Bond Requirements For Offshore Oil and Gas Facilities to Increase(#30040)

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The Department of the Interior's Minerals Management Service (MMS) has announced the publication of a Notice of Final Rule in the August 25, 1993, Federal Register which increases the bonding requirement for offshore oil and gas facilities. The new rule, which is designed to help to ensure the cleanup and removal of any abandoned offshore platform, becomes effective November 26, 1993.

The new bonding requirements replace regulations adopted in 1969 and more accurately reflect the true costs of removal of abandoned offshore facilities. Previous regulations required an individual lease bond of $50,000 or an areawide bond of $300,000. The new rules do not change these levels for holding a lease, but increase the per lease bond to $200,000 for exploration or $1,000,000 areawide, and to $500,000 per lease or $3,000,000 areawide prior to development or production.

MMS Director Tom Fry noted that in those instances where costs clearly exceed bonding levels, "MMS has the authority to require higher bonding levels.

"These bonding requirements protect the environment, coastal residents and the taxpayers," said Fry. "The old regulations have long been recognized as inadequate and in need of revision. The new requirements will ensure that offshore wells are plugged and platforms removed, and that the taxpayers of this country will not have to foot the bill.

"These regulations will show the American people that the Clinton Administration is committed to ensuring that energy development on the outer continental shelf is conducted in an environmentally sound manner," continued Fry.

"These regulations also reflect the changing nature of the offshore oil and gas industry," said Fry. "The major companies often do not want to continue to operate mature fields experiencing marginal returns and sell their leases to smaller companies, which do not have the same financial resources as the majors. The new rule also notifies major companies that they retain liability for their installations and equipment, which provides further protection for the public."

Currently about 1,100 oil and gas structures in the Gulf of Mexico have been operating for more than 20 years. It is estimated that a majority of these older structures will cease production by 2005.

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