest only changes the percentage ownership of the record title, no new parties or new aliquots

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are involved in the transaction, and no change of designated operator is made, you will not need to submit a new designation of operator form.

(b) In all cases other than that in paragraph (a) of this section, you must submit new designation of operator forms in accordance with § 550.143 of this chapter. In the event that you are transferring multiple record title interests, you must comply with this requirement for each interest that does not fall within paragraph (a) of this section.

### **Subpart H—Transferring All or Part of the Operating Rights in a Lease**

#### **§ 556.800 As an operating rights owner, may I assign all or part of my operating rights interest?**

An operating rights owner may assign all or part of its operating rights interests, subject to BOEM approval. Each instrument that transfers an interest must describe, by officially designated aliquot parts and depth levels, the interest proposed to be transferred.

#### **§ 556.801 How do I seek approval of an assignment of my operating rights?**

(a) The Regional Director will provide the form to document the assignment of an operating rights interest. You must request approval of each assignment of operating rights and submit to BOEM two originals of each instrument that transfers ownership of operating rights within 90 days after the last party executes the transfer instrument. You must pay the service fee listed in § 556.106 with your request and your submission must include evidence of payment via pay.gov.

(b) A new operating rights owner must file a designation of operator, in accordance with § 550.143, along with the request for the approval of the assignment.

(c) If an operating rights owner assigns an undivided ownership interest in its operating rights, that assignment creates a joint ownership in the operating rights.

(d) Before BOEM approves a sublease or re-assignment of operating rights, BOEM may consult with and consider the views of the Attorney General.

**§ 556.802 When would BOEM disapprove the assignment of all or part of my operating rights interest?**

BOEM may disapprove an assignment of all or part of your operating rights interest:

(a) When the transferor or transferee has outstanding or unsatisfied obligations under this chapter or 30 CFR chapter II or XII;

(b) When a transferor attempts a transfer that is not acceptable as to form or content (e.g., not on standard form, containing incorrect legal description, not executed in accordance with corporate governance, transferee does not meet the requirements of § 556.401, etc.); or

(c) When the transfer does not conform to these regulations, or any other applicable laws or regulations (e.g., departmental debarment rules).

**§ 556.803 What if I want to assign operating rights interests in more than one lease at the same time, but to different parties?**

You may not assign operating rights interests in more than one lease to different parties using the same instrument. If you want to transfer operating rights interests in more than one lease at the same time, you must submit two originally executed forms for each transfer. Each request for a transfer of operating rights interest must be accompanied by a cover letter executed by one of the parties to the transfer (or an authorized agent thereof) and evidence of payment via pay.gov.

**§ 556.804 What if I want to assign my operating rights interest in a lease to multiple parties?**

You may assign your operating rights interest in one lease to multiple parties using the same instrument. That instrument must be submitted in duplicate originals, accompanied by a cover letter executed by one of the parties to the transfer (or an authorized agent thereof). In such a multiple transfer of interests using a single instrument, a separate fee applies to each individual transfer of interest and evidence of payment via pay.gov must accompany the instrument.

**§ 556.805 What is the effect of an operating rights owner's assignment of operating rights on the assignor's liability?**

An operating rights owner (who does not hold record title) who assigns the operating rights remains liable for all obligations of the lease that accrued during the period in which the assignor owned the operating rights, up to the effective date of the assignment, including decommissioning obligations that accrued during that period. BOEM's approval of the assignment does not alter that liability. Even after assignment, BOEM or BSEE may require the assignor to bring the lease into compliance if the assignee or any subsequent assignee fails to perform any obligation under the lease, to the extent the obligation accrued before approval of the assignment.

**§ 556.806 What is the effective date of an assignment of operating rights?**

An assignment is effective at 12:01 a.m. on the first day of the month following the date on which BOEM approves your request, unless you request an earlier effective date and BOEM approves that earlier date. Such an earlier effective date, if prior to the date of BOEM's approval, does not relieve you of obligations accrued between that earlier effective date and the date of approval.

**§ 556.807 What is the effect of an assignment of operating rights on an assignee's liability?**

As assignee, you and any subsequent assignees are liable for all obligations that accrue after the effective date of your assignment. As assignee, you must comply with all the terms and conditions of the lease and regulations issued under OCSLA. In addition, you must remedy all existing environmental and operational problems on the lease, properly abandon all wells, and reclaim the site, as required under 30 CFR part 250.

**§ 556.808 As an operating rights owner, are there any interests I may assign without BOEM approval?**

(a) You may create, transfer, or assign economic interests without BOEM approval. However, for record purposes,

you must send BOEM a copy of each instrument creating or transferring such interests within 90 days after the last party executes the transfer instrument. For each lease affected, you must pay the service fee listed in § 556.106 with your documents submitted for record purposes, and your submission must include evidence of payment via pay.gov.

