

The NewsRoom

Release: #3438

Date: December 16, 2005

MMS Offers New Flexibilities for Ultra Deep Drilling on the OCS

WASHINGTON, D.C. - The U. S. Department of the Interior's Minerals Management Service issued a final rule in today's *Federal Register* that will allow Suspensions of Operations (SOO) to oil and gas lessees or operators who drill ultra-deep wells--deeper than 25,000 feet true vertical depth below the ocean surface.

"Information from industry indicates that large accumulations of hydrocarbons may exist at ultra-deep levels below the ocean surface," said MMS Director Johnnie Burton. "Many companies are reluctant to drill to these depths without additional data analysis, which can be costly and time consuming," she continued. "MMS expects that allowing for SOOs will result in increased domestic production by offsetting the added complexity and cost of drilling ultra-deep wells." A SOO temporarily stops the clock on the lease term preventing the lease from expiring.

The final rule encourages drilling of ultra-deep wells to depths of at least 25,000 feet true vertical depth sub-surface (TVD SS) by allowing MMS to grant a SOO in certain situations.

Usually, when a lease reaches the end of its primary term, the lessee must be producing or conducting other leaseholding operations to extend the lease beyond its primary term. However, MMS recognizes that the added complexity and cost associated with planning and drilling an ultra-deep well may require more time for exploration and development. In such cases, the lease term may be extended through a SOO.

The final rule grants SOOs, under the following circumstances:

- The lease has either a 5-year primary term, or an 8-year primary term with a requirement to drill within the first 5 years;
- The lessee or operator has approved plans to drill an ultra-deep well (at least 25,000 feet TVD SS) on the lease;
- Before the end of the fifth year of the primary term, the lessee or operator must have acquired and interpreted geophysical information that indicates that all or a portion of a potential hydrocarbon-bearing formation is ultra-deep and includes full 3-D depth migration over the entire lease area.
- Before requesting the suspension, the lessee or operator has conducted, or is conducting, additional data processing or interpretation of the geophysical information with the objective of identifying a potential ultra-deep hydrocarbon-bearing geologic structure or stratigraphic trap.
- The lessee or operator demonstrates that additional time is necessary to complete current processing or interpretation of existing geophysical data or information; acquire, process, or interpret new geologic or geophysical data or information that would impact the decision to drill the same geologic structure or stratigraphic trap; or drill into the potential hydrocarbon-bearing formation identified as a result of the activities conducted in previous paragraphs.

Although some leases with 10-year primary terms are issued in deep water, they are not covered by the final rule, because MMS believes that 10 years is sufficient to explore and develop such deep prospects.

The final rule becomes effective January 17, 2006.

MMS, an agency of the U.S. Department of the Interior, manages offshore oil and gas exploration as well as renewable and alternative energy sources such as wind, wave, and solar on 1.76 billion acres of the Outer Continental Shelf while protecting the human, marine, and coastal environments. The OCS provides 30 percent of oil and 21 percent of natural gas produced domestically, and sand used for coastal restoration. MMS collects, accounts for, and disburses mineral revenues from Federal and American Indian lands, and contributes to the Land and Water Conservation Fund and other special use funds, with Fiscal Year 2005 disbursements of approximately \$9.9 billion and more than \$153 billion since 1982.

[Federal Register Notice](#)

Relevant Web Sites:

[MMS Main Website](#)

Media Contacts:

**Nicolette Nye
(703) 787-1011**

**[MMS: Securing Ocean Energy & Economic Value for America](#)
U.S. Department of the Interior**