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Getting It Right The First Time

"BOEM OCS Adjudication Filings"







Office of Leasing and Plans – Adjudication Section

September 28, 2017

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Getting It Right The First Time: BOEM OCS Adjudication Filings

Adjudication Section Procedures
Qualification Actions, Assignments, Designations of Operator, Relinquishments And Required Non-Required Filings

Presented by:

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Bureau of Ocean Energy Management (BOEM)

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Actions processed by the Adjudication Section

- Company Qualifications
- Qualification Updates
- Mergers
- Name Changes
- Business Conversions
- Assignments (Record Title/Operating Rights)
- Designations of Operator
- Relinquishments
- Required Non-Required Filings
- eWell Forms and TIMS Web

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Company Qualifications and Qualification Updates

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Company Qualifications

In order to bid on, own, hold, or operate on the Outer Continental Shelf (OCS), bidders, record title holders, and operating rights owners must first obtain a qualification number from BOEM per 30 CFR 556.400.

Types of entities allowed by BOEM are as follows:

- Individuals
- Corporations
- Partnerships (Limited and General)
- Limited Liability Companies
- Trusts

- **All documents must clearly state how the name of the entity is to be styled, including capitalization and punctuations**

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Company Qualifications - Individual

In order to qualify an individual (30 CFR 402(b)), you must provide evidence demonstrating that the individual is as follows before BOEM will issue a BOEM qualification number:

- A natural person who is a citizen of the United States or a resident alien.

- A person who is not a natural person must submit evidence that it is authorized to conduct business under the laws of a State, the District of Columbia, or any territory or insular possession subject to United States jurisdiction.

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Company Qualifications - Corporation

In order to establish qualification of a corporation (30 CFR 556.402(1)), the following documents are required to be filed with any BOEM Regional Adjudication Office:

- A statement by the Secretary of the Corporation, over corporate seal, certifying that the corporation is authorized to hold OCS leases; and

- Evidence of authority of holders of positions entitled to bind the corporation, certified by Secretary of the corporation, over corporate seal, such as:
  - Certified copy of resolution of the board of directors with titles of officers authorized to bind corporation;
  - Certified copy of resolutions granting corporate officer authority to issue a power of attorney; or
  - Certified copy of power of attorney or certified copy of resolution granting power of attorney.

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Company Qualifications - Partnerships

In order to establish qualification of a Limited or General Partnership (30 CFR 556.402(2)), the following documents are required to be filed with any BOEM Regional Adjudication Office:

- A statement by an authorized party certifying that the partnership is authorized to hold OCS leases;
- A copy of your signed partnership formation documents, including a partnership agreement;
- A statement from each partner indicating, as appropriate, U.S. citizenship or incorporation or organization; and
- Documentation evidencing the existence of the partnership and that it was properly created from the Secretary of State.

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Company Qualifications - LLC

In order to establish qualification of a Limited Liability Company or Limited Liability Corporation, the following documents are required to be filed with any BOEM Regional Adjudication Office (30 CFR 402 (3)):

- A certificate of formation of the LLC;
- A statement by an individual authorized to bind the LLC, certifying that the LLC is authorized to hold OCS leases;
- A statement from each member indicating, as appropriate, U.S. citizenship or incorporation or organization; and
- Evidence of authority of holders of positions entitled to bind the LLC, certified by an individual authorized to bind the LLC.

Company Qualifications - Trust

In order to establish qualification of a Trust (30 CFR 556.402 (4), the following documents are required to be filed with any BOEM Regional Adjudication Office:

- A copy of the trust agreement or document establishing the trust and all amendments, properly certified by the trustee; and

- A statement indicating the law under which the trust is established and that the trust is authorized to hold OCS leases.

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Company Qualification Updates

Qualification Updates are required for the following types of actions:

- Change of address;
- Change the state of domicile;
- Change a member(s), general and/or limited partner(s), trustee(s), and/or officer(s); The qualified entity has been sold, acquired, changed ownership or filed for or seeking protection via bankruptcy.
- Court appointed trustees;

Qualified entities must provide an email address for Qualification Updates as BOEM now returns approved updates electronically.

