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## **Title 30 – Mineral Resources**

### **Chapter V – Bureau of Ocean Energy Management, Department of the Interior**

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# PART 556—LEASING OF SULFUR OR OIL AND GAS AND FINANCIAL ASSURANCE REQUIREMENTS IN THE OUTER CONTINENTAL SHELF

**Authority:** 31 U.S.C. 9701; 42 U.S.C. 6213; 43 U.S.C. 1334.

**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, 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 America leases.

[81 FR 18152, Mar. 30, 2016, as amended at 90 FR 24071, June 6, 2025]

## § 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) 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, by mail to the Information Collection Clearance Officer, Bureau of Ocean Energy Management, 45600 Woodland Road, Sterling, VA 20166.

(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.

[81 FR 18152, Mar. 30, 2016, as amended at 89 FR 31590, Apr. 24, 2024]

## § 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 GOA

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

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

GOA Gulf of America

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

USEPA U.S. Environmental Protection Agency

UTM Universal Transverse Mercator coordinate system

WPA Western Planning Area of the GOA

(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).

**Assign** means to convey an ownership interest in an oil, gas, or sulfur lease, ROW grant or RUE grant. For the purposes of this part, "assign" is synonymous with "transfer" and the two terms are used interchangeably.

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

**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.

**Financial assurance** means a surety bond, a pledge of Treasury securities, a decommissioning account, a third-party guarantee, or another form of security acceptable to the BOEM Regional Director, that is used to ensure compliance with obligations under the regulations in this part and under the terms of a lease, a RUE grant, or a pipeline ROW grant.

**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).

**Investment grade credit rating** means an issuer credit rating of BBB- or higher (S&P Global Ratings and Fitch Ratings, Inc.), Baa3 or higher (Moody's Investors Service Inc.), or its equivalent, assigned to an issuer of corporate debt by a nationally recognized statistical rating organization as that term is defined in section 3(a)(62) of the Securities Exchange Act of 1934.

**Issuer credit rating** means a credit rating assigned to an issuer of corporate debt by S&P Global Ratings, by Moody's Investors Service Inc., by Fitch Ratings, Inc., or by another nationally recognized statistical rating organization, as that term is defined in section 3(a)(62) of the Securities Exchange Act of 1934.

**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.

**Predecessor** means a prior lessee or owner of operating rights, or a prior holder of a right-of-use and easement grant or a pipeline right-of-way grant. A predecessor is liable for obligations that accrued or began accruing while it held an ownership interest in that lease or grant.

**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, to construct, secure to the seafloor, use, modify, or maintain platforms, seafloor production equipment, artificial islands, facilities, installations, and/or other devices to support the exploration, development, or production of oil, gas, or sulfur resources from an OCS lease or a lease on State submerged lands.

**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.

**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 interchangeably with the term "bidding unit."

**Transfer** means to convey an ownership interest in an oil, gas, or sulfur lease, ROW grant or RUE grant. For the purposes of this part, "transfer" is synonymous with "assign" and the two terms are used interchangeably.

**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 America 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 this part, means a bidder, a lessee (record title owner), a sublessee (operating rights owner), a Federal or State RUE grant holder, a pipeline ROW grant holder, an assignor or transferor, a designated operator or agent of the lessee or grant holder, or an applicant seeking to become one of the individuals listed in this definition.

[81 FR 18152, Mar. 30, 2016, as amended at 81 FR 70358, Oct. 12, 2016; 89 FR 31580, Apr. 24, 2024; 90 FR 24071, 24072, June 6, 2025]

**§ 556.106 Service fees.**

- (a) The table in this paragraph (a) 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	\$260	§ 556.701(a)
(2) Sublease or Assignment of operating rights interest in Federal oil and gas lease(s) for BOEM approval	\$260	§ 556.801(a)
(3) Required document filing for record purpose, but not for BOEM approval	\$38	§ 556.715(a)
		§ 556.808(a)
(4) Non-required document filing for record purposes	\$38	§ 556.715(b)
		§ 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.

[81 FR 18152, Mar. 30, 2016, as amended at 87 FR 52446, Aug. 26, 2022; 89 FR 70493, Aug. 30, 2024]

## § 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 purpose, 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 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 governor 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.

### **§ 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 America Planning Areas cannot be offered in a sale that is not on the schedule.

