ENERGYWIRE

Gulf producers form new alliance

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Pamela King, E&E News reporter Wednesday, November 23, 2016

Four Gulf of Mexico operators this week launched a new coalition to support investment and innovation in offshore oil extraction.

The Gulf Energy Alliance was founded by Fieldwood Energy LLC, Talos Energy LLC, Arena Energy LP and Energy XXI Ltd. Squire Patton Boggs last week signed on to lobby for the group (*Greenwire*, Nov. 15).

"We actively support policies and regulations that foster opportunities to further support the U.S. as an independent and responsible energy producer," GEA wrote on its website. "We also are committed to work with stakeholders, regulators, and elected officials at all levels of government on ways to improve legacy and proposed regulations that threaten our nation's energy momentum and ongoing opportunities in the Gulf of Mexico."

GEA's founding members are joined by four alliance partners: the Louisiana Oil & Gas Association, Mississippi Energy Institute, LA1 Coalition and Louisiana Mid-Continent Oil & Gas Association.

"While we're poised for thoughtful and meaningful growth, our country's offshore energy industry faces a critical moment," Talos Energy CEO Tim Duncan said in a Monday statement. "Through ongoing education, our objective remains working collaboratively to ensure the Gulf of Mexico regulatory framework protects both the taxpayer and the environment while at the same time facilitating job growth in our industry that keeps Gulf Coast communities strong and the U.S. energy security and supply stable."

The alliance's first move is to oppose a Bureau of Ocean Energy Management regulation governing the way the oil and gas industry accounts for and provides costs for decommissioning Gulf infrastructure.

BOEM's rule not only lacks "a clear rationale and data for the purpose of the regulation, but also it ignores decades of work where regulators and industry have worked together to ensure safe and responsible development," GEA said.

The alliance has pledged to work with elected officials at all levels of government to edit regulations that inhibit growth in the Gulf of Mexico.

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Four Houston Independents Band Together to Promote GOM Oil, NatGas Exploration

By Carolyn Davis November 23, 2016

Four Houston-based Gulf of Mexico independent producers that have launched a coalition to support oil and natural gas extraction, initially plan to oppose federal regulations covering financial assurances on how offshore infrastructure is decommissioned.

Founding members of the Gulf Energy Alliance (GEA), all headquartered in the Houston area, are Fieldwood Energy LLC, Talos Energy LLC, Arena Energy LP and Energy XXI Ltd.

"While we're poised for thoughtful and meaningful growth, our country's offshore energy industry faces a critical moment," Talos CEO Tim Duncan said. "Through ongoing education, our objective remains working collaboratively to ensure the Gulf of Mexico regulatory framework protects both the taxpayer and the environment while at the same time facilitating job growth in our industry that keeps Gulf Coast communities strong and the U.S. energy security and supply stable."

GEA, also based in Houston, said its members "actively support policies and regulations that foster opportunities to further support the U.S. as an independent and responsible energy producer. We also are committed to work with stakeholders, regulators, and elected officials at all levels of government on ways to improve legacy and proposed regulations that threaten our nation's energy momentum and ongoing opportunities in the Gulf of Mexico."

Talos, formed in 2012 by Apollo Global Management and Riverstone Holdings LLC, operates in the shallow waters of the Outer Continental Shelf (OCS), deepwater and in South Louisiana. Fieldwood, a portfolio company of Riverstone, is the largest operator on the OCS. Arena, founded in 1999 and also an OCS player, has drilled more than 255 wells to date and owns 137 offshore platforms. Energy XXI, currently restructuring, is a shallow water player as well and operates nine of the largest fields on the OCS.

Alliance partners to GEA are the Natural Gas Supply Association, National Ocean Industries Association, Louisiana Mid-Continent Oil and Gas Association, Louisiana Oil & Gas Association, Mississippi Energy Institute, and the LA1 Coalition, which represents the critical Louisiana Highway 1 Corridor in southern Lafourche Parish.

The GEA has pledged to work with elected officials at all levels of government to revise regulations that inhibit growth in the GOM. Members' first action is to oppose the Bureau of Ocean Energy Management (BOEM) notice to lessees (NTL) and operators issued in July that would update offshore decommissioning processes.

The BOEM wants to improve procedures to determine an operator's ability to carry out lease obligations. The directive primarily would update facilities decommissioning procedures for OCS oil, gas or sulfur leases, and whether a lessee should pay additional financial assurance.

"This rule, which sidestepped a formal rulemaking process often employed by BOEM to ensure multi-stakeholder input, is a serious concern for alliance members," GEA said. "Not only does it lack a clear rationale and data for the purpose of the regulation, but also it ignores decades of work where regulators and industry have worked together to ensure safe and responsible development."

Recent bankruptcies by GOM operators, which would include Energy XXI, "prove the current system works," it said. "Despite concerns expressed by BOEM regarding the possibility of default by lease owners, the industry has, up to now, absorbed 100% of the plugging and abandonment (P&A) liability in these bankruptcies with zero cost to taxpayers."

Because of the "already challenging economics for independent producers" in the GOM, the NTL "will very likely trigger the purported risk prompting these changes by forcing independent operators to shut-in producing fields and default on P&A liability. The proposed changes will tie up capital that would otherwise be available for exploration, development, jobs, revenues to states and the federal government, and -- most ironically -- for actual P&A work."

BOEM's sister Bureau of Safety and Environmental Enforcement in August also proposed that entities holding rights-of-way report actual costs incurred when their pipes are decommissioned.

The updated NTLs followed a Government Accountability Office report issued in January recommending that the Department of Interior, which oversees BSEE and the BOEM, take steps to improve oversight of idled and terminated offshore infrastructure to better protect against decommissioning liabilities.