(b) For record keeping purposes, you may also submit other legal documents to BOEM for transactions that do not require BOEM approval. If you submit such documents for record purposes that are not required by these regulations, for each lease affected, you must pay the service fee listed in § 556.106 with your document submissions, and your submission must include evidence of payment via pay.gov.

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#### § 556.810 What must I do with respect to the designation of operator on a lease when a transfer of operating rights ownership is submitted?

(a) If a transfer of ownership of operating rights only changes the percentage ownership; no new parties, new aliquots, or new depths are involved in the transaction; and no change of designated operator is made, you will not need to submit a new designation of operator form.

(b) In all cases other than that in paragraph (a) of this section, you must submit new designation of operator forms, in accordance with § 550.143 of this chapter. In the event that you are transferring multiple operating rights interests, you must comply with this requirement for each interest that does not fall within paragraph (a) of this section.

### Subpart I—Bonding or Other Financial Assurance

#### § 556.900 Bond requirements for an oil and gas or sulfur lease.

This section establishes bond requirements for the lessee of an OCS oil and gas or sulfur lease.

(a) Before BOEM will issue a new lease or approve the assignment of an existing lease to you as lessee, you or

another record title owner for the lease must:

(1) Maintain with the Regional Director a \$50,000 lease bond that guarantees compliance with all the terms and conditions of the lease; or

(2) Maintain a \$300,000 area-wide bond that guarantees compliance with all the terms and conditions of all your oil and gas and sulfur leases in the area where the lease is located; or

(3) Maintain a lease or area-wide bond in the amount required in § 556.901(a) or (b).

(b) For the purpose of this section, there are three areas. The three areas are:

(1) The Gulf of Mexico and the area offshore the Atlantic Coast;

(2) The area offshore the Pacific Coast States of California, Oregon, Washington, and Hawaii; and

(3) The area offshore the Coast of Alaska.

(c) The requirement to maintain a lease bond (or substitute security instrument) under paragraph (a)(1) of this section and § 556.901(a) and (b) may be satisfied if your operator or an operating rights owner provides a lease bond in the required amount that guarantees compliance with all the terms and conditions of the lease. Your operator or an operating rights owner may use an areawide bond under this paragraph to satisfy your bond obligation.

(d) If a surety makes payment to the United States under a bond or alternative form of security maintained under this section, the surety's remaining liability under the bond or alternative form of security is reduced by the amount of that payment. See paragraph (e) of this section for the requirement to replace the reduced bond coverage.

(e) If the value of your surety bond or alternative security is reduced because of a default or for any other reason, you must provide additional bond coverage sufficient to meet the security required under this subpart within 6 months, or such shorter period of time as the Regional Director may direct.

(f) You may pledge United States Department of the Treasury (Treasury)

securities instead of a bond. The Treasury securities you pledge must be negotiable for an amount of cash equal to the value of the bond they replace.

(1) If you pledge Treasury securities under this paragraph (f), you must monitor their value. If their market value falls below the level of bond coverage required under this subpart, you must pledge additional Treasury securities to raise the value of the securities pledged to the required amount.

(2) If you pledge Treasury securities, you must include authority for the Regional Director to sell them and use the proceeds in the event that the Regional Director determines that you fail to satisfy any lease obligation.

(g) You may pledge alternative types of security instruments instead of providing a bond if the Regional Director determines that the alternative security protects the interests of the United States to the same extent as the required bond.

(1) If you pledge an alternative type of security under this paragraph, you must monitor the security's value. If its market value falls below the level of bond coverage required under this subpart, you must pledge additional securities to raise the value of the securities pledged to the required amount.

(2) If you pledge an alternative type of security, you must include authority for the Regional Director to sell the security and use the proceeds when the Regional Director determines that you failed to satisfy any lease obligation.

(h) If you fail to replace a deficient bond or to provide additional bond coverage upon demand, the Regional Director may:

(1) Assess penalties under part 550, subpart N of this chapter;

(2) Suspend production and other operations on your leases in accordance with 30 CFR 250.173; and

(3) Initiate action to cancel your lease.

**§ 556.901 Additional bonds.**

(a) This paragraph explains what bonds you must provide before lease exploration activities commence.

(1)(i) You must furnish the Regional Director a \$200,000 bond that guarantees compliance with all the terms and

conditions of the lease by the earliest of:

(A) The date you submit a proposed exploration plan (EP) for approval; or

(B) The date you submit a request for approval of the assignment of a lease on which an EP has been approved.

(ii) The Regional Director may authorize you to submit the \$200,000 lease exploration bond after you submit an EP, but before approval of drilling activities under the EP.