Name Changes, Mergers, Business Conversions

Qualification Actions Involving

- Mergers
- Name Changes
- Business Conversions

BOEM must be notified of any merger, name change, or change of business form as soon as practicable, but in no case later than one year after the earlier of the effective date or the date of filing the change or action with the Secretary of State or other authorized official in the State of original registry per (30 CFR 556.405).

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Qualifications - Mergers

- Copy of the Certificate of Merger or Merger Agreement, including a copy of the Certificate of the Secretary of State;
- Notification indicative of the effective date of the merger;
- Statement indicating the State that the surviving entity is incorporated/formed and authorized to hold OCS leases;
- Evidence of authority of persons empowered to execute for and on behalf of the surviving entity;
- Separate Listing of all Leases (Record Title/Operating Rights), ROWs and RUEs listed by region;
- Designation of Operator forms for each lease operator or owner;
- A request that all bonds on file with the merged entity as principal be cancelled, if applicable; and
- Updated Oil Spill Financial Responsibility (OSFR) forms, if applicable.

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Qualifications - Mergers

- Merging of an unqualified company into a BOEM qualified company does not have to be filed with BOEM unless the merger affects the structure of the qualified company;
  - Example: Unqualified corporation merges with a BOEM qualified corporation and BOEM qualified corporation converts to a LLC or other structure. In this example, the Business Conversion must be filed with BOEM.

- A Merger of two BOEM qualified companies must be filed with BOEM.

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Qualifications - Name Changes

- Certificate of Amendment to the Articles indicating the change of name;
- Notification indicative of the effective date of the change of name;
- Evidence of authority of persons empowered to execute for and on behalf of the entity under the new name;
- Statement indicating the state that the entity is incorporated/formed and that it is authorized to hold OCS leases;
- Separate Listing of all Leases (Record Title/Operating Rights), ROWs and RUEs listed by region;
- For each active bond, a rider must be submitted changing the name of the principal on the original bond, if applicable; and
- Updated Oil Spill Financial Responsibility (OSFR) forms, if applicable.

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Qualifications – Business Conversions

Business Conversions are treated as a combination of Company Qualifications and Name Changes. Use the instructions required based off the converted entity. In addition, submit the following:

- A certificate of conversion including the Certificate of the Secretary of State that evidences the filing of the conversion;
- Notification indicative of the effective date of the business conversion;
- Separate Listing of all Leases (Record Title/Operating Rights), ROWs and RUEs listed by region;
- For each active bond, a rider must be submitted changing the name of the principal on the original bond, if applicable; and
- Updated Oil Spill Financial Responsibility (OSFR) forms, if applicable.

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General Rules - Qualifications (Transmittal Letter)

- All documents must clearly state how the name of the entity is to be styled, including capitalization and punctuations.
- A transmittal letter must accompany all actions being submitted and must be on letterhead or stationery of one of the parties to the transfer, including contact information and BOEM qualification number.
- The transmittal letter can be signed by any company representative or a third party if the third party provides a letter of authorization from the qualified party.
- When using generic corporate letterhead, a subsidiary must clearly identify itself by typing its name in the signature block.

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Assignment of Record Title Interest