[81 FR 18152, Mar. 30, 2016, as amended at 90 FR 24071, June 6, 2025]

## 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 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 section 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.
- (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 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 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 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.
- (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.
- (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 suspension 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.
- (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 operating 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 onshore 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 sublessee must file a designation of operator, 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 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 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.

[81 FR 18152, Mar. 30, 2016, as amended at 89 FR 31593, Apr. 24, 2024]

### **§ 556.704 When may 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, transferee, or sublessee is not in compliance with all applicable regulations and orders, including financial assurance requirements;
  - (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); 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).

[81 FR 18152, Mar. 30, 2016, as amended at 89 FR 31593, Apr. 24, 2024]

### **§ 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.
- (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) 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 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 may BOEM disapprove the transfer of all or part of my operating rights interest?

BOEM may disapprove a transfer of all or part of your operating rights interest:

- (a) When the transferor or transferee is not in compliance with all applicable regulations and orders, including financial assurance requirements;
- (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); or

### § 556.802 When may BOEM disapprove the transfer of all or part of my operating rights interest?

BOEM may disapprove a transfer of all or part of your operating rights interest:

- (a) When the transferor or transferee is not in compliance with all applicable regulations and orders, including financial assurance requirements;
- (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); or

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

[81 FR 18152, Mar. 30, 2016, as amended at 89 FR 31593, Apr. 24, 2024]

### **§ 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*.

### **§ 556.809 [Reserved]**

### **§ 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—Financial Assurance**

### **§ 556.900 Financial assurance requirements for an oil and gas or sulfur lease.**

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

- (a) Before BOEM will issue a new lease to you as the lessee, you or another lessee for the lease must comply with one of the options in paragraphs (a)(1) through (3) of this section. Before BOEM will approve the assignment of a record title interest in an existing lease to you as the lessee, you or another lessee for the lease must provide any supplemental financial assurance required by the Regional Director and also comply with one of the options in paragraphs (a)(1) through (3).
  - (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 America 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 provide alternative types of financial assurance instead of providing a surety bond if the Regional Director determines that the alternative financial assurance protects the interests of the United States to the same extent as a surety 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 deficient financial assurance or to provide supplemental financial assurance upon demand, the Regional Director may:
  - (1) Assess penalties under part 550, subpart N of this subchapter;
  - (2) Request BSEE to suspend production and other operations on your lease in accordance with § 250.173 of this title; and/or
  - (3) Initiate action to cancel your lease.

- (i) In the event you amend your area-wide surety bond covering lease obligations, or obtain a new area-wide lease surety bond, to cover the financial assurance requirements for any RUE(s), your area-wide lease surety bond may be called in whole or in part to cover any or all the obligations on which you default that are associated with your RUE(s) located in the area covered by such area-wide lease surety bond.

[81 FR 18152, Mar. 30, 2016, as amended at 89 FR 31593, Apr. 24, 2024; 90 FR 24071, June 6, 2025]

### § 556.901 Base and supplemental financial assurance.

- (a) You must provide the following financial assurance before commencing any lease exploration activities.

- (1)

- (i) You must furnish the Regional Director \$200,000 in lease exploration financial assurance that guarantees compliance with all the terms and conditions of the lease by the earliest of:

- (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 (b) explains what financial assurance you must provide before lease development and production activities commence.

- (1)

- (i) You must furnish the Regional Director \$500,000 in lease development financial assurance 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.

