

# Small Entity Compliance Guide

## Risk Management and Financial Assurance for OCS Lease and Grant Obligations (30 C.F.R. parts 550, 556, and 590)

### Introduction

In accordance with the Small Business Regulatory Enforcement Fairness Act (SBREFA) of 1996, the Bureau of Ocean Energy Management (BOEM) has created this compliance guide to assist small entities such as small businesses, small organizations, and small governmental jurisdictions in complying with BOEM's final rule on *Risk Management and Financial Assurance for OCS Lease and Grant Obligations* ([30 C.F.R. parts 550, 556, and 590](#)). This guide serves as a resource for small entities to better understand the requirements in plain language.

### What is the “Risk” Rule?

The final rule titled *Risk Management and Financial Assurance for OCS Lease and Grant Obligations* included regulatory updates to [30 C.F.R. parts 550, 556, and 590](#), and was effective on June 29, 2024.

Companies provide financial assurance to BOEM in various forms such as surety bonds, decommissioning accounts, or guarantees. This rule simplified and substantially strengthened financial assurance requirements for the offshore oil and gas industry operating on the U.S. Outer Continental Shelf (OCS).

### Why was the Rule Needed?

- Decommissioning costs on the OCS are substantial.
- Existing oil and gas infrastructure is aging.
- The number of oil and gas company bankruptcies is increasing.
- The types of oil and gas companies operating on the OCS have changed.
- Past regulations did not allow BOEM sufficient lead time to assess financial weakness.



### Summary of Key Provisions

- The new rule establishes two metrics by which BOEM will assess a company's financial risk:
  - 1) credit ratings; and
  - 2) the known value of remaining oil and gas reserves on an existing lease area, referred to as proved reserves.
- Companies without an investment-grade credit rating, or a co-lessee with such a rating, or without sufficient proved reserves must provide supplemental financial assurance.
- Current grants holders and lessees cannot rely on the financial strength of prior owners and must now provide their own financial assurance.
- Right-of-Use and Easement (RUE) holders have a \$500k financial assurance requirement.
- Companies appealing and seeking a stay of BOEM supplemental financial assurance demands must provide an appeals bond while the appeal is active.
- During the first three years of the rule, new supplemental financial assurance demands can be provided over a 3-year period.

# Financial Assurance Types

## 1. General Financial Assurance

- Covers all types of lease obligations and extends beyond the end of the lease.
- Required of all lessees (no waivers).
- Companies can have either lease-specific financial assurance or financial assurance for a larger area (i.e., Gulf of America, Alaska, Pacific). The bond amount is based on the level of activity in the area or specific lease. See the amounts in the table below.

## 2. Supplemental Financial Assurance

- Covers all types of lease obligations and extends beyond the end of the lease.
- Two metrics are used to determine if it may be required – a company's credit rating and proved reserves associated with a lease.
- Released after decommissioning is completed/certified by the Bureau of Safety and Environmental Enforcement (BSEE) and the Office of Natural Resources Revenue gives clearance for outstanding

### General Financial Assurance Amounts

Level of Activity	Lease-Specific Amount	Area-Wide Amount
No approved operational activity	\$50,000	\$300,000
Exploration Plan	\$200,000	\$1,000,000
Development Production Plan	\$500,000	\$3,000,000
Pipeline – Right-of-Way (ROW)	N/A	\$300,000
Right-of-Use and Easement (RUE)	N/A	\$500,000

## Credit Ratings

The rule streamlines the number of factors BOEM uses to determine the financial strength of a company. Pursuant to the regulations, a lessee will not need to provide supplemental financial assurance if it has an investment grade credit rating, which means an issuer credit rating (e.g., S&P rating) of BBB- or higher from a Nationally Recognized Statistical Rating Organization (NRSRO).

A lessee seeking to obtain a waiver of supplemental financial assurance requirements that lacks an NRSRO issued credit rating can obtain a proxy credit rating by submitting audited financial statements for BOEM to determine a proxy credit rating. Additionally, supplemental financial assurance requirements can be waived if your co-lessee or co-grant holder has an issuer credit rating or proxy credit rating that meets the requirements of 30 CFR 556.901(d)(1)-(2); however, this waiver of the supplemental requirements is only applicable to shared accrued liabilities. To submit a request for a proxy credit rating, a submission must include a signed auditor's opinion. These can be sent to the following email address: [boemrmos@boem.gov](mailto:boemrmos@boem.gov). Please use the subject line: "Consideration of Tier/Rating Status – Audited Financial Statements – [Company Name]." All financial information submitted to BOEM will be kept confidential pursuant to the Freedom of Information Act (FOIA) and the Department's implementing regulations.



## **Proved Reserves**

The second metric, proved reserves, exempts a lessee from providing the supplemental financial assurance on a specific lease if BOEM determines the lease has a 3:1 ratio of the value of proved reserves to decommissioning liability associated with those reserves. That is, a company can avoid supplemental financial assurance demands on a specific property if BOEM determines the property has \$3 of known remaining oil and gas reserves for every \$1 of estimated decommissioning liability associated with those reserves.

For BOEM to determine the 3:1 ratio, the lessee must provide BOEM with the most current audited reserve report. Please provide a reserve ratio calculation by lease number and highlight which leases do and do not meet the 3:1 ratio requirement of the final rule. You may also calculate the 3:1 ratio by field, but you must provide the associated lease information to BOEM. Do not submit property information by area and block only.

