



September 24, 2009

Department of the Interior
Minerals Management Service (MS 4024)
Attn: Rules Processing Team (Comments)
381 Elden Street
Herndon, VA 20170-4817

Re: RIN 1010-AD06; Leasing of Sulphur or Oil and Gas and Bonding Requirements
in the Outer Continental Shelf
FR Vol. 74, No. 100 5-27-09

Gentlemen:

Dynamic Offshore Resources , LLC (DOR) appreciates this opportunity to provide written comments on the subject proposed rule to amend regulations associated with Outer Continental Shelf oil and gas and other mineral operations as published in the May 27, 2009 Federal Register. Directly and through its subsidiaries SPN Resources, LLC and Dynamic Offshore Resources NS, LLC, DOR holds interests in leases in the Gulf of Mexico, many of which it operates. Like many of the small-to-medium independent companies active in the GOM region, DOR concentrates on the portion of the OCS having water depths of 600 feet or less, which we refer to as the "Shelf".

DOR fully endorses any comments that have been filed on behalf of industry by the Offshore Operators Committee (OOC). DOR has the following additional comments:

- 1) *Lease Term Pipelines Reports.* A proposed new 30 CFR §256.621 would require a report as to "every lease term pipeline....including decommissioned pipelines" on a lease within 30 days after MMS approves a transfer or a new operator of the lease.

Lease term pipelines that have been abandoned (decommissioned) do not transfer with the lease. Therefore, we do not see any need for an additional report to MMS in connection with changes in lease ownership or operatorship. Indeed, it seems to us that such reports might create the misleading impression the incoming leaseholder or operator is assuming some responsibility or liability for the abandoned pipeline. In any event, dealing with the additional information will unquestionably increase MMS's workload.

As an operator we submit on new lease term pipelines as-builts, letters notifying the MMS when a lease term pipeline has been taken out of service (OOS). Then, within a year the lease term pipeline is OOS, we notify MMS that the pipeline has been flushed and filled, we submit requests to abandon the pipelines and finally we notify MMS via a letter after completion of the pipeline abandonment.

Based on the time we are currently waiting for responses, we believe the MMS is understaffed in the pipeline section and is not able to keep up with the permits, repairs and other requests that are currently filed. If this proposed 30 CFR 256.621 is approved, we believe that the burden of dealing with the additional lists to be provided to the MMS will increase delays with pipeline permit applications and other requests waiting for approval. Given the questionable utility of the additional information (since the incoming leaseholders and operations will not be responsible for previously-abandoned pipeline), we believe collecting this information is not a productive use of MMS's limited resources.

- 2) *Supplemental Bonds.* The proposed new 30 CFR §256.510(a) restates MMS's existing authority to "determine" that a supplemental bond is necessary but it also allows MMS to require operators "... to demonstrate the sufficiency of your bond". We believe that the imposition of this "burden of proof" is onerous and unnecessary. The MMS's own study of the decommissioning issue, "Idle Iron in the Gulf of Mexico"¹, concluded: "Idle iron does not appear to be a significant issue in the GOM, but leases identified to contain abnormally high number (sic) of idle structures should be reviewed on a case-by-case basis".² This indicates that the burden of proof should remain on the MMS to demonstrate the need to additional bonding rather than shifting the burden to operators to prove the sufficiency of their bonds.

We also wish to draw attention to the proposed regulations' omission (inadvertent, we hope) of "proven reserves of future production" in the "financial stability" criterion, 30 CFR §256.510(b)(2). The current criterion, 30 CFR §256.53(d)(1)(ii), allows the MMS to include such reserves in its assessment of a company's projected financial strength based on reserves. For many oil and gas companies operating on the Gulf of Mexico Shelf, "proved reserves of future production" represent the principal asset on their balance sheets. Ignoring that asset would require many companies wanting to explore on the Shelf to devote so much cash and security to supplemental bonds that they would have little or none to actually use towards reaching their goal of exploitation. As written the supplemental bonding requirement has the real potential to impede future oil and gas exploration and development on the Shelf..

¹ Kaiser and Pulsipher, *Idle Iron in the Gulf of Mexico*, U.S. Dept. of the Interior, Minerals Mgmt. Serv. Svc. Gulf of Mexico Region (OCS Study MMS 2007-031).

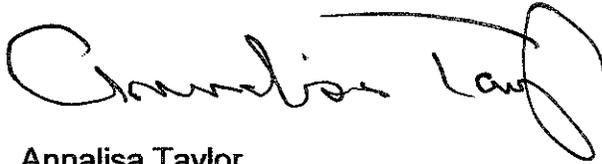
² *Id.* at 15.

- 3) *Cost and Other Decommissioning Information.* We believe the MMS does not need cost data "with supporting documentation" in a regulation to help assess bonding for decommissioning. The only such documentation that is realistically available would be our contractors' contracts and invoices, which often is proprietary or confidential information. The MMS could easily request operators to certify this information under penalties of perjury. Therefore, we request that the requirement for "supporting documentation" be removed from this proposed regulations (30 CFR §§256.1717, 1729, and 1743).

Again, we appreciate being able to comment on this proposed regulation. If there are any questions please contact the undersigned at (713) 423-8053 or by email at ataylor@dynamicosr.com.

Sincerely,

Dynamic Offshore Resources , LLC

A handwritten signature in black ink, appearing to read "Annalisa Taylor". The signature is fluid and cursive, with a large loop at the end.

Annalisa Taylor
Regulatory Manager

Cc: Mr. Matt McCarroll – CEO
Mr. John Smith – VP Land