- (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 Regional Director that you can satisfy your decommissioning and other lease obligations for less than the amount of financial assurance required under paragraph (a)(1) or (b)(1) of this section, the Regional Director may accept financial assurance 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 supplemental financial assurance (*i.e.*, financial assurance above the amounts prescribed in §§ 550.166(a) and 550.1011(a) of this subchapter, § 556.900(a), or paragraphs (a) and (b) of this section) is required to ensure compliance with your lease obligations, including decommissioning obligations; the regulations in this chapter; and the regulations in chapters II and XII of this title. The Regional Director may require you to provide supplemental financial assurance if you do not meet at least one of the following criteria:
  - (1) You have an investment grade credit rating. If any nationally recognized statistical rating organization, as that term is defined in section 3(a)(62) of the Securities Exchange Act of 1934, provides a credit rating for you that differs from that of any other nationally recognized statistical rating organization, BOEM will apply the highest rating for purposes of determining your financial assurance requirements.
  - (2) You have a proxy credit rating determined by the Regional Director that they determine reflects creditworthiness equivalent to an investment grade credit rating, which must be based on audited financial information for the most recent fiscal year (which must include an income statement, balance sheet, statement of cash flows, and the auditor's certificate).
    - (i) The audited financial information for your most recent fiscal year must cover a continuous twelve-month period within the twenty-four-month period prior to your receipt of the Regional Director's determination that you must provide supplemental financial assurance.
    - (ii) In determining your proxy credit rating, the Regional Director may include the total value of the offshore decommissioning liabilities associated with any lease(s) or grants in which you have an ownership interest. Upon the request of the Regional Director, you must provide the information that the Regional Director determines is necessary to properly evaluate the total value of your offshore decommissioning liabilities, including joint ownership interests and liabilities associated with your OCS leases and grants.
  - (3) Your co-lessee or co-grant holder has an issuer credit rating or proxy credit rating that meets the criterion set forth in paragraph (d)(1) or (2) of this section, as applicable. However, the presence of such co-lessee or co-grant holder will allow the Regional Director to not require financial assurance from you only to the extent that you and that co-lessee or co-grant holder share accrued liabilities, and the Regional Director may require you to provide supplemental financial assurance for decommissioning obligations for which such co-lessee or co-grant holder is not liable.
  - (4) There are proved oil and gas reserves on the lease, unit, or field, as defined by the SEC Regulation S-X at 17 CFR 210.4-10 and SEC Regulation S-K at 17 CFR 229.1200, the discounted value of which exceeds three times the estimated undiscounted cost of the decommissioning associated with the production of those reserves, and that value must be based on proved reserve reports submitted to

the Regional Director and reported on a per-lease, unit, or field basis. BOEM will determine the decommissioning costs associated with the production of your reserves, and will use the following undiscounted decommissioning cost estimates:

- (i) Where BSEE-generated probabilistic estimates are available, BOEM will use the estimate at the level at which there is a 70 percent probability that the actual cost of decommissioning will be less than the estimate (P70).
  - (ii) If there is no BSEE probabilistic estimate available, BOEM will use the BSEE-generated deterministic estimate.
- (e) You may satisfy the Regional Director's demand for supplemental financial assurance by increasing the amount of your existing financial assurance or providing additional surety bonds or other types of acceptable financial assurance.
- (f) The Regional Director will use the BSEE P70 decommissioning probabilistic estimate to determine the amount of supplemental financial assurance required to guarantee compliance when there is no lessee or co-lessee that meets the criterion in paragraph (d)(1) or (2) of this section. In making this determination, the Regional Director will also consider your potential underpayment of royalty and cumulative decommissioning obligations. Note that BOEM will use these P-values only in the context of determining how much financial assurance is required, and not in the context of bond forfeiture. Regardless of whether you are required to provide supplemental financial assurance at the P70 level, you remain liable for the full costs of decommissioning, and your surety remains liable for the full amount of decommissioning up to the limit of assurance provided.
- (g) If your cumulative potential obligations and liabilities either increase or decrease, the Regional Director may adjust the amount of supplemental financial assurance required.
  - (1) If the Regional Director proposes an adjustment, the Regional Director will:
    - (i) Notify you and your financial assurance provider of any proposed adjustment to the amount of financial assurance 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 supplemental financial assurance required, or oppose the amount of a proposed adjustment, you must submit evidence to the Regional Director demonstrating that the projected amount of royalties due to the United States Government and the estimated costs of decommissioning are less than the required financial assurance amount. Upon review of your submission, the Regional Director may reduce the amount of financial assurance required.
- (h) During the first 3 years from June 24, 2024, you may, upon receipt of a demand letter for supplemental financial assurance under this section, request that the Regional Director allow you to provide, in three equal installments payable according to the schedule provided under this paragraph (h), the full amount of supplemental financial assurance required.
  - (1) If the Regional Director allows you to provide the amount required on such a phased basis, you must comply with the following:
    - (i) You must provide the initial one-third of the total supplemental financial assurance required within the timeframe specified in the demand letter or, if no timeframe is specified, within 60 calendar days of the date of receipt of the demand letter.

- (ii) You must provide the second one-third of the required supplemental financial assurance to BOEM within 24 months of the date of receipt of the demand letter.
  - (iii) You must provide the final one-third of the required supplemental financial assurance to BOEM within 36 months of the date of receipt of the demand letter.
- (2) If the Regional Director allows you to meet your supplemental financial assurance requirement in a phased manner, as set forth in this section, and you fail to timely provide the required supplemental financial assurance to BOEM, the Regional Director will notify you of such failure. You will no longer be eligible to meet your supplemental financial assurance requirement in the manner prescribed in this paragraph (h), and the remaining amount due will become due 10 calendar days after such notification is received.

