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## "Blowout Scenario" and "Worst Case Discharge Scenario" Reporting Requirements

By **Michael P. Pearson** and **Amanda L. Shaw**

In response to the explosion of the Deepwater Horizon and its ongoing environmental impact, President Obama directed the Secretary of the Interior to conduct an investigation and submit a report on ways to improve the safety of oil and gas operations on the Outer Continental Shelf ("OCS"). On May 27, 2010, the Department of the Interior ("DOI") released an extensive report that gave specific recommendations addressing short-term and long-term ways to enhance safety and reduce the risk of potential environmental disasters in connection with OCS drilling operations ("Safety Measures Report").

On May 30, 2010, in its first Notice to Lessees ("NTL") after the oil spill, the Bureau of Ocean Energy Management, Regulation and Enforcement, formally the Minerals Management Service ("BOE") issued NTL No. 2010-N04, which placed a six-month moratorium on drilling new deepwater wells (greater than 500 feet in depth) on the OCS<sup>1</sup>, the operation of which is currently subject to a preliminary injunction.<sup>2</sup>

On June 8, 2010, in its first NTL implementing the recommendations in the Safety Measures Report, the BOE issued NTL No. 2010-05, which imposed on Operators and Chief Executive Officers certain new reporting and certification obligations with regard to safety compliance and blow-out preventer inspection, design and compliance.<sup>3</sup>

On June 18, 2010, in its latest NTL implementing the Safety Measures Report, the BOE issued NTL No. 2010-N06, which requires *all* Operators to submit the following information in connection with the Exploration Plans ("EP"), Development and Production Plans ("DPP") or Development Operations Coordination Documents ("DOCD") that they must file with the BOE under BOE regulations:<sup>4</sup>

- An estimated flow rate, total volume and maximum duration of a potential blowout;
- A discussion of the potential for the well to bridge over, the likelihood for surface intervention to stop the blowout, the availability of a rig to drill a relief well and rig package constraints;
- Estimates of the time it would take to contract for a rig, move it onsite and drill a relief well; and
- A description of the assumptions and calculations used to

determine the volume of a worst case discharge scenario.

NTL No. 2010-N06 rescinds the limitations in NTL No. 2008-G04 with respect to "blowout scenario" and "worst case discharge scenario" information required to be submitted to the BOE.<sup>5</sup>

The increased safety guidelines currently being implemented by the BOE are vague. Failure to meet the requirements mandated by NTL No. 2010-N05 in a timely manner may result in the issuance of an incident of non-compliance or a shut-in order. With respect to shallow water drilling operations, however, it appears that drilling operations can resume once all safety requirements have been met.

If you have any questions or would like further information on this topic, please contact one of our Jackson Walker attorneys below for additional assistance.

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<sup>1</sup>NTL No. 2010-N04 or the " Deepwater Moratorium NTL." See full notice at <http://tinyurl.com/2g5sjgm>

<sup>2</sup>On June 7, 2010, several plaintiffs - primarily service companies who support oil and gas operations on the OCS - brought suit in the United States District Court for the Eastern District of Louisiana. On June 22, 2010, U.S. District Court Judge Martin Feldman issued an order granting plaintiffs' motion for a preliminary injunction against the DOI and the MMS in the case styled Hornbeck Offshore Services, L.L.C. v. Salazar, Civ. No. 10-1663 (E.D. La. June 22, 2010). Within hours of the court's ruling, the Secretary of the Interior announced that a new order and Notice to Lessees would be issued that "eliminates any doubt that a moratorium is needed, appropriate, and within our authorities" and the Department of Justice would appeal the court's ruling. As such, the time frame for resuming deepwater operations remains uncertain.

<sup>3</sup>NTL No. 2010-N05, "Increased Safety Measures for Energy Development on the OCS." See full notice at <http://tinyurl.com/26bexrg>

<sup>4</sup>NTL No. 2010-N06, "Information Requirements for Exploration Plans, Development and Production Plans, and Development Operations Coordination Documents on the OCS." See full notice at <http://tinyurl.com/2a28yrq>

<sup>5</sup>NTL No. 2008-G04, "Information Requirements for Exploration Plans and Development Operations Coordination Documents." See full notice at <http://tinyurl.com/26fwfmg>

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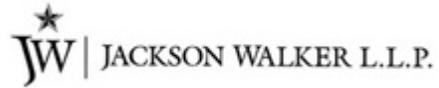
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