(iii) You may satisfy the bond requirement of this paragraph (a) by providing a new bond or by increasing the amount of your existing bond.

(2) A \$200,000 lease exploration bond pursuant to paragraph (a)(1) of this section need not be submitted and maintained if the lessee either:

(i) Furnishes and maintains an areawide bond in the sum of \$1 million issued by a qualified surety and conditioned on compliance with all the terms and conditions of oil and gas and sulfur leases held by the lessee on the OCS for the area in which the lease is situated; or

(ii) Furnishes and maintains a bond pursuant to paragraph (b)(2) of this section.

(b) This paragraph explains what bonds you (the lessee) must provide before lease development and production activities commence.

(1)(i) You must furnish the Regional Director a \$500,000 bond that guarantees compliance with all the terms and conditions of the lease by the earliest of:

(A) The date you submit a proposed development and production plan (DPP) or development operations coordination document (DOCD) for approval; or

(B) The date you submit a request for approval of the assignment of a lease on which a DPP or DOCD has been approved.

(ii) The Regional Director may authorize you to submit the \$500,000 lease development bond after you submit a DPP or DOCD, but before he/she approves the installation of a platform or the commencement of drilling activities under the DPP or DOCD.

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(iii) You may satisfy the bond requirement of this paragraph by providing a new bond or by increasing the amount of your existing bond.

(2) You need not submit and maintain a \$500,000 lease development bond pursuant to paragraph (b)(1) of this section if you furnish and maintain an areawide bond in the sum of \$3 million issued by a qualified surety and conditioned on compliance with all the terms and conditions of oil and gas and sulfur leases you hold on the OCS for the area in which the lease is located.

(c) If you can demonstrate to the satisfaction of the authorized officer that you can satisfy your decommissioning obligations for less than the amount of lease bond coverage required under paragraph (b)(1) of this section, the authorized officer may accept a lease surety bond in an amount less than the prescribed amount, but not less than the amount of the cost for decommissioning.

(d) The Regional Director may determine that additional security (*i.e.*, security above the amounts prescribed in § 556.900(a) and paragraphs (a) and (b) of this section) is necessary to ensure compliance with the obligations under your lease, the regulations in this chapter, and the regulations in 30 CFR chapters II and XII.

(1) The Regional Director's determination will be based on his/her evaluation of your ability to carry out present and future financial obligations demonstrated by:

(i) Financial capacity substantially in excess of existing and anticipated lease and other obligations, as evidenced by audited financial statements (including auditor's certificate, balance sheet, and profit and loss sheet);

(ii) Projected financial strength significantly in excess of existing and future lease obligations based on the estimated value of your existing OCS lease production and proven reserves for future production;

(iii) Business stability based on five years of continuous operation and production of oil and gas or sulfur in the OCS or in the onshore oil and gas industry;

(iv) Reliability in meeting obligations based on:

(A) Credit rating; or

(B) Trade references, including names and addresses of other lessees, drilling contractors, and suppliers with whom you have dealt; and

(v) Record of compliance with laws, regulations, and lease terms.

(2) You may satisfy the Regional Director's demand for additional security by increasing the amount of your existing bond or by providing additional bond or bonds.

(e) The Regional Director will determine the amount of additional bond required to guarantee compliance. The Regional Director will consider potential underpayment of royalty and cumulative decommissioning obligations.

(f) If your cumulative potential obligations and liabilities either increase or decrease, the Regional Director may adjust the amount of additional bond required.

(1) If the Regional Director proposes an adjustment, the Regional Director will:

(i) Notify you and the surety of any proposed adjustment to the amount of bond required; and

(ii) Give you an opportunity to submit written or oral comment on the adjustment.

(2) If you request a reduction of the amount of additional bond required, you must submit evidence to the Regional Director demonstrating that the projected amount of royalties due the Government and the estimated costs of decommissioning are less than the required bond amount. If the Regional Director finds that the evidence you submit is convincing, the Regional Director may reduce the amount of additional bond required.

**§ 556.902 General requirements for bonds.**

(a) Any bond or other security that you, as lessee, operating rights owner or operator, provide under this part must:

(1) Be payable upon demand to the Regional Director;

(2) Guarantee compliance with all of your obligations under the lease, regulations in this chapter, and regulations under 30 CFR chapters II and XII; and

(3) Guarantee compliance with the obligations of all lessees, operating

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rights owners and operators on the lease.

(b) All bonds and pledges you furnish under this part must be on a form or in a form approved by the Director. Surety bonds must be issued by a surety that the Treasury certifies as an acceptable surety on Federal bonds and that is listed in the current Treasury Circular No. 570. You may obtain a copy of the current Treasury Circular No. 570 from the Surety Bond Branch, Financial Management Service, Department of the Treasury, East-West Highway, Hyattsville, MD 20782.