[81 FR 18152, Mar. 30, 2016, as amended at 31594, Apr. 24, 2024]

### § 556.902 General requirements for bonds or other financial assurance.

- (a) Any surety bond or other financial assurance that you, as record title owner, operating rights owner, grant holder, or operator, provide under this part, or under part 550 of this subchapter, must:
  - (1) Be payable upon demand to the Regional Director;
  - (2) Guarantee compliance with all your obligations under the lease or grant, the regulations in chapters II and XII of this title, and all BOEM and BSEE orders; and
  - (3) Except as stated in § 556.905(b), guarantee compliance with the obligations of all record title owners, operating rights owners, and operators on the lease, and all grant-holders on a grant.
- (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) A pledge of 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.

- (g) If you believe that BOEM's supplemental financial assurance demand is unjustified, you may request an informal resolution of your dispute in accordance with the requirements of § 590.6 of this chapter. Your request for an informal resolution will not affect your right to request to meet your supplemental financial assurance requirement in a phased manner under § 556.901(h).
- (h) You may file an appeal of a supplemental financial assurance demand with the Interior Board of Land Appeals (IBLA) pursuant to the regulations in part 590 of this chapter. However, if you request that the IBLA stay the demand pending a final ruling on your appeal, you must post an appeal surety bond equal to the amount of the demand that you seek to stay before any such stay is effective.

[81 FR 18152, Mar. 30, 2016, as amended at 89 FR 31595, Apr. 24, 2024]

### § 556.903 Lapse of financial assurance.

- (a) If your surety, guarantor, or the financial institution holding or providing your financial assurance becomes bankrupt or insolvent, or has its charter or license suspended or revoked, any financial assurance coverage from such surety, guarantor, or financial institution must be replaced. You must notify the Regional Director within 72 hours of learning of such event, and, within 30 calendar days of learning of such event, you must provide other financial assurance from a different financial assurance provider in the amount required under §§ 556.900 and 556.901, or § 550.166 of this subchapter, or § 550.1011 of this subchapter.
- (b) You must notify the Regional Director within 72 hours of learning of any action filed alleging that you are insolvent or bankrupt or that your surety, guarantor, or financial institution is insolvent or bankrupt or has had its charter or license suspended or revoked. All surety bonds or other financial assurance instruments must require the surety, guarantor, or financial institution to timely provide this required notification both to you and directly to BOEM.

[89 FR 31595, Apr. 24, 2024]

### § 556.904 Decommissioning accounts.

- (a) The Regional Director may authorize you to establish a decommissioning account(s) in a federally insured financial institution to satisfy a supplemental financial assurance demand made pursuant to § 556.901(d), § 550.166(b) of this subchapter, or § 550.1011(d) of this subchapter. The decommissioning account must be set up in such a manner that funds may not be withdrawn without the written approval of the Regional Director.
  - (1) Funds in the account must be used only to meet your decommissioning obligations and must be payable upon demand to BOEM.
  - (2) You must fully fund the account to cover all decommissioning costs as estimated by BSEE, to the amount, and pursuant to the schedule, that the Regional Director prescribes.
  - (3) If you fail to make the initial payment or any scheduled payment into the decommissioning account and you fail to correct a missed payment within 30 days, you must immediately submit, and subsequently maintain, a surety bond or other financial assurance in an amount equal to the remaining unfulfilled portion of the supplemental financial assurance demand.

- (b) Any interest paid on funds in a decommissioning account will become part of the principal funds in the account unless the Regional Director authorizes in writing the payment of the interest to the party who deposits the funds.
- (c) The Regional Director may authorize or require you to create an overriding royalty, production payment obligation, or other revenue stream for the benefit of an account established as financial assurance for the decommissioning of your lease(s) or RUE or pipeline ROW grant(s). The obligation may be associated with oil and gas or sulfur production from a lease other than a lease or grant secured through the decommissioning account.
- (d) BOEM may provide funds from the decommissioning account to the party that performs the decommissioning in response to a BOEM or BSEE order to perform such decommissioning or to cover the costs thereof. BOEM will distribute the funds from the decommissioning account upon presentation of paid invoices for reasonable and necessary costs incurred by the party performing the decommissioning.

