

**Memorandum of Agreement
Between the
Bureau of Ocean Energy Management
And the
Bureau of Safety and Environmental Enforcement**

Royalty Relief

I. Purpose

This Memorandum of Agreement (MOA) establishes the working relationship of the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE) in managing certain activities associated with Federal Outer Continental Shelf (OCS) oil and gas royalty relief. This MOA is intended to help both agencies minimize duplication of efforts, promote consistency in procedures and regulations, and resolve disputes. A separate, overarching Memorandum of Understanding describes the general relationship between the two Bureaus. A series of standard operating procedures (SOPs) describes more specific roles and responsibilities of the two Bureaus and are designed to be updated as dictated by changing practices, law, regulations or markets.

II. Authorities

Both BOEM and BSEE derive authority to regulate certain activities on the OCS through the Secretary of the Interior. Secretarial Order 3299 assigned BOEM conventional and renewable energy-related management functions, including, but not limited to, activities involving leasing, plans, environmental studies, NEPA analyses, economic and reserves analyses, and geologic risk analyses. BSEE's authority includes, but is not limited to, permitting, environmental compliance, conservation compliance, engineering standards and regulations, oil spill response planning, inspections, enforcement, and investigations. Additionally, both agencies have responsibilities derived from Departmental regulations and delegations of authority issued to implement various statutes, including the Outer Continental Shelf Lands Act, the Clean Air Act, the Oil Pollution Act of 1990, the Energy Policy Act of 2005, and the Gulf of Mexico Energy Security Act of 2006 and the Deepwater Royalty Relief Act (DWRRA).

III. Objectives

The objective of this MOA and associated SOP is to document the bureau roles and responsibilities for both categorical (incentive-based) royalty relief and discretionary (need-based) royalty relief. Responsibilities for the two basic types of royalty relief are assigned to the Bureau most befitting their character. Categorical relief is awarded as part of the lease contract and, therefore being more associated with the leasing process, is assigned to BOEM, while discretionary relief occurs in conjunction with development decisions and thus is a better fit for BSEE. Despite these designations, the bureaus will coordinate with each other to ensure that royalty relief is administered consistent with the

applicable statutes, lease terms, and regulations to uphold the tenet that royalty relief is only provided to eligible leases or those that demonstrate need and that royalties are collected on lease production no longer entitled to relief. Each bureau will consult and coordinate on requested issues that may arise in the development of any categorical royalty relief proposals and the interpretation of existing royalty relief regulations and evaluation procedures.

IV. Contacts

BSEE and BOEM Regional Directors

BSEE

Regional Supervisor, Production and Development (GOMR and POCS)
Section Chief, Development and Unitization (GOMR only)

BOEM

Chief, Economics Division (HQ)
Chief, Resource Evaluation (AK)

V. Responsibilities

Both Bureaus:

- Shall consult as requested on issues that may arise in the interpretation of existing royalty relief regulations and evaluation procedures.
- Shall monitor relevant activities to determine if an event has occurred that would require new or a re-evaluation of royalty relief.
- Will jointly consult on engineering, geologic, and measurement issues with ONRR on tracking issues when developing any categorical royalty incentive scheme being considered or included in an OCS lease sale.

BOEM

- Generates and publishes oil and gas price forecasts for inputs to royalty relief economic evaluation models with periodic updates as needed.
- Updates published price threshold information for DWRRA, Deep Gas Royalty Relief (DGRR), Royalty Suspension (RS) leases, and provides official annual determinations for relief eligibility.
- Evaluates the leasing, drilling, and production effects of possible royalty incentive provisions during the sale design phase.
- Provides needed inputs for draft sale notice and lease documents to implement royalty suspension incentives.
- Provides support to BSEE for complex economic analysis and End-of-Life reference prices.

BSEE

- Receives, reviews, and approves or denies applications for need-based royalty relief.
- Issues decisions on whether leases qualify for incentive-based royalty relief.
- Tracks and provides data to BOEM and ONRR to monitor and implement royalty suspension or royalty reduction incentives.
- Evaluates periodically the efficacy of its royalty relief programs.
- Verifies qualifications for royalty relief against TIMS or other databases and/or additional geologic and economic data.
- Ensures timely data entry into TIMS and effective quality control of the data.

VI. Modifications and Interpretations

Modifications to this MOA shall be made by written consent of both Bureaus' Deputy Directors.

Interpretations of this MOA should be consistent with the stated goals and purpose. For specific actions, Bureaus should clarify their roles and responsibilities in SOPs. The SOPs may be modified with the written consent of both Bureaus' appropriate Regional Director or Senior Executive.

VII. Signatures

Walter D. Cail
BOEM Deputy Director

10/3/11
Date

Robert L. Lohr
BSEE Deputy Director
for Tim

10/3/11
Date