(c) You and a qualified surety must execute your bond. When either party is a corporation, an authorized official for the party must sign the bond and attest to it by an imprint of the corporate seal.

(d) Bonds must be non-cancellable, except as provided in §556.906 of this part. Bonds must continue in full force and effect even though an event occurs that could diminish, terminate, or cancel a surety obligation under State surety law.

(e) Lease bonds must be:

(1) A surety bond;

(2) Treasury securities as provided in §556.900(f);

(3) Another form of security approved by the Regional Director; or

(4) A combination of these security methods.

(f) You may submit a bond to the Regional Director executed on a form approved under paragraph (b) of this section that you have reproduced or generated by use of a computer. If you do, and if the document omits terms or conditions contained on the form approved by the Director, the bond you submit will be deemed to contain the omitted terms and conditions.

### § 556.903 Lapse of bond.

(a) If your surety becomes bankrupt, insolvent, or has its charter or license suspended or revoked, any bond coverage from that surety terminates immediately. In that event, you must promptly provide a new bond in the amount required under §§556.900 and 556.901 to the Regional Director and advise the Regional Director of the lapse in your previous bond.

(b) You must notify the Regional Director of any action filed alleging that you, your surety, or your guarantor are insolvent or bankrupt. You must notify the Regional Director within 72 hours of learning of such an action. All bonds must require the surety to provide this information to you and directly to BOEM.

### § 556.904 Lease-specific abandonment accounts.

(a) The Regional Director may authorize you to establish a lease-specific abandonment account in a federally insured institution in lieu of the bond required under §556.901(d). The account must provide that, except as provided in paragraph (a)(3) of this section, funds may not be withdrawn without the written approval of the Regional Director.

(1) Funds in a lease-specific abandonment account must be payable upon demand to BOEM and pledged to meet your decommissioning obligations.

(2) You must fully fund the lease-specific abandonment account to cover all decommissioning costs as estimated by BOEM within the timeframe the Regional Director prescribes.

(3) You must provide binding instructions under which the institution managing the account is to purchase Treasury securities pledged to BOEM under paragraph (d) of this section.

(b) Any interest paid on funds in a lease-specific abandonment account will be treated as other funds in the account unless the Regional Director authorizes in writing the payment of interest to the party who deposits the funds.

(c) The Regional Director may allow you to pledge Treasury securities that are made payable upon demand to the Regional Director to satisfy your obligation to make payments into a lease-specific abandonment account.

(d) Before the amount of funds in a lease-specific abandonment account equals the maximum insurable amount as determined by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, the institution managing the account must use the funds in the account to purchase Treasury securities pledged to BOEM under paragraph (c)

of this section. The institution managing the lease specific-abandonment account will join with the Regional Director to establish a Federal Reserve Circular 154 account to hold these Treasury securities, unless the Regional Director authorizes the managing institution to retain the pledged Treasury securities in a separate trust account. You may obtain a copy of the current Treasury Circular No. 154 from the Surety Bond Branch, Financial Management Service, Department of the Treasury, East-West Highway, Hyattsville, MD 20782.

(e) The Regional Director may require you to create an overriding royalty or production payment obligation for the benefit of a lease-specific account pledged for the decommissioning of a lease. The required obligation may be associated with oil and gas or sulfur production from a lease other than the lease bonded through the lease-specific abandonment account.

**§ 556.905 Using a third-party guarantor instead of a bond.**

(a) *When the Regional Director may accept a third-party guarantor.* The Regional Director may accept a third-party guarantor instead of an additional bond under § 556.901(d) if:

(1) The guarantor meets the criteria in paragraph (c) of this section;

(2) The guarantor includes the terms specified in paragraph (d) of this section;

(3) The guarantor's total outstanding and proposed guarantees do not exceed 25 percent of its unencumbered net worth in the United States; and

(4) The guarantor submits an indemnity agreement meeting the criteria in paragraph (e) of this section.

(b) *What to do if your guarantor becomes unqualified.* If, during the life of your third-party guarantor, your guarantor no longer meets the criteria of paragraphs (a)(3) and (c)(3) of this section, you must:

(1) Notify the Regional Director immediately; and

(2) Cease production until you comply with the bond coverage requirements of this subpart.

(c) *Criteria for acceptable guarantors.* If you propose to furnish a third party's guarantor, that guarantor must ensure

compliance with all lessees' lease obligations, the obligations of all operating rights owners, and the obligations of all operators on the lease. The Regional Director will base acceptance of your third-party guarantor on the following criteria:

(1) The period of time that your third-party guarantor (guarantor) has been in continuous operation as a business entity where:

(i) Continuous operation is the time that your guarantor conducts business immediately before you post the guarantor; and

(ii) Continuous operation excludes periods of interruption in operations that are beyond your guarantor's control and that do not affect your guarantor's likelihood of remaining in business during exploration, development, production, and decommissioning.

