OFFICE OF
INSPECTOR GENERAL
U.S.DEPARTMENT OF THE INTERIOR

THE BUREAU OF SAFETY AND ENVIRONMENTAL ENFORCEMENT'S DECOMMISSIONING PROGRAM

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Memorandum

To: Scott A. Angelle
           Director, Bureau of Safety and Environmental Enforcement

From: Kimberly McGovern
           Assistant Inspector General for Audits, Inspections, and Evaluations

Subject: Closeout Memorandum – The Bureau of Safety and Environmental
           Enforcement's Decommissioning Program
           Assignment No. 2016-EAU-063

We reviewed the Bureau of Safety and Environmental Enforcement (BSEE) to determine if it was overseeing and enforcing offshore oil and gas decommissioning[1] requirements for idle infrastructure[2] on the Outer Continental Shelf (OCS). Overall, we learned that BSEE has not yet implemented decommissioning policies and procedures at the national level. We plan to initiate a review within the next 2 years, which will allow BSEE the opportunity to develop and implement a bureauwide decommissioning policy.

We found that while BSEE established policies and procedures on reviewing idle infrastructure in the Gulf of Mexico Region, the policies and procedures were never implemented. The Pacific Region did not have policies and procedures for decommissioning idle infrastructure and is not currently requiring operators to do so. Staff in the Pacific Region did not actively identify idle infrastructure, but instead relied on operators to notify them when they are ready to decommission.

BSEE senior management told us the policies have not been implemented because there are concerns that requiring operators to decommission infrastructure will force many into bankruptcy. This happened, in part, because of (1) insufficient headquarters and regional management oversight; (2) BSEE staff's need for training on enforcement procedures; and (3) regional management's concern that enforcing the Federal regulations, by forcing operators to decommission, will push additional operators into bankruptcy.

The senior staff we interviewed in the Pacific Region admitted that they never exercised their authority, while staff in the Gulf of Mexico Region did not believe BSEE had the authority to enforce decommissioning regulations. BSEE's authority for decommissioning comes from the Code of Federal Regulations (30 C.F.R. § 250.1711(b)), which states that BSEE "will order" a lessee or operator to decommission a well if it is not useful for lease operations and is not

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[1] Decommissioning means ending oil, gas, or sulfur operations, removing idle infrastructure, and returning the environment to a condition that meets Federal regulations and BSEE's requirements.

[2] Idle infrastructure is a term BSEE uses for wells, platforms, and pipelines on active leases that are unused or no longer viable.

capable of production in paying quantities.[3] BSEE also has the authority to issue regulatory guidance in the form of Notices to Lessees and Operators (NTLs) to clarify and supplement existing requirements in accordance with 30 C.F.R. § 250.103.

The NTL 2010-G05, "Decommissioning Guidance for Wells and Platforms," clarifies and provides additional information on the regulatory requirements for decommissioning idle infrastructure. BSEE issued the NTL in response to an internal control review that estimated approximately one out of every three structures in the Gulf of Mexico were classified as idle. The NTL states that this idle infrastructure poses a potential threat to the environment if destroyed or damaged, which creates a greater financial liability for the regulated companies and potentially the Federal Government.

Once BSEE has the opportunity to implement decommissioning policies, we will perform our review. We appreciate the cooperation and assistance provided by your staff during our review. If you have any questions regarding this memorandum, please contact me at 202-208-5745.

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[3] The production of enough oil, gas, sulfur, or other minerals to yield a positive stream of income after subtracting normal expenses.

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