Form BOEM-0150

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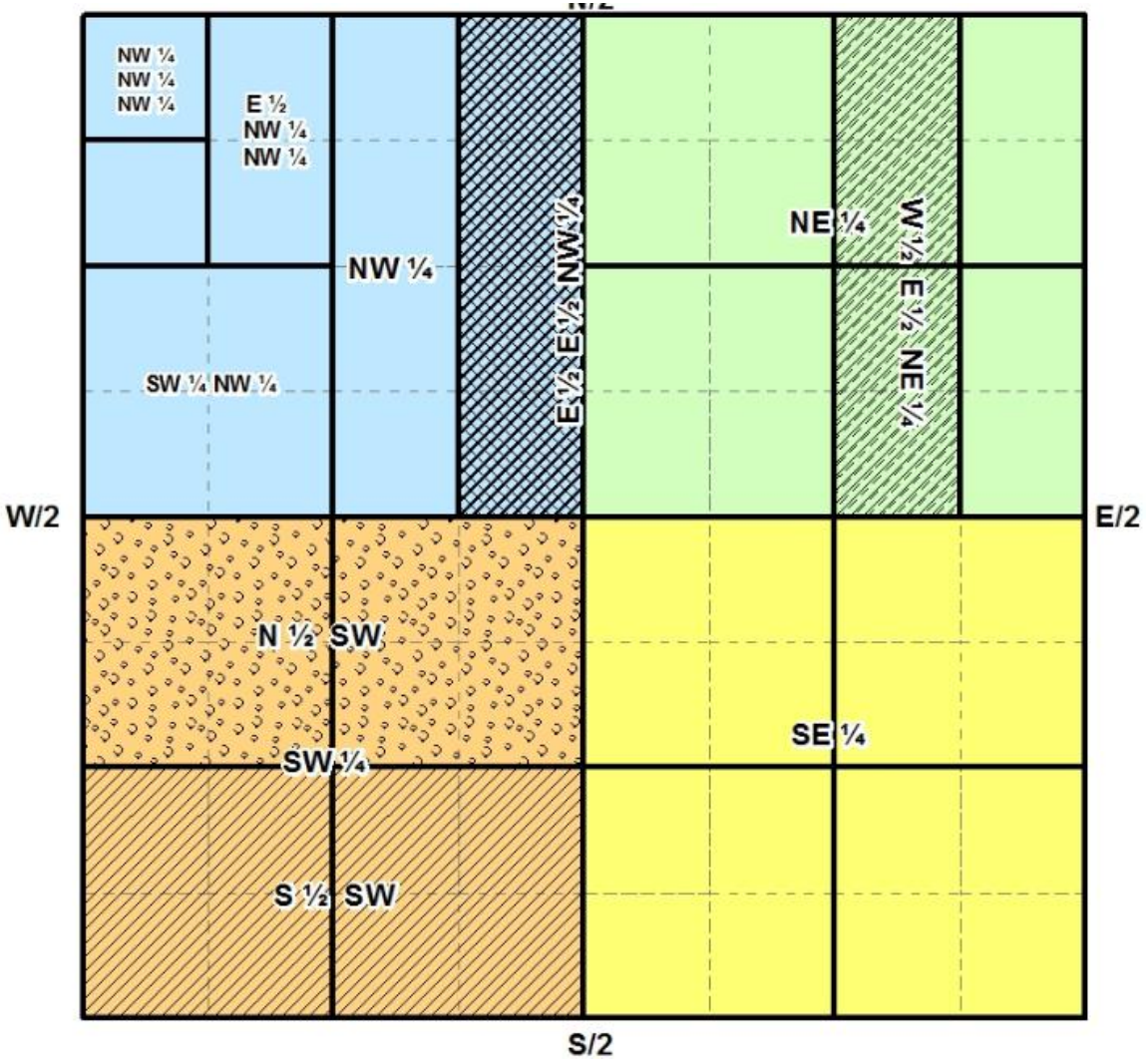
Assignment of Record Title Interest

With BOEM approval, you may assign your whole, or a partial record title interest in your entire lease, or in any aliquot(s) thereof.

- Separate assignment forms must be filed for each lease and each officially designated subdivision in a lease, e.g., in a lease wherein record title has been divided into subdivisions.
- The Legal description of the Record Title being assigned must indicate whether All of the Block or a Portion of the Block is being assigned.
- Portion of the Block assigned must be described in ½ or ¼ aliquots only – **NO** ¾ or ⅓ descriptions allowed (unless grandfathered).
- The smallest aliquot part that can be assigned is ¼ ¼ ¼ of the block, e.g., NW/4 NW/4 NW/4 (unless grandfathered).

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Assignment of Record Title Interest Aliquots



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Assignment of Record Title Interest
Aliquots

"Aliquot" is a latin word meaning to divide (a number or quantity) into equal-parts leaving no remainder.

In legal descriptions, only quarter or half divisions of a section of land are known as "aliquot parts." An aliquot part is always described in relation to the four points of the compass, with the use of the standard compass abbreviations, N, W, S, E.

For example, to describe the west half of a section, you write "W ½"; whereas the east half would be written as "E ½ ". The four corners is intended, such as "NE1/4," or "NW1/4," or "SW1/4," or "SE1/4."