(2) Financial information available in the public record or submitted by your guarantor, on your guarantor's own initiative, in sufficient detail to show to the Regional Director's satisfaction that your guarantor is qualified based on:

(i) Your guarantor's current rating for its most recent bond issuance by either Moody's Investor Service or Standard and Poor's Corporation;

(ii) The guarantor's net worth, taking into account liabilities under its guarantee of compliance with all the terms and conditions of your lease, the regulations in this chapter and 30 CFR chapters II and XII, and your guarantor's other guarantees;

(iii) Your guarantor's ratio of current assets to current liabilities, taking into account liabilities under its guarantee of compliance with all the terms and conditions of your lease, the regulations in this chapter and 30 CFR chapters II and XII, and your guarantor's other guarantees; and

(iv) Your guarantor's unencumbered fixed assets in the United States.

(3) When the information required by paragraph (c) of this section is not publicly available, your guarantor may submit the information in the following table. Your guarantor must update the information annually within 90 days of the end of the fiscal year or by the date prescribed by the Regional Director.

The guarantor should submit	That
(i) Financial statements for the most recently completed fiscal year,	Include a report by an independent certified public accountant containing the accountant's audit opinion or review opinion of the statements. The report must be prepared in conformance with generally accepted accounting principles and contain no adverse opinion.
(ii) Financial statements for completed quarters in the current fiscal year, and	Your guarantor's financial officer certifies to be correct.
(iii) Additional information as requested by the Regional Director.	Your guarantor's financial officer certifies to be correct.

(d) *Provisions required in all third-party guarantees.* Your third-party guarantee must contain each of the following provisions.

(1) If you, your operator, or an operating rights owner fails to comply with any lease term or regulation, your guarantor must either:

- (i) Take corrective action; or,
- (ii) Be liable under the indemnity agreement to provide, within 7 calendar days, sufficient funds for the Regional Director to complete corrective action.

(2) If your guarantor complies with paragraph (d)(1) of this section, this compliance will not reduce its liability.

(3) If your guarantor wishes to terminate the period of liability under its guarantee, it must:

- (i) Notify you and the Regional Director at least 90 days before the proposed termination date;
- (ii) Obtain the Regional Director's approval for the termination of the period of liability for all or a specified portion of your guarantor's guarantee; and
- (iii) Remain liable for all work and workmanship performed during the period that your guarantor's guarantee is in effect.

(4) You must provide a suitable replacement security instrument before the termination of the period of liability under your third-party guarantee.

(e) *Required criteria for indemnity agreements.* If the Regional Director approves your third-party guarantee, the guarantor must submit an indemnity agreement.

(1) The indemnity agreement must be executed by your guarantor and all persons and parties bound by the agreement.

(2) The indemnity agreement must bind each person and party executing the agreement jointly and severally.

(3) When a person or party bound by the indemnity agreement is a corporate entity, two corporate officers who are authorized to bind the corporation must sign the indemnity agreement.

(4) Your guarantor and the other corporate entities bound by the indemnity agreement must provide the Regional Director copies of:

- (i) The authorization of the signatory corporate officials to bind their respective corporations;
- (ii) An affidavit certifying that the agreement is valid under all applicable laws; and
- (iii) Each corporation's corporate authorization to execute the indemnity agreement.

(5) If your third-party guarantor or another party bound by the indemnity agreement is a partnership, joint venture, or syndicate, the indemnity agreement must:

- (i) Bind each partner or party who has a beneficial interest in your guarantor; and
- (ii) Provide that, upon demand by the Regional Director under your third-party guarantee, each partner is jointly and severally liable for compliance with all terms and conditions of your lease.

(6) When forfeiture is called for under §556.907, the indemnity agreement must provide that your guarantor will either:

- (i) Bring your lease into compliance; or
- (ii) Provide, within 7 calendar days, sufficient funds to permit the Regional Director to complete corrective action.

(7) The indemnity agreement must contain a confession of judgment. It must provide that, if the Regional Director determines that you, your operator, or an operating rights owner is in default of the lease, the guarantor:

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(i) Will not challenge the determination; and

(ii) Will remedy the default.

(8) Each indemnity agreement is deemed to contain all terms and conditions contained in this paragraph (e), even if the guarantor has omitted them.