[89 FR 31595, Apr. 24, 2024]

### § 556.905 Third-party guarantees.

- (a) The Regional Director may accept a third-party guarantee to satisfy a supplemental financial assurance demand made pursuant to § 556.901(d), § 550.166(b) of this subchapter, or § 550.1011(d) of this subchapter, if:
  - (1) The guarantor meets the credit rating or proxy credit rating criterion set forth in § 556.901(d)(1) or (2), as applicable; and
  - (2) The guarantor or guaranteed party submits a third-party guarantee agreement containing each of the provisions in paragraph (d) of this section.
- (b) Notwithstanding § 556.902(a)(3), a third-party guarantor may, as agreed to by BOEM at the time the third-party guarantee is provided, limit its cumulative obligations to a fixed dollar amount or limit its obligations so as to cover the performance of one or more specific lease obligations (with no fixed dollar amount).
- (c) If, during the life of your third-party guarantee, your guarantor no longer meets the criterion referred to in paragraph (a)(1) of this section, you must, within 72 hours of so learning:
  - (1) Notify the Regional Director; and
  - (2) Submit, and subsequently maintain, a surety bond or other financial assurance covering those obligations previously secured by the third-party guarantee.
- (d) Your third-party guarantee must contain each of the following provisions:
  - (1) If you fail to comply with the terms of any lease or grant covered by the guarantee, or any applicable regulation, your guarantor must either:
    - (i) Take corrective action to bring the lease or grant into compliance with its terms or any applicable regulation, to the extent covered by the guarantee; or
    - (ii) Be liable under the third-party guarantee agreement to provide, within 7 calendar days, sufficient funds for the Regional Director to complete such corrective action to the extent covered by the guarantee. Such payment does not result in the cancellation of the guarantee, but instead reduces the remaining value of the guarantee in an amount equal to the payment.

- (2) 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 calendar 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 the guarantee; and
  - (iii) Remain liable for all liabilities that accrued or began accruing prior to the termination and responsible for all work and workmanship performed during the period of liability.
- (3) Before the termination of the period of liability of the third-party guarantee, you must provide acceptable replacement financial assurance.
- (e) If you or your guarantor request BOEM to cancel your third-party guarantee, BOEM will cancel the guarantee under the same terms and conditions provided for cancellation of supplemental financial assurance and return of pledged financial assurance in § 556.906(b) and/or (d)(3).
- (f) The guarantor or guaranteed party must submit a third-party guarantee agreement that meets the following criteria:
  - (1) The third-party guarantee agreement must be executed by your guarantor and all persons and parties bound by the agreement.
  - (2) The third-party guarantee agreement must bind, jointly and severally, each person and party executing the agreement.
  - (3) When your guarantor is a corporate entity, two corporate officers who are authorized to bind the corporation must sign the third-party guarantee agreement.
- (g) Your corporate guarantor and any other corporate entities bound by the third-party guarantee agreement must provide the Regional Director copies of:
  - (1) The authorization of the signatory corporate officials to bind their respective corporations;
  - (2) An affidavit certifying that the agreement is valid under all applicable laws; and
  - (3) Each corporation's corporate authorization to enter into the third-party guarantee agreement.
- (h) If your third-party guarantor or another party bound by the third-party guarantee agreement is a partnership, joint venture, or syndicate, the third-party guarantee agreement must:
  - (1) Bind each partner or party who has a beneficial interest in your guarantor; and
  - (2) Provide that each member of the partnership, joint venture, or syndicate is jointly and severally liable for the obligations secured by the guarantee.
- (i) The third-party guarantee agreement must provide that, in the event forfeiture is called for under § 556.907, your guarantor will either:
  - (1) Take corrective action to bring your lease or grant into compliance with its terms, and the regulations, to the extent covered by the guarantee; or
  - (2) Provide sufficient funds within 7 calendar days to permit the Regional Director to complete such corrective action to the extent covered by the guarantee.

- (j) The third-party guarantee agreement must contain a confession of judgment. It must provide that, if the Regional Director determines that you are in default of the lease or grant covered by the guarantee or not in compliance with any regulation applicable to such lease or grant, the guarantor:
  - (1) Will not challenge the determination; and
  - (2) Will remedy the default to the extent covered by the guarantee.
- (k) Each third-party guarantee agreement is deemed to contain all terms and conditions contained in paragraphs (d), (i), and (j) of this section, even if the guarantor has omitted these terms from the third-party guarantee agreement.

