



United States Department of the Interior

BUREAU OF SAFETY AND ENVIRONMENTAL ENFORCEMENT

Gulf of Mexico OCS Region
1201 Elmwood Park Boulevard
New Orleans, LA 70123-2394

In Reply Refer To: GE 973E

July 14, 2020

Mr. Charles G. Hughes
GulfSlope Energy, Inc.
1331 Lamar Street, Suite 1665
Houston, Texas 77010

Dear Mr. Hughes:

By letter dated January 30, 2020, GulfSlope Energy, Inc. (GulfSlope) requested that the Bureau of Safety and Environmental Enforcement (BSEE) approve a Suspension of Production (SOP) for Lease OCS-G 35193, Vermilion Block 375 (the Lease).

Background

By letter dated June 26, 2019, GulfSlope requested an SOP for the Lease, claiming it would drill a well within about seven months targeting previously discovered hydrocarbons on the Lease, and bring those hydrocarbons on production by the end of June 2020. GulfSlope stated that it had executed a rig contract to begin drilling the well in January 2020. GulfSlope also represented that by May 2020 it would sign a Production Handling Agreement (PHA) to use another party's production facility, purchase the other party's production facility, or fabricate a new production facility. BSEE approved GulfSlope's original (June 26, 2019) SOP request by letter dated October 3, 2019. The Lease was held by the BSEE-approved SOP through January 31, 2020.

In October 2019, a member of GulfSlope's team passed away unexpectedly. By letter dated November 8, 2019, amended December 2, 2019, GulfSlope stated that permitting submissions had been delayed but the "...rig is still obligated to GulfSlope..." and it "...intends to spud prior to January 31, 2020." To date, GulfSlope has not drilled the well, executed the PHA, purchased the production facility, or begun fabrication of a new facility on the Lease. By letter dated January 30, 2020, GulfSlope informed BSEE that it had elected to use the contracted rig to drill another prospect rather than to fulfill its alleged commitment to promptly drill and commence production from the Lease. GulfSlope requested another SOP until the end of 2020 to begin drilling the well that it would purportedly produce.

Analysis

Under 30 CFR 250.171(a), your SOP request must include justification for the suspension. GulfSlope claims that an SOP is necessary because GulfSlope needs additional time to drill the

proposed well. Such additional time is only necessary now because GulfSlope voluntarily elected to not use the contracted drilling rig to drill the well on the Lease as GulfSlope had committed to do in its June 26, 2019, SOP request. While GulfSlope could have drilled the well on the Lease during the term of the SOP BSEE previously granted, GulfSlope chose to use the rig to drill a well elsewhere. Because the need for additional time to drill the well is based on GulfSlope's own actions, which resulted in its failure to fulfill its commitment to BSEE to drill the well in its June 26, 2019, SOP request, BSEE concludes that GulfSlope's January 30, 2020, SOP request is not justified.

Under 30 CFR 250.171(d), you must demonstrate a commitment to production in order to be eligible for a granted SOP. Additional guidance in NTL No. 2019-G01 states, "[y]ou must demonstrate a firm commitment to produce the hydrocarbons that have been discovered by wellbore penetration." (emphasis in original). GulfSlope's failure to use the contracted rig to drill a well on the Lease during the term of the SOP BSEE previously granted demonstrates that GulfSlope does not have a firm commitment to produce hydrocarbons from a purported well on the Lease. Accordingly, BSEE concludes that GulfSlope's January 30, 2020, SOP request does not demonstrate a commitment to production.

Further, under 30 CFR 250.171(b), your SOP request must include a reasonable schedule of work leading to the commencement of production from the Lease. Additional guidance in NTL No. 2019-G01 states, "[s]upport your commitment with a reasonable schedule of measurable milestones leading to the commencement or restoration of production." (emphasis in original). Twelve months to supposedly begin drilling the well would be excessively long, even if GulfSlope had not already failed to utilize its previously approved time to perform the operation. The previously approved SOP schedule attests to this fact, as GulfSlope had originally proposed to accomplish this activity in only seven months.

Decision

The decision as to whether or not to grant an SOP is at the discretion of the Regional Supervisor. See 30 CFR 250.174; *Statoil*, 42 OHA at 267 ("The authority of the Secretary to grant a suspension at the request of a lessee is discretionary."). Since GulfSlope has not provided sufficient justification for the suspension (30 CFR 250.171(a)), has not provided a reasonable schedule of work that would lead to production (30 CFR 250.171(b)), and has not demonstrated a commitment to production (30 CFR 250.171(d)), BSEE hereby denies your January 30, 2020, request for an SOP for the Lease.

This decision may be appealed pursuant to 30 CFR Part 290. If you elect to appeal, a Notice of Appeal must be filed with this office and served on the Associate Solicitor, Division of Mineral

Resources, within 60 days of receipt of this letter. If you have any questions regarding this matter, contact Mr. Mark Hanan at (504) 736-2662 or by email at mark.hanan@bsee.gov.

Sincerely,

**RICHIE
BAUD**

Digitally signed by
RICHIE BAUD
Date: 2020.07.14
14:20:36 -05'00'

Richie D. Baud
Regional Supervisor
Office of Production and Development

bc:

[REDACTED]

Lease OCS-G 35193 – Public, (GE 555A)

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