**§ 556.906 Termination of the period of liability and cancellation of a bond.**

This section defines the terms and conditions under which BOEM will terminate the period of liability of a bond or cancel a bond. Terminating the period of liability of a bond ends the period during which obligations continue to accrue, but does not relieve the surety of the responsibility for obligations that accrued during the period of liability. Canceling a bond relieves the surety of all liability. The liabilities that accrue during a period of liability include obligations that started to accrue prior to the beginning of the period of liability and had not been met, and obligations that begin accruing during the period of liability.

(a) When you or the surety under your bond requests termination:

(1) The Regional Director will terminate the period of liability under your bond within 90 days after BOEM receives the request; and

(2) If you intend to continue operations, or have not met all decommissioning obligations, you must provide a replacement bond of an equivalent amount.

(b) If you provide a replacement bond, the Regional Director will cancel your previous bond and the surety that provided your previous bond will not retain any liability, provided that:

(1) The new bond is equal to or greater than the bond that was terminated, or you provide an alternative form of security, and the Regional Director determines that the alternative form of security provides a level of security equal to or greater than that provided for by the bond that was terminated;

(2) For a base bond submitted under § 556.900(a) or under § 556.901(a) or (b), the surety issuing the new bond agrees to assume all outstanding liabilities that accrued during the period of liability that was terminated; and

(3) For additional bonds submitted under § 556.901(d), the surety issuing the new additional bond agrees to assume that portion of the outstanding liabilities that accrued during the period of liability that was terminated and that the Regional Director determines may exceed the coverage of the base bond, and of which the Regional Director notifies the provider of the bond.

(c) This paragraph applies if the period of liability is terminated for a bond, but the bond is not replaced by a bond of an equivalent amount. The surety that provided your terminated bond will continue to be responsible for accrued obligations:

(1) Until the obligations are satisfied; and

(2) For additional periods of time in accordance with paragraph (d) of this section.

(d) When your lease expires or is terminated, the surety that issued a bond will continue to be responsible, and the Regional Director will retain other forms of security as shown in the following table:

For the following type of bond	The period of liability will end	Your bond will be cancelled
(1) Base bonds submitted under § 556.900(a), § 556.901(a), or (b).	When the Regional Director determines that you have met all of your obligations under the lease,	Seven years after the termination of the lease, 6 years after completion of all bonded obligations, or at the conclusion of any appeals or litigation related to your bonded obligation, whichever is the latest. The Regional Director will reduce the amount of your bond or return a portion of your security if the Regional Director determines that you need less than the full amount of the base bond to meet any possible future problems.
(2) Additional bonds submitted under § 556.901(d).	When the Regional Director determines that you have met all your obligations covered by the additional bond,	When you meet your bonded obligations, unless the Regional Director: (i) Determines that the future potential liability resulting from any undetected problem is greater than the amount of the base bond; and (ii) Notifies the provider of the bond that the Regional Director will wait 7 years before cancelling all or a part of the bond (or longer period as necessary to complete any appeals or judicial litigation related to your bonding obligation).

(e) For all bonds, the Regional Director may reinstate your bond as if no cancellation or release had occurred if:

- (1) A person makes a payment under the lease and the payment is rescinded or must be repaid by the recipient because the person making the payment is insolvent, bankrupt, subject to reorganization, or placed in receivership; or
- (2) The responsible party represents to BOEM that it has discharged its obligations under the lease, and the representation was materially false when the bond was canceled or released.

**§ 556.907 Forfeiture of bonds and/or other securities.**

This section explains how a bond or other security may be forfeited.

(a) The Regional Director will call for forfeiture of all or part of the bond, other form of security, or guarantee you provide under this part if:

- (1) You (the party who provided the bond) refuse, or the Regional Director determines that you are unable to comply with any term or condition of your lease; or
- (2) You default on one of the conditions under which the Regional Director accepts your bond, third-party guarantee, and/or other form of security.

(b) The Regional Director may pursue forfeiture of your bond without first making demands for performance against any lessee, operating rights owner, or other person authorized to perform lease obligations.

(c) The Regional Director will:

- (1) Notify you, the surety on your bond or other form of security, and any third-party guarantor of a determination to call for forfeiture of the bond, security, or guarantee under this section.

(i) This notice will be in writing, and will provide the reason for the forfeiture and the amount to be forfeited.

(ii) The Regional Director must base the amount he/she determines is forfeited upon his/her estimate of the total cost of corrective action to bring your lease into compliance.

(2) Advise you, your third-party guarantor, and any surety that you, your guarantor, and any surety may avoid forfeiture if, within five working days:

(i) You agree to, and demonstrate that you will bring your lease into compliance within the timeframe that the Regional Director prescribes;

(ii) Your third-party guarantor agrees to and demonstrates that it will complete the corrective action to bring your lease into compliance within the timeframe that the Regional Director prescribes; or

(iii) Your surety agrees to and demonstrates that it will bring your lease into compliance within the timeframe that the Regional Director prescribes, even if the cost of compliance exceeds the face amount of the bond or other surety instrument.