[89 FR 31596, Apr. 24, 2024]

### **§ 556.906 Termination of the period of liability and cancellation of financial assurance.**

This section defines the terms and conditions under which BOEM will terminate the period of liability of, or cancel, financial assurance. Terminating the period of liability ends the period during which obligations continue to accrue, but does not relieve the financial assurance provider of the responsibility for obligations that accrued during the period of liability. Canceling a financial assurance instrument relieves the financial assurance provider 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 your financial assurance provider request termination:
  - (1) The Regional Director will terminate the period of liability under your financial assurance within 90 calendar days after BOEM receives the request; and
  - (2) If you intend to continue operations, or have not met all decommissioning obligations, within 90 calendar days after BOEM receives your termination request, you must provide replacement financial assurance of an equivalent amount.
- (b) If you provide replacement financial assurance, the Regional Director will cancel your previous financial assurance and the previous financial assurance provider will not retain any liability, provided that:
  - (1) The amount of the new financial assurance is equal to or greater than that of the financial assurance that was cancelled, or you provide an alternative form of financial assurance, and the Regional Director determines that the alternative form of financial assurance provides a level of security equal to or greater than that provided by the financial assurance that is proposed to be cancelled;
  - (2) For financial assurance submitted under § 556.900(a), § 556.901(a) or (b), § 550.166(a) of this subchapter, or § 550.1011(a) of this subchapter, the new financial assurance provider agrees to assume all outstanding obligations that accrued during the period of liability that was terminated; and
  - (3) For supplemental financial assurance submitted under § 556.901(d), § 550.166(b) of this subchapter, or § 550.1011(d) of this subchapter, the new financial assurance provider agrees to assume that portion of the outstanding obligations that accrued during the period of liability that was terminated and that the Regional Director determines may exceed the coverage of the financial assurance submitted under § 556.900(a), § 556.901(a) or (b), § 550.166(a) of this subchapter, or § 550.1011(a) of this subchapter. The Regional Director will notify the provider of the new financial assurance of the amount required.

- (c) This paragraph (c) applies if the period of liability is terminated, but the financial assurance is not replaced with financial assurance of an equivalent amount pursuant to paragraph (b) of this section. The financial assurance provider will continue to be responsible for obligations that accrued prior to the termination of the period of liability:
  - (1) Until the obligations are satisfied; and
  - (2) For additional periods of time in accordance with paragraph (d) of this section.
- (d) BOEM will cancel the financial assurance for your lease or grant, and the Regional Director will return any pledged financial assurance, as shown in the following table:

For the following:	Your financial assurance will be reduced or cancelled, or your pledged financial assurance will be returned:
(1) Financial assurance submitted under § 556.900(a), § 556.901(a) or (b), § 550.166(a) of this subchapter, or § 550.1011(a) of this subchapter.	(i) 7 years after the lease or grant expires or is terminated, 6 years after the Regional Director determines that you have completed all covered obligations, or at the conclusion of any appeals or litigation related to your covered obligations, whichever is the latest. The Regional Director will reduce the amount of your financial assurance or return a portion of your pledged financial assurance if the Regional Director determines that less than the full amount of the financial assurance or pledged financial assurance is required to cover any potential obligations. (ii) [Reserved]
(2) Financial assurance submitted under § 556.901(d), § 550.166(b) of this subchapter, or § 550.1011(d) of this subchapter.	(i) When the lease or grant expires or is terminated and the Regional Director determines you have met your covered obligations, unless the Regional Director: <ul style="list-style-type: none"> <li>(A) Determines that the future potential liability resulting from any undetected problem is greater than the amount of the financial assurance submitted under § 556.900(a), § 556.901(a) or (b), § 550.166(a) of this subchapter, or § 550.1011(a) of this subchapter; and</li> <li>(B) Notifies the provider of financial assurance submitted under § 556.901(d), § 550.166(b) of this subchapter, or 550.1011(d) of this subchapter that the Regional Director will wait 7 years before cancelling all or a part of such financial assurance (or longer period as necessary to complete any appeals or judicial litigation related to your secured obligations).</li> </ul> (ii) At any time when: <ul style="list-style-type: none"> <li>(A) BOEM has determined, using the criteria set forth in § 556.901(d)(1), as applicable, that you no longer need to provide the supplemental financial assurance for your lease, RUE grant, or pipeline ROW grant.</li> <li>(B) The operations for which the supplemental financial assurance was provided ceased prior to accrual of any decommissioning obligation; or</li> <li>(C) Cancellation of the financial assurance is appropriate because, under the regulations, BOEM determines such financial assurance never should have been required.</li> </ul>
(3) Third-party Guarantee under §	(i) When the Regional Director determines you have met your obligations secured by the guarantee (or longer period as necessary to complete any

