

Congress of the United States
Washington, DC 20515

March 18, 2016

Secretary Sally Jewell
U.S. Department of the Interior
1849 C Street N.W.
Washington, DC 20240

Dear Secretary Jewell:

We write to urge you to postpone the implementation of a new Notice To Lessees (Notice) No. 2015-N04, regarding supplemental financial assurance for decommissioning platforms on the Outer Continental Shelf (OCS) leases and encourage you to instead reopen the proposed rule process. As written, the proposed Notice will cause major increases in the levels of financial assurance required of OCS lessees. Much of that increase goes far beyond what is needed to protect the interests of American taxpayers. As a result, the Notice will have disastrous impacts on state economies throughout the Gulf Coast, and will also put our national security at risk.

On August 19, 2014 the Bureau of Ocean Energy Management (BOEM) published an Advanced Notice of Proposed Rule Making seeking industry input on "risk management, financial assurance, and loss prevention." However, instead of continuing to follow the rule making it had begun, BOEM released its "proposed guidance" on August 17, 2015. At a time when thousands have lost their jobs, companies are closing their doors and state economies are being negatively impacted by a struggling oil and gas industry, it is more critical than ever to take stakeholder input into account before releasing radical changes that will place many more businesses in distress.

As we understand it, one of the main reasons for BOEM to propose these changes is because of an increase of bankruptcy filings throughout the Gulf, and concerns that the American taxpayer could be left with the tab for decommissioning wells. We have heard from numerous independent oil and natural gas explorers and producers who make their living on the OCS expressing concern that this Notice itself will force them into bankruptcy - causing the very thing that BOEM seeks protection against. These companies are critical to the domestic energy supply, having drilled more than 50 percent of all wells and more than 50 percent of exploration wells over the past decade in the deepwater Gulf of Mexico.

In our opinion, BOEM's current system for assuring that companies have adequate capital to insure their offshore production facilities is broken. The federal government has never yet had to spend a penny to plug old offshore wells or remove production facilities. We would argue that the proposed bonding requirements are duplicative and in some situations multiplicative. For example under the new NTL each party is assessed at 100 percent on shared leases, and a joint operating agreement is no longer accepted. This means that if there are 4 companies sharing a project, and it would cost an estimated \$20 million to remove that particular platform, BOEM would make each present a bond which includes \$20 million to remove that same platform. It hardly seems necessary to have \$80 million in bonds to assure that a \$20 million job would be completed.

Additionally, this Notice would also require that companies operating on the OCS are liable for all possible wells that are mentioned in their exploratory plan, even though the well may not even be drilled, and if it is, no actual drilling will take place for at least a year or two. For offshore facilities that are

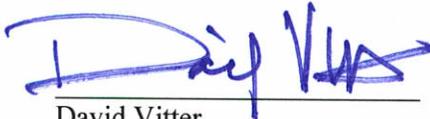
already in production the Notice goes even further, requiring capital assurance for the lifetime production value of the property every year. Meaning that each year a lessee is now responsible for 100 percent of every production facility, 100 percent for any exploration activity, and 100 percent of the lifetime production value of the property. BOEM's approach does not make taxpayers any more secure, yet assures hard times for companies trying to comply with new, unaffordable requirements.

BOEM's 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 platform decommissioning itself. These changes are simply impossible for many of our domestic independent oil and gas producers to be able to afford, especially in a time when oil prices are low and companies are already permanently closing their doors.

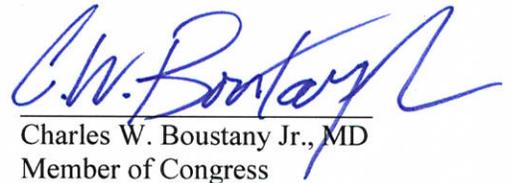
America cannot be a global energy leader without policies that foster innovation, investment and development of our nation's energy resources. A new Notice To Lessees on supplemental bonding will stifle the oil and gas production on the OCS and throughout the Gulf of Mexico. We urge you to postpone the implementation of this drastic proposal and urge you to work with industry to find a solution that ensures safety and security for all.

Thank you for your consideration of this request. We appreciate your attention to this important matter.

Sincerely,



David Vitter
U.S. Senator



Charles W. Boustany Jr., MD
Member of Congress



Steve Scalise
Member of Congress



John Fleming, MD
Member of Congress



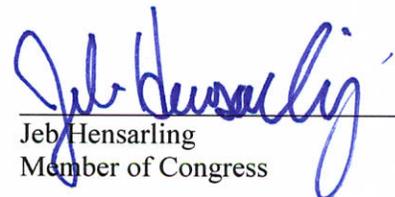
Blake Farenthold
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Jeb Hensarling
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