

July 01, 2010

Resources

JW Energy Practice Area

JW Energy Attorneys

By Michael P. Pearson and Amanda L. Shaw

JW Energy Publications

Contact JW

www.jw.com

Offices

Austin

100 Congress Avenue
Suite 1100
Austin, TX 78701

Dallas

901 Main Street
Suite 6000
Dallas, TX 75202

Fort Worth

777 Main Street
Suite 2100
Fort Worth, TX 76102

Houston

1401 McKinney Street
Suite 1900
Houston, TX 77010

San Angelo

301 W. Beauregard
Avenue
Suite 200
San Angelo, TX 76903

San Antonio

112 E. Pecan Street
Suite 2400
San Antonio, TX 78205

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

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 OCS¹, the operation of which is currently subject to a preliminary injunction.²

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.³

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:⁴

- 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.⁵

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.

Michael P. Pearson – 713.752.4311 – mpearson@jw.com

Amanda L. Shaw – 713.752.4528 – ashaw@jw.com

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

²On 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.

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

⁴NTL 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/2a28yqr>

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

If you wish to be added to this e-Alert listing, please [SIGN UP HERE](#). If you wish to follow the JW Energy group on Twitter, please [CLICK HERE](#).

Austin

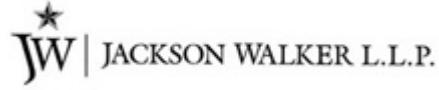
Dallas

Fort Worth

Houston

San Angelo

San Antonio



Energy e-Alert is published by the law firm of Jackson Walker L.L.P. to inform readers of relevant information in energy law and related areas. It is not intended nor should it be used as a substitute for legal advice or opinion which can be rendered only when related to specific fact situations. For more information, please call 1.866.922.5559 or visit us at www.jw.com.

©2010 Jackson Walker L.L.P.

[Click here to unsubscribe your e-mail address](#)
901 Main Street, Suite 6000 | Dallas, Texas 75202