(d) If the Regional Director finds you are in default, he/she may cause the forfeiture of any bonds and other security deposited as your guarantee of compliance with the terms and conditions of your lease and the regulations in this chapter and 30 CFR chapters II and XII.

(e) If the Regional Director determines that your bond and/or other security is forfeited, the Regional Director will:

- (1) Collect the forfeited amount; and
- (2) Use the funds collected to bring your leases into compliance and to correct any default.

(f) If the amount the Regional Director collects under your bond and other security is insufficient to pay the full cost of corrective actions he/she may:

- (1) Take or direct action to obtain full compliance with your lease and the regulations in this chapter; and
- (2) Recover from you, any co-lessee, operating rights owner, and/or any third-party guarantor responsible under this subpart all costs in excess of the amount he/she collects under your forfeited bond and other security.

(g) The amount that the Regional Director collects under your forfeited bond and other security may exceed the costs of taking the corrective actions required to obtain full compliance with the terms and conditions of your lease and the regulations in this chapter and 30 CFR chapters II and XII. In this case, the Regional Director will return the excess funds to the party from whom they were collected.

**Subpart J—Bonus or Royalty Credits for Exchange of Certain Leases**

**§ 556.1000 Leases formerly eligible for a bonus or royalty credit.**

Bonus or royalty credits were available to lessees with leases:

(a) In effect on December 20, 2006, and located in:

(1) The Eastern Planning Area and within 125 miles of the coastline of the State of Florida; or,

(2) The Central Planning Area and within the Desoto Canyon OPD, the Destin Dome OPD, or the Pensacola OPD and within 100 miles of the coastline of the State of Florida.

(b) The deadline for applying for such a bonus or royalty credit was October 14, 2010; therefore, lessees may no longer apply for such credits.

**Subpart K—Ending a Lease**

**§ 556.1100 How does a lease expire?**

(a) Your oil and gas lease will automatically expire at the end of its primary term unless you have taken action, as set forth in § 556.601, to maintain the lease beyond the primary term.

(b) Your sulfur lease will automatically expire at the end of its primary term unless you have taken action, as set forth in § 556.603, to maintain the lease beyond the primary term.

**§ 556.1101 May I relinquish my lease or an aliquot part thereof?**

(a) A record title owner may relinquish a lease or an aliquot part of a lease if all record title owners of a lease or any aliquot part(s) of the lease file three original copies of a request to relinquish with BOEM on Form BOEM-0152, entitled, “Relinquishment of Federal Oil and Gas Lease.” No filing fee is required.

(b) A relinquishment will be subject to the continued obligation of the record title owner and the surety to make all payments due, including any accrued rentals, royalties and deferred bonuses, and to abandon all wells and condition or remove all platforms and other facilities on the land to be relin-

quished to the satisfaction of the Director.

(c) The effective date of the relinquishment is the date on which the relinquishment is filed with the proper BOEM regional office.

**§ 556.1102 Under what circumstances will BOEM cancel my lease?**

(a) BOEM may cancel your non-producing lease if you fail to comply with any provision of OCSLA, the lease, or applicable regulations if the failure continues for 30 days after mailing of notice to your post office address of record by registered mail and you have not requested and been granted any additional time within which to correct the failure. Such cancellation is subject to judicial review under section 23 of OCSLA (43 U.S.C. 1349).

(b) Your producing lease may be cancelled if you fail to comply with any provision of OCSLA, the lease, or applicable regulations. The Secretary will cancel a producing lease after the judicial proceedings required under section 5(d) of OCSLA (43 U.S.C. 1334(d)).

(c) BOEM may cancel your lease if it determines that the lease was obtained by fraud or misrepresentation. You will have notice and an opportunity to be heard before BOEM cancels your lease.

(d) BOEM may cancel your lease at any time if it determines, after a hearing, that continued activity will probably cause serious harm or damage to life (including fish and other aquatic life), property, any mineral, national security or defense, or the marine, coastal, or human environment; that the threat of harm or damage will not disappear or decrease to an acceptable level within a reasonable period of time; and the advantages of cancellation outweigh the advantages of continuing the lease.

(e) BOEM may cancel your lease at any time after operations under the lease have been suspended or temporarily prohibited by the Department continuously for a period of five years pursuant to paragraph (d) of this section, absent your request for a shorter period.

(f) If, upon demand, you fail to provide a bond, or alternative type of security instrument acceptable to BOEM,

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the Regional Director may assess penalties or cancel your lease in accordance with part 550, subpart N of this chapter;

(g) Title 30, part 550, subpart A of the CFR provides the procedures for lease cancellation and compensation, if applicable.

