

**UNITED STATES DEPARTMENT OF THE INTERIOR  
BUREAU OF OCEAN ENERGY MANAGEMENT**

NTL No. 2015-N04

Effective Date: August 17, 2015

NOTICE TO LESSEES AND OPERATORS OF FEDERAL OIL AND GAS,  
AND SULPHUR LEASES, HOLDERS OF PIPELINE RIGHTS-OF-WAY AND RIGHT-OF-  
USE AND EASEMENT GRANTS, AND GEOLOGICAL AND GEOPHYSICAL TEST WELL  
PERMITS IN THE OUTER CONTINENTAL SHELF

**General Financial Assurance**

**I. Introduction**

This Notice to Lessees and Operators (NTL) supersedes NTL No. 2000-G16, dated September 7, 2000. This NTL provides updates to bureau names and citations that changed as a result of the reorganization of the former Minerals Management Service (MMS), and broadens the scope of the superseded NTL to a National NTL that covers all Bureau of Ocean Energy Management (BOEM) general bond (financial assurance) requirements. This NTL clarifies BOEM's implementation of the requirements for general financial assurance applicable to oil and gas, and sulphur leases, pipeline rights-of-way (ROW) and right-of-use-and-easement (RUE) grants and a specific type of permit issued by BOEM. Such general financial assurance is necessary to ensure that you fully comply with all financial and performance obligations arising from the lease, grant, or permit and applicable regulations.

This NTL does not address additional security that the Regional Director (RD) may require pursuant to 30 CFR § 556.53(d). Nor does this NTL address the requirements for oil spill financial responsibility, which are set forth in 30 CFR Part 553.

**II. Authority and Background**

The Outer Continental Shelf Lands Act (OCSLA), 43 U.S.C. § 1331 *et seq.*, charges the Department of the Interior (DOI) with administering leasing on the Outer Continental Shelf (OCS). Under the delegated authority of the Secretary of the Interior, BOEM requires that entities engaging in activities on the OCS demonstrate sufficient financial wherewithal to be able to meet all of their legal obligations. The system set up by BOEM's regulations allows entities to use surety bonds and other means of financial assurance to guarantee compliance with these obligations. Generally, there are three stages in the life of a lease when general financial assurance is required: (1) at the time of lease issuance, (2) concurrent with the approval of an Exploration Plan (EP), and (3) concurrent with the approval of a Development and Production Plan (DPP) or a Development Operations Coordination Document (DOCD).

This NTL explains the procedures that BOEM Regional Directors will use when requiring general financial assurance and applies to all OCS oil and gas, and sulphur leases, pipeline ROWs (*see* 30 CFR § 550.1011(a)(1)), RUEs (*see* 30 CFR § 550.160(c) and § 550.166(a)), and

G&G (Geological and Geophysical) permits issued for test well drilling activities (*see* 30 CFR §§ 551.7(d)(1) and (d)(3)).

### **III. Definitions**

*General financial assurance* means, as appropriate, the financial assurance required by the following sections of BOEM’s regulations: 30 CFR §§ 550.166(a), 550.1011(a)(1), 551.7(d)(1), 556.52, 556.53(a), 556.53(b), and, when applicable, § 556.53(c), and that amount of financial assurance that the RD may prescribe for a Federal lessee’s RUE under 30 CFR § 550.160(c) or for a G&G permit for the drilling of a shallow test well under 30 CFR § 551.7(d)(3).

*You* means the owner of a record title interest in a lease, the owner of an operating rights interest in a lease, a designated operator acting as an agent of a record title or operating rights interest owner, a ROW holder, a RUE holder, and any individual or organization that requests a G&G permit from BOEM and is required by BOEM’s regulations, or by the BOEM Regional Director, to provide financial assurance as a condition of the permit’s approval.

### **IV. Policy**

#### **When am I required to provide general financial assurance?**

As provided in BOEM’s regulations, you are required to provide general financial assurance before BOEM will issue you a new lease, grant, or a G&G permit for the drilling of a deep stratigraphic test well; approve the assignment or transfer of an existing lease or grant interest; or approve an operational activity plan (EP, DPP, or DOCD). The Regional Director may require general financial assurance before the issuance of G&G permit for the drilling of a shallow test well. BOEM will also review your general financial assurance coverage after any corporate merger or consolidation, business conversion, and/or name change; and whenever you submit an EP, a DPP, or a DOCD, or a revised, modified, resubmitted, or supplemental EP, DPP, or DOCD. Where a designated operator has submitted the required general financial assurance on your behalf, BOEM will review such financial assurance coverage if you submit a request for approval, or change, of the designated operator.

The required general financial assurance must be in place before activities under a plan or relevant permit may commence.

#### **Who must provide general financial assurance?**

With respect to a lease, a record title owner or operating rights owner must submit the required general financial assurance. (See 30 CFR § 556.52(a)) A designated operator may submit the required general financial assurance on the record title owner’s or operating rights owner’s behalf, pursuant to 30 CFR § 556.52(c). With respect to a grant or permit, the general financial assurance must be provided by the holder of the grant or permit.

The submittal of general financial assurance by a designated operator does not relieve a record title owner, operating rights owner, or any other liable parties of their obligations to comply with any of the terms and conditions of the lease.