The same rule applies to the north and south half, "N1/2" and "S1/2" respectively. To describe each of the quarter-sections, you need to add one notation; that is, show which of the four corners is intended, such as "NE1/4," or "NW1/4," or "SW1/4," or "SE1/4."

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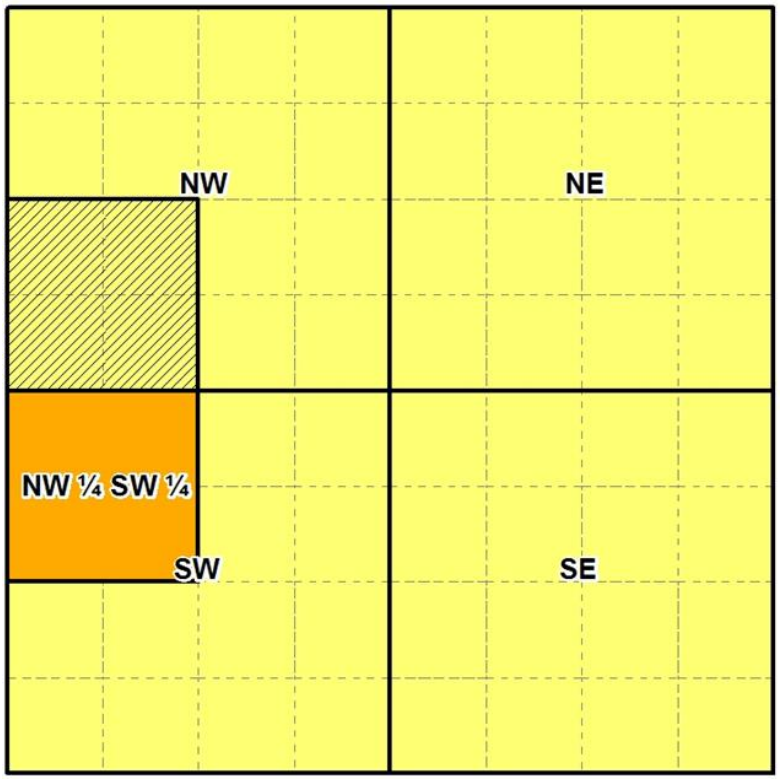
Assignment of Record Title Interest
Aliquots

Reading aliquot descriptions is simplified by following the description in *reverse*. For example, the E ½ of the SW ¼ of the SE ¼ is located by first visualizing the southeast quarter; then visualizing the southwest quarter of that southeast quarter, and finally locating the east half of the visualized quarter-quarter parcel.

In describing adjoining quarter sections, combine NE1/4 and NW1/4 to make N ½ or combine the SW ¼ and SE ¼ to make the S ½. The "1/2" and the "1/4" are the only fractions that appear in the description of land by aliquot parts.

Assignment of Record Title Interest
Aliquots

If not plotted properly, an aliquot description can have disastrous implications. Aliquot descriptions are read from left to right but plotted from right to left. For example, the NW ¼ SW ¼.



Assignment of Record Title Interest
Split Blocks/Partial Blocks

Split Blocks or Partial Blocks

- Description contained in the lease instrument is found for scanned images using the following: https://www.data.bsee.gov/Other/DiscMediaStore/ScanActiveLeases.aspx
- When the lease description states ". . . specifically described in the following OCS Block Diagram," your description may include ". . . specifically described in the OCS Block Diagram attached to the lease instrument."
- Do not include the original OCS Lease Block diagram with the assignment.

Less than Entire Block

- "Less and Except" language is not acceptable.
- If new record title rights do not cover All of the Block, do not use the language "All of the Block".

Assignment of Record Title Interest
Use of Counterparts

- Counterparts may be used if all parties to an assignment are not able to be present at the same time for signing or if there are more parties to an assignment than there are signature blocks available ("overflow parties").

- Use counterparts only when necessary to minimize the number of pages BOEM processes and files.