For the following:	Your financial assurance will be reduced or cancelled, or your pledged financial assurance will be returned:
556.901(d), § 550.166(b) of this subchapter, or § 550.1011(d) of this subchapter.	appeals or judicial litigation related to your obligations secured by the guarantee). (ii) [Reserved]

- (e) For all financial assurance, the Regional Director may reinstate your financial assurance as if no cancellation had occurred if:
  - (1) A person makes a payment under the lease, RUE grant, or pipeline ROW grant, and the payment is rescinded or must be returned 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, RUE grant, or pipeline ROW grant and the representation was materially false when the financial assurance was cancelled.

[89 FR 39516, Apr. 24, 2024]

**§ 556.907 Forfeiture of bonds or other financial assurance.**

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

- (a) The Regional Director will call for forfeiture of all or part of the bond, or other form of financial assurance, including a guarantee you provide under this part, if:
  - (1) You, or any party with the obligation to comply, refuse to comply with any term or condition of your lease, RUE grant, pipeline ROW grant, or any BOEM or BSEE order, or any applicable regulation, or the Regional Director determines that you are unable to so comply; 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 financial assurance.
- (b) The Regional Director may pursue forfeiture of your surety bond or other financial assurance without first making demands for performance against any other record title owner, operating rights owner, grant holder, or other person authorized to perform lease or grant obligations.
- (c) The Regional Director will:
  - (1) Notify you, your surety, guarantor, or the financial institution holding or providing your financial assurance, of a determination to call for forfeiture of your financial assurance, whether it takes the form of a surety bond, guarantee, funds, or other type of financial assurance.
    - (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 will determine the amount to be forfeited based upon an estimate of the total cost of corrective action to bring your lease or grant into compliance, subject, in the case of a guarantee, to any limitation in the guarantee authorized by § 556.905(b).
- (2) Advise you and your financial assurance provider that forfeiture may be avoided if, within five business days:
  - (i) You agree to and demonstrate that you will bring your lease or grant into compliance within the timeframe the Regional Director prescribes; or
  - (ii) The provider of your financial assurance agrees to and demonstrates that it will complete the corrective action to bring your lease or grant into compliance within the timeframe the Regional Director prescribes, even if the cost of compliance exceeds the amount of that financial assurance.
- (d) If the Regional Director finds you are in default under paragraph (a)(1) or (2) of this section, the Regional Director may cause the forfeiture of any financial assurance provided to ensure your compliance with BOEM and BSEE orders, the terms and conditions of your lease or grant, and the regulations in this chapter and chapters II and XII of this title.
- (e) If the Regional Director determines that your financial assurance is forfeited, the Regional Director will:
  - (1) Collect the forfeited amount; and
  - (2) Use the funds collected to bring your lease or grant into compliance and to correct any default.
- (f) If the amount the Regional Director collects under your financial assurance is insufficient to pay the full cost of corrective action, the Regional Director may:
  - (1) Take or direct action to obtain full compliance with your lease or grant and the regulations in this chapter; and
  - (2) Recover from you, any other record title owner, operating rights owner, co-grant holder or, to the extent covered by the guarantee, any third-party guarantor responsible under this subpart, all costs in excess of the amount the Regional Director collects under your forfeited financial assurance.
- (g) If the amount that the Regional Director collects under your forfeited financial assurance exceeds the costs of taking the corrective action required to bring your lease or grant into compliance with its terms and the regulations in this chapter, BOEM and BSEE orders, and chapters II and XII of this title, the Regional Director will return the excess funds to the party from whom they were collected.
- (h) The Regional Director may pay the funds from the forfeited financial assurance to a co- or predecessor lessee or third party who is taking the corrective action required to obtain partial or full compliance with the regulations, BOEM or BSEE orders, and/or the terms of your lease or grant.

[89 FR 31597, Apr. 24, 2024]

## 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 relinquished 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, 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.