## **How much general lease financial assurance coverage do I need to provide?**

The level of activity on your lease will determine the amount of general financial assurance coverage that is required. BOEM will designate each lease, grant, or permit as “Pre-Operational,” “Exploration,” or “Development” and will assign the appropriate amount of required coverage, as follows:

1. Pre-Operational - The general financial assurance required for leases, grants, and permits on, or pursuant to, which there are no operations is established in 30 CFR § 556.52 (a)(1) and (2). You do not need to provide general financial assurance if your lease, grant, or on-lease G&G permit is already covered by lease-specific or area-wide lease financial assurance provided in compliance with the regulations cited in items 2 or 3 below.
2. Exploration - The general financial assurance required for leases included in an existing or proposed EP is established in 30 CFR § 556.53(a). You do not need to provide general financial assurance if the leases in that existing or proposed EP are already covered by financial assurance provided in compliance with the regulation cited in item 3 below.
3. Development - The general financial assurance required for leases covered by an existing or proposed DPP or DOCD is established in 30 CFR § 556.53(b).
4. ROW - The general lease financial assurance required for ROWs is established in 30 CFR § 550.1011.
5. Federal Lessee’s RUE – The general financial assurance required under 30 CFR § 550.160(c) for a RUE on the OCS, held by a Federal lessee, will be determined by the RD on a case-by-case basis, based on his/her consideration of the information provided to BOEM pursuant to 30 CFR § 550.161.
6. State Lessee’s RUE – The general financial assurance required for a RUE on the OCS held by a State lessee is established in 30 CFR § 550.166.
7. G&G Permits - If you are performing G&G activities on your lease, including the drilling of test wells, no permit is required and your general financial assurance for your lease covers the G&G activities. If you are performing *off-lease* G&G activities that include the drilling of test wells, a permit is required for such drilling. The general financial assurance required for the drilling of a deep stratigraphic test well is established under 30 CFR § 551.7(d)(1). The RD may require general financial assurance, on a case-by-case basis, under 30 CFR § 551.7(d)(3), before authorizing you to drill a shallow test well.

## **What type of general financial assurance do I need to provide?**

To satisfy the requirement to provide general financial assurance, you may, pursuant to 30 CFR § 556.54(b), provide bonds issued by a surety certified by the U.S. Department of the Treasury (see Treasury Circular No. 570, <http://www.gpo.gov/fdsys/>, and <http://www.fiscal.treasury.gov/fsreports/ref/suretyBnd/c570.htm>) or, in lieu of bonds, you may, pursuant to 30 CFR § 556.52(f), provide U.S. Treasury securities that are negotiable at the time of submission for an amount at least equal to the value of the required general financial assurance.

The Regional Director may also approve the use of alternatives to U.S. Treasury-certified bonds and U.S. Treasury securities provided the interests of the U.S. Government are protected to the same extent as they would be with the use of the named financial instruments. (*See* 30 CFR § 556.52(g)).

Pursuant to 30 CFR § 556.52(f)(1), it is the obligation of any organization providing a U.S. Treasury security to BOEM to ensure that the value of that security does not fall below the required amount of general financial assurance, and if it does, to provide additional Treasury securities to bring the value of all securities pledged to an amount equal to the required amount of the general financial assurance.

The date the BOEM Regional Office receives the general financial assurance is the effective date of that general financial assurance.

## **V. Addresses**

### **Where do I submit general financial assurance? And how can I obtain additional general financial assurance information?**

#### **Alaska OCS Region**

Bureau of Ocean Energy Management  
Alaska OCS Region  
Leasing and Financial Responsibility Section  
3801 Centerpoint Drive, Suite 500  
Anchorage, AK 99503-5823

#### **Gulf of Mexico & Atlantic OCS Regions**

Bureau of Ocean Energy Management  
Gulf of Mexico OCS Region  
Leasing and Financial Responsibility Section  
1201 Elmwood Park Boulevard, Mail Stop GM 250E  
New Orleans, LA 70123-2394  
GOMR Leasing & Financial Responsibility Section at (504) 736-2435

#### **Pacific OCS Region**

Bureau of Ocean Energy Management  
Pacific OCS Region  
Lease Management Section  
760 Paseo Camarillo, Suite 102, Mail Stop CM 215  
Camarillo, CA 93010

You can also visit (<http://www.fiscal.treasury.gov/fsreports/ref/suretyBnd/c570.htm>), and print all financial assurance forms from PDF documents located at this Internet web address (<http://www.boem.gov/Bonding/>).

## **VI. Guidance Document Statement**


BOEM issues NTLs as guidance documents in accordance with 30 CFR § 550.103 to clarify and provide more detail about certain BOEM regulatory requirements and to outline the information to be provided in various submittals. Under that authority, this NTL sets forth a policy on, and an interpretation of, regulatory requirements to provide a clear and consistent approach for complying with those requirements.

### **Paperwork Reduction Act of 1995 Statement**

The collection of information referred to in this NTL provides BOEM with information necessary to implement the requirements contained in 30 CFR Part 556, 30 CFR Part 550 Subparts A and B, and 30 CFR Part 551. The Office of Management and Budget (OMB) has approved the information collection requirements in these regulations and assigned OMB Control Numbers 1010-0006, 1010-0114, and 1010-0151. This NTL does not impose additional information collection requirements subject to the Paperwork Reduction Act of 1995.

### **Contact**

Submit questions and comments concerning this NTL to [Risk.Management@BOEM.gov](mailto:Risk.Management@BOEM.gov).



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