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Assignment of Record Title Interest - Segregated Leases

- Per 30 CFR 556.702, When there is an assignment by all record title owners of 100 percent of the record title to one or more aliquots in a lease, the assigned and retained portions become segregated into separate and distinct leases.
- The lease being segregated from the original lease may receive the new OCS number and any newly segregated lease must be covered by the necessary financial assurance.
- The assignee becomes a lessee of the Government which is subject to all the terms and conditions of the original lease as though the lease had been obtained from the United States in the assignee's own name as a new lease instrument is not issued upon segregation.
- The assignment, after it is approved, shall be the basis of a new record.

Lease Consolidation

An application for the consolidation of two leases must meet the following criteria:

- The record title and operating rights owners in the leases must be the same;
- The request for consolidation must be signed by the lessee's authorized person or persons;
- The leases must have the same royalty rate;
- The combined area of the consolidated lease must not exceed 5,760 acres, unless the authorized officer finds a larger area is necessary to comprise a reasonable economical production unit;
- The oldest expiration date may continue for the consolidated lease, pending Field Operations' direction;
- The lowest OCS-G number may continue for the consolidated lease, pending Field Operations direction; and
- There must be a clear and distinct advantage to the Government.

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Assignment of Operating Rights Interest

Form BOEM-0151

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Assignment of Operating Rights Interest

Per 30 CFR 556.800, An operating rights owner may assign all or part of its operating rights interests, subject to BOEM approval. Each instrument that transfers an interest must describe, by officially designated aliquot parts and depth levels, the interest proposed to be transferred.

- An assignment of operating rights by any record title owner will cause all record title holders to be treated as if they had also separated the assigned operating rights from their record title rights.
- Subsequently, whenever a record title holder in such a situation desires to transfer all of a portion of its interest in the entirety of the lease, at lease two assignments will be required:
  - one to cover the record title interest; and
  - one or more to cover the severed operating rights.

Assignment of Operating Rights Interest

- BOEM allows a maximum of two vertical depth subdivisions, shallow and deep. Shallow and deep rights must be contiguous.

- All new operating rights assignments must have a defined beginning and ending depth.

- **Examples:**
  - 0 (surface)-10,000 feet Total Vertical Depth Sub Sea (TVDSS)
  - 10,000 feet TVDSS – 20,000 feet TVDSS

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Assignment of Operating Rights Interest

- Operating Rights Interest must be described using TVDSS. Depths that are described by measured depth, stratigraphic equivalent and that recite information from well logs are considered "non-conforming" depth measurements and are not acceptable.

  - **Exceptions:**
  - Operating Rights tracts previously approved by BOEM that contain non-conforming depth measurements;
  - For assignments of such Operating Rights tracts, you must use the same non-conforming depth measurements used in the previously approved assignment; and
  - When submitting a Designation of Operator (DOO) form in connection with such Operating Rights tracts, you must use the same non-conforming depth measurements used in the previously approved assignment and/or DOO.

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Assignment of Operating Rights Interest

- For new Operating Rights tracts that will be contiguous with a previously approved operating rights tract, the depth of the new tract that will abut the previously approved tract must be described using the same type of measurement as the existing tract.

- **Examples:**
  - Tract 1 was approved using a stratigraphic equivalent as an ending depth.
  - Tract 2 is severed and will be reflected as, "…all depths below the stratigraphic equivalent of 10,000 feet down to and including 30,000 feet TVDSS."

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Assignment of Operating Rights Interest
Subdivision of an Approved Tract

- Approved operating rights cannot be subdivided either by aliquots or by depth.

- **Example:**
  - In an approved operating rights tract covering the N1/2 from surface to 20,000' TVDSS, BOEM ***will not*** approve subsequent assignments such as:
    - The NE1/4 NE1/4 from surface to 20,000 feet TVDSS; or
    - The N1/2 from surface to 10,000 feet TVDSS.

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Assignment of Operating Rights Interest
General Rules

- Separate assignment forms must be filed for each operating rights subdivision.
- Per 556.806, An assignment is effective on the first day of the month following the date on which BOEM approves your request, unless you request an earlier effective date and BOEM approves that earlier date.
- BOEM does not accept future effective dates.
- BOEM does not accept effective dates that precede the lease effective date.

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Merger of Record Title and Operating Rights

Once an Operating Rights Tract is approved, the only way to change the operating rights tract is through the merging of the approved operating tract back into record title. This can be accomplished when:

- The operating rights and the record title rights are owned in the same percentages by the same owners.
- A written request for such merging of interest is signed by an authorized signatory for each lessee and submitted to the Adjudication Section.

