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Department of the Interior Finalizes Restructuring of the Former Minerals Management Service

By **Michael P. Pearson**, **Amanda Shaw** and **Ben Rhem**

On October 1, 2011, the U.S. Department of the Interior (DOI) completed the final stage of the regulatory reorganization of the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE), the former Minerals Management Service (MMS), which was initiated largely in response to the Deepwater Horizon explosion and resulting oil spill on the Outer Continental Shelf (OCS) in the Gulf of Mexico. The DOI asserts that the split was necessary to create independent agencies whose main functions include: ensuring the balanced and responsible development of energy resources on the OCS; monitoring and enforcing environmental rules and regulations applicable to drilling operations on the OCS; and providing unbiased enforcement of significant revenue collection and disbursement activities. The reorganization was designed to alleviate perceived internal conflicts of interest within the former MMS by separating the functions among three new agencies and providing clear jurisdictional boundaries for each new agency.

In October 2010, the revenue collection function was transferred out of BOEMRE to the Office of Natural Resources Revenue (ONRR), which controls revenue collection and falls under the jurisdiction of DOI's Office of Policy, Management and Budget. The DOI's October 1, 2011, actions divide the remaining functions of BOEMRE between the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE).

As a result of the reorganization, ONRR is responsible for the collection and disbursement of all royalty payments, rentals, bonuses, fines, penalties, and other revenue generated from the leasing and production of natural resources from the OCS. ONRR is also charged with the task of auditing lessees for compliance with their lease obligations, including payment of royalties and other financial obligations of the lessee.

BOEM is responsible for managing the development of the nation's natural resources on the OCS. All leasing, environmental studies, and resource evaluations will fall under BOEM's jurisdiction. BOEM is also charged with reviewing and approving assignments of record title interests and operating rights interests in OCS leases. The reorganization also added a new section to the BOEM with respect to the Gulf of Mexico OCS Region that is responsible for handling the management of leasing, exploration plans, development plans, and development operations coordination documents.

Finally, BSEE is charged with developing and enforcing safety and environmental regulations, all permitting for offshore exploration, development and production, inspections, oil spill response, and training and environmental compliance programs. BSEE is also responsible for reviewing and approving pooling and unitization arrangements.

The three agencies are required to develop separate forms for the documentation required by each agency. The individual agencies have developed a number of new forms, although they also continue to use many of the old MMS or BOEMRE forms. Operators may face additional delays in obtaining permits or other required approvals if the operator submits a request for a permit or approval using a superseded form. It is important that industry participants closely review all forms before filing and that they contact the relevant agency to ensure the appropriate forms are being filed with the appropriate agency during this transition period.

It is also important to recognize that, since the three agencies are now separate and independent, one agency's decision may affect the timing and result of another agency's decision. For example, after obtaining an OCS lease from BOEM, the lessee must comply with certain lease obligations, including the commencement of drilling. At the same time, the lessee is required to obtain necessary permits to drill from BSEE. In this situation, the lessee may face permitting delays under the jurisdiction of BSEE while still having to comply with its lease obligations under the jurisdiction of BOEM. Thus, careful planning and coordination will be necessary when operating under the new regulatory structure.

For detailed information about the functions of the newly created agencies, you can view an excerpt of the Final Rule by [clicking here](#).

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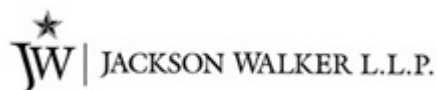
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