It is the responsibility of all co-lessees to coordinate the reserve information submitted to BOEM. In cases where reserve information for the same lease is separately submitted by multiple co-lessees, and reflects a discrepancy, BOEM will not accept the reserve information, and will notify you that correction and re-submission are required.

Submit the requested information to the following email address: [boemrmos@boem.gov](mailto:boemrmos@boem.gov). Please use the Subject Line of “Reserve Information – [Company Name].”

Once BOEM reviews your reserve information, you will be notified of our determination regarding whether your lease meets the reserve criterion. Incomplete or insufficient reserve information will not be accepted, and the submitting company will be notified and given corrective instructions.

All reserve information will be kept confidential pursuant to FOIA and the Department’s implementing regulations.

## **Third-Party Guarantees**

The rule revised the criteria used to evaluate a potential guarantor, added more flexibility by allowing a third-party guarantee to be used as supplemental financial assurance for a Right-of-Use and Easement or Right-of-Way grant, and provided the option for a third-party guarantor to 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).

Third-party guarantors will now be evaluated using the same credit rating criterion finalized for lessees. Therefore, for BOEM to accept a third-party guarantee in lieu of a lessee providing supplemental financial assurance, the guarantor must have an investment-grade credit rating issued by an NRSRO. The guarantor must provide BOEM with documentation confirming its investment-grade credit rating.

Additionally, BOEM will not provide a template for the third-party guarantee; however, the guarantee must include the provisions listed in 30 CFR 556.905(d). Submit your request to use a third-party guarantee, the guarantee, and any supporting documentation, by email to [boemrmos@boem.gov](mailto:boemrmos@boem.gov). Please use the Subject Line “Guarantee Submittal – [Company Name].” Once BOEM reviews your guarantee and other submitted information, BOEM will notify you if your guarantee is accepted, or whether additional information is needed.





# Company Property and Collateral Reports

For the Gulf of America Region: A Full Company Property and Collateral Report for the Gulf of America Region, summarized by Property Number (Lease, ROW, RUE) and updated monthly, can be found at <https://www.boem.gov/oil-gas-energy/risk-management/property-lists-0>. BOEM requests that you review the full Company Property and Collateral Report and bring any questions, disparities, or disputes to BOEM's attention by email at [boemrmos@boem.gov](mailto:boemrmos@boem.gov). Use the Subject Line "Property Report Disputes – [Company Name]" or "Collateral Report Disputes– [Company Name]." Disparities or disputes over the BSEE P70 values should be directed to BSEE for further reconsideration and resolution. In addition, BOEM will only consider lease ownership or ROW/RUE grant holder status that has been properly recorded through the BOEM Adjudication Section or the BSEE Pipeline Section.

For the Pacific and Alaska Region Property Report, please refer to the region contacts below.

## Forms

If you are required to submit new financial assurance, and are choosing to provide a bond, please fill out the appropriate BOEM Form completely. Do not add any additional text to the form outside of the provided fields.

The most current forms are available on our website at: <https://www.boem.gov/oil-gas-energy/leasing/bonding>.

- General Bond Forms:
  - [BOEM Form 2028](#)
  - [BOEM Form 2030](#)
- Supplemental Bond Forms:
  - [BOEM Form 2028A](#)

## Contact Us

For general Risk Rule questions or questions regarding the Gulf of America Region, please contact:

[boemrmos@boem.gov](mailto:boemrmos@boem.gov)

For questions regarding the Pacific Region, please contact:

[Necy.sumait@boem.gov](mailto:Necy.sumait@boem.gov)

For questions regarding the Alaska Region, please contact:

[Joel.immaraj@boem.gov](mailto:Joel.immaraj@boem.gov)

*Congress established the Office of the National Ombudsman in 1996 to assist small businesses when they are subject to excessive enforcement by a federal agency. If you feel we have treated you unfairly or unprofessionally, you may contact the Small Business Administration's National Ombudsman at 1-888-REGFAIR or go to the SBA National Ombudsman website (<https://www.sba.gov/about-sba/oversight-advocacy/office-national-ombudsman>) to file a confidential comment. The Department of the Interior will not retaliate against you in any fashion if you question or lodge a complaint regarding a policy or action of the Department of the Interior or any of its bureaus.*

## Financial Assurance Submission

The fully executed bond form, or form for other financial assurance not addressed above, must be submitted to the BOEM / Leasing and Financial Responsibility Section at the email address below with a transmittal letter requesting BOEM's acceptance, both in pdf format. Please refer to the appropriate region contact below.

The transmittal letter must include a description of the financial assurance being submitted (e.g., type, number, amount, area or property covered, Principal and Surety), a point of contact, contact emails for both the Principal and Surety, and contact emails for any other entities you wish to be on the distribution list for the financial assurance response letter.

- For the Gulf of America Region, submit your financial assurance and transmittal letter to:  
[boemgomrfinancialassurance@boem.gov](mailto:boemgomrfinancialassurance@boem.gov)
- For the Pacific Region, submit your financial assurance and transmittal letter to:  
[Necy.sumait@boem.gov](mailto:Necy.sumait@boem.gov)
- For the Alaska Region, submit your financial assurance and transmittal letter to:  
[Joel.immaraj@boem.gov](mailto:Joel.immaraj@boem.gov)