Once the interests are merged, the record title owners are free to sever new operating rights.

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Designations of Operator

Form BOEM-1123

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Designations of Operator

Per 30 CFR 550.143 (a), You must provide the Regional Supervisor an executed Designation of Operator form (Form BOEM-1123) unless you are the only lessee and are the only person conducting lease operations. When there is more than one lessee, each lessee must submit the Designation of Operator form and the Regional Supervisor must approve the designation before the designated operator may begin operations on the leasehold.

Guidelines for Changes to the Designation of Operator of an OCS Oil and Gas or Sulphur Lease can be viewed at:

https://www.boem.gov/BOEM-NTL-No-2014-G02/

DOO Rules

- New owners in the lease must submit Designation of Operator forms designating the current operator(s) that operate in the area in which they are acquiring an interest, unless a change of the current operator is desired.
- If the current operator(s) has not designated itself, it must do so along with the next filing with BOEM or the action will be rejected.
- The Assignments, DOOs, and service fee receipt must be submitted as one complete package. However, we do accept DOOs filed only to bring a lease into compliance with 30 CFR 550.143.

"Affected Lessees" for a change of operator are:

- All Record Title owners and the applicable operating rights owners who own an interest in the area affected by the change in operator.
- If a lease has an operator designated and approved to operate individual well(s), it is considered "Grandfathered" in until new designation of operator forms are filed.

DOO Rules

BOEM does not allow changes of Operators on Expired, Terminated or Relinquished leases. Exceptions are as follows:

- Bankruptcy of the last Operator of an expired, relinquished or terminated lease where the Operator can no longer fiscally operate.
- Handled on a case-by-case basis.
- Coordination with Risk Management Bankruptcy Coordinator, Paul Arceneaux.
- The Operator at the time the lease became inactive is the only entity that can file applications for permits to plug and abandon existing wells and remove existing platforms.

The operator of the inactive lease may:

- File the applications for permits to perform the necessary work.
- File the applications for permits and allow another party to perform the necessary work on a contract basis.
- Designate another party as a local agent to file the applications for permits.

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Relinquishments

Form BOEM-152

Relinquishments

Per 30 CFR 556.1101, A record title owner may relinquish a lease or an aliquot part of a lease if all record title owners of a lease or any aliquot part(s) of the lease submit as follows:

- File three original copies of a request to relinquish with BOEM on Form BOEM-0152. No filing fee is required.
- A relinquishment will be subject to the continued obligation of record title owner and the surety to make all payments due and to abandon all wells or remove all platforms and other facilities on the lease to the satisfaction of the Director.
- The effective date of the relinquishment is the date on which the relinquishment is filed and accepted with the proper BOEM regional office.

Relinquishments
General Rules

- Pending assignments are processed prior to the lease being relinquished.

- Relinquishments must be received in our office by the last working day of the month in order to be approved within that month.

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Non-Required Filings
(Filings for Record Purposes)

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Non-Required Filings

Non-Required Filings categories are as follows:

1 = Mortgage, Deed of Trust, Security Agreement
2 = Release of Mortgages and Liens
3 = UCC Filings and Financial Statements
4 = Abstract of Judgment
5 = Overriding Royalty, Production Payment, Net Profit
6 = Liens and Lien Affidavit
7 = Contracts, Agreements, and Conveyances
8 = Miscellaneous
98 = Pipeline Filing Document
99 = Non-Specific Document Filings

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Non-Required Filings

- **Updating/Correcting Filings for Record Purposes/"Non-Required" Filings**
  - Once a document is filed with BOEM for record purposes, it will *not* be removed from the record in which it is filed.
  - If the party who filed a document for record purposes provided any incorrect information in which to file the document, they will have to re-file the document with the correct information and such re-filing is subject to additional service fees.
  - Cancellations of mortgages, liens, etc. can be filed for record purposes; however, the original mortgage, lien, etc., that has been cancelled will *not* be removed from the record.