### Subpart L—Leases Maintained Under Section 6 of OCSLA

#### § 556.1200 Effect of regulations on lease.

(a) All regulations in this part, insofar as they are applicable, will supersede the provisions of any lease that is maintained under section 6(a) of the Act. However, the provisions of a lease relating to area, minerals, rentals, royalties (subject to sections 6(a)(8) and (9) of the Act), and term (subject to section 6(a)(10) of the Act and, as to sulfur, subject to section 6(b)(2) of the Act) will continue in effect, and, in the event of any conflict or inconsistency, will take precedence over these regulations.

(b) A lease maintained under section 6(a) of the Act is also subject to all operating and conservation regulations applicable to the OCS. In addition, the regulations relating to geophysical and geological exploratory operations and to pipeline ROW(s) are applicable, to the extent that those regulations are not contrary to or inconsistent with the lease provisions relating to area, minerals, rentals, royalties and term. The lessee must comply with any provision of the lease as validated, the subject matter of which is not covered in the regulations in this part.

#### § 556.1201 Section 6(a) leases and leases other than those for oil, gas, or sulfur.

The existence of an oil and gas lease maintained under section 6(a) of the Act precludes only the issuance in the same area of an oil and gas lease under OCSLA, but does not preclude the issuance of other types of leases under OCSLA. However, no other lease may authorize or permit the lessee thereunder unreasonably to interfere with or endanger operations under the existing lease. The United States will not grant any sulfur leases on any area

that is included in a lease covering sulfur under section 6(b) of the Act.

### Subpart M—Environmental Studies

#### § 556.1300 Environmental studies.

(a) The Director will conduct a study or studies of any area or region included in any oil and gas lease sale or other lease in order to establish information needed for assessment and management of impacts on the human, marine and coastal environments which may be affected by OCS oil and gas or other mineral activities in such area or region. The purposes of such studies will include, to the extent practicable, analyses of the impacts of pollutants introduced into the environments and impacts of offshore activities on the seabed and affected coastal areas.

(b) Studies will be planned and carried out in cooperation with the affected States and interested parties and, to the extent possible, will not duplicate studies done under other laws. Where appropriate, the Director will, to the maximum extent practicable, coordinate with the National Oceanic and Atmospheric Administration (NOAA) in executing its environmental studies responsibilities. The Director may also make agreements for the coordination with, or the use of the services or resources of, any other Federal, State or local government agency in the conduct of such studies.

(c) Any study of an area or region required by paragraph (a) of this section for a lease sale will be commenced not later than six months prior to holding a lease sale for that area. The Director may use information collected in any prior study. The Director may initiate studies for an area or region not identified in the leasing program.

(d) After the leasing and developing of any area or region, the Director will conduct such studies as are deemed necessary to establish additional information and will monitor the human, marine and coastal environments of such area or region in a manner designed to provide information, which can be compared with the results of studies conducted prior to OCS oil and gas development. This will be done to identify any significant changes in the

quality and productivity of such environments, to establish trends in the area studies, and to design experiments identifying the causes of such changes. Findings from such studies will be used to recommend modifications in practices that are employed to mitigate the effects of OCS activities and to enhance the data/information base for predicting impacts which might result from a single lease sale or cumulative OCS activities.

(e) Information available or collected by the studies program will, to the extent practicable, be provided in a form and in a timeframe that can be used in the decision-making process associated with a specific leasing action or with longer term OCS minerals management responsibilities.

## PART 560—OUTER CONTINENTAL SHELF OIL AND GAS LEASING

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#### GENERAL PROVISIONS

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AUTHORITY: Section 104, Public Law 97–451, 96 Stat. 2451 (30 U.S.C. 1714), Public Law 109–432, Div C, Title I, 120 Stat. 3000; 30 U.S.C. 1751; 31 U.S.C. 9701; 43 U.S.C. 1334; 33 U.S.C. 2704, 2716; E.O. 12777, as amended; 43 U.S.C. 1331 *et seq.*, 43 U.S.C. 1337.

SOURCE: 76 FR 64623, Oct. 18, 2011, unless otherwise noted.

### Subpart A—General Provisions

#### § 560.100 Authority.

(a) The Outer Continental Shelf Lands Act (OCSLA) (43 U.S.C. 1334) (“Outer Continental Shelf Lands Act Amendments of 1978”).

(b) The Federal Oil and Gas Royalty Management Act, as amended (FOGRMA) (30 U.S.C. 1711), including the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996, (30 U.S.C. 1701 note).

(c) The Independent Offices Appropriations Act of 1952 (31 U.S.C. 9701).

(d) Public Law 89–554, 1966 (5 U.S.C. 301).

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