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General Rules

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General Rules for all BOEM forms

- All parties must be qualified by BOEM.
- Assignee(s) must be in good standing with BOEM and with acceptable performance as provided under 30 CFR 556.
- All filings must have the correct names of all parties with their correct BOEM qualification numbers.
- All forms must be typed.
- Witnesses, notarial acknowledgments and corporate seals are not required on Forms BOEM 0150/0151/0152 and 1123.
- Witnesses and corporate seals are required on Forms BOEM 2028/2028A and 2030 (Bonding).

General Rules - Lease Number

- The lease number must be typed exactly as it appears on the lease instrument with regard to either "OCS" or "OCS-G" and match exactly the number of leading zeros, if any.

Examples:	Lease Reflects:	Incorrect:
	OCS-G 2113	OCS-G 02113
	OCS-122	G 00122

- Any forms submitted that contain an incorrect lease number will be returned to the submitter. For scanned leased images, refer to: https://www.data.bsee.gov/Other/DiscMediaStore/ScanActiveLeases.aspx

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General Rules - Legal Descriptions

- All legal descriptions must include the Block Number and the Area Name identified on the lease instrument.
- Must include Additions, Extensions (e.g., Eugene Island Area, South Addition)
- Only include the word "Area" if it appears on the lease.

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General Rules - Signature Block

- Must have the signature of authorized qualified parties.
- The signatory must:
  - Be authorized under the company qualification documents on file with BOEM.
  - Execute in accordance with qualification documents (signatory must sign his or her name exactly as reflected in the BOEM qualification documents.)
  - No variations or abbreviations of names or titles of the signatory will be accepted.

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General Rules - Signature Block

Assignor Name:

Assignor Qualification No.

By:_____

Signatory Name:
Signatory Title:

_____
Execution Date

Assignee Name:

Assignee Qualification No.

By:_____

Signatory Name:
Signatory Title:

_____
Execution Date

Assignor Name:

Assignor Qualification No.

By:_____

Signatory Name:
Signatory Title:

_____
Execution Date

Assignee Name:

Assignee Qualification No.

By:_____

Signatory Name:
Signatory Title:

_____
Execution Date

U.S. Department of the Interior · March 3, 1849

General Rules - Service Fees for Actions

BOEM ***does not*** accept cash, checks, money orders, or cashier's checks. All actions subject to service fees must include a copy of the pay.gov receipt. This includes Assignments of Record Title and Operating Rights, Designations of Operator and Non-Required filings.

Service fees (30 CFR 556.106):

- Transfer of Interests - $198.00 per assignee.
- Change in Designation of Operator - $175.00.
- Non- Required document filing (Filings for record purposes - $29.00 per document, per lease affected).

General Rules - Financial Assurance

Bonding requirements for the lessee of an OCS oil and gas or sulfur lease per 30 CFR Subpart I – Bonding or Other Financial Assurance.

- Before BOEM will issue a new lease or approve the assignment of an existing lease, Designations of Operator or Relinquishment, all bonding requirements must be met.

- The financial assurance process is coordinated with the Leasing & Financial Responsibility Section and Risk Management Operations Group.

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General Rules - Assignments 90 Day Rule

- All record title and operating rights assignment forms must be filed with the Bureau of Ocean Energy Management within ninety (90) days after the last party executes the transfer instrument, 30 CFR 556.701(a).

- If an Assignment is returned because it is filed after 90 days, one party may execute a new Page 2 of the assignment form with a current date.

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General Rules - Restricted Joint Bidders List

- Assignments in which the Assignee is on the Restricted Joint Bidders List will be forwarded to the Department of Justice for review prior to approval (30 CFR 556.714)

- Assignments filed in the Alaska/Pacific region must undergo an anti trust review by the Department of Justice prior to approval.

BOEM Information and Contacts

REGION	CONTACT INFORMATION
Alaska Region	Tel. (907) 334-5282 3801 Centerpoint Drive Suite 500 Anchorage, AK 99503
Gulf of Mexico Region	Tel. (504) 736-2436 Attn: Adjudication Section – MS GM276A 1201 Elmwood Park Blvd. New Orleans, LA 70123-2394
Pacific Region	Tel. (805) 384-6392 760 Paseo Camarillo, Suite #102 Camarillo, CA 93010-6002

E-mail: boemadjudication@boem.gov (group inbox).