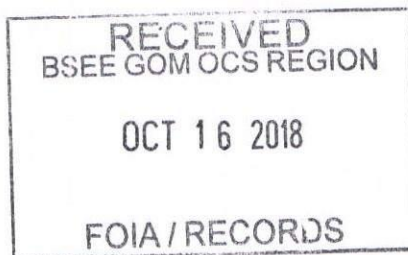


FEDERAL EXPRESS



OCT 16 2018

In Reply Refer To: GE 973E

Mr. David Monico  
TOPCO OFFSHORE, LLC  
5858 Westheimer Road, Suite 115  
Houston, Texas 77057

Dear Mr. Monico:

By letter dated June 22, 2018, and emails dated June 26 through August 30, 2018, TOPCO OFFSHORE, LLC (TOPCO) requested a Suspension of Production (SOP) for Lease OCS-G 34802 (the Lease), Vermilion (VR) Block 153. The Lease was held by its primary term through June 30, 2018.

BACKGROUND

TOPCO proposes to drill a well from a surface location on the VR 170 A platform to a bottom-hole location on VR Block 153, then complete and produce the well by using the VR 170 A platform to process the production. TOPCO stated that it intended to purchase the VR Block 170 A platform. However, TOPCO did not purchase the VR 170 A platform, nor did it execute a Production Handling Agreement (PHA) to use that production facility, prior to the scheduled expiration date of the Lease, June 30, 2018. TOPCO did execute a Right of Use and Easement (RUE) Agreement regarding the VR 170 A platform, which was dated effective June 22, 2018. The RUE Agreement does not, however, give TOPCO the right to produce through the VR 170 A platform and contains numerous contingencies precedent to securing such a right, including the following (emphases added):

- “TOPCO agrees to only use the RUE *if* TOPCO purchases the platform, well and associated lines and facilities from Contango Operators.”
- “*Upon receipt of funding*, TOPCO’s sole purpose and intent is to purchase the VR-170 production platform, well and associated facilities, not to enter into a PHA.”
- “TOPCO agrees to only drill from VR-170 *after* TOPCO is the newly named owner and operator of the platform via the closing on the acquisition of VR-170 under an executed PSA (Purchase and Sale Agreement) with Contango.”
- “TOPCO’s sole purpose of the RUE is for TOPCO to receive a [sic] SOP from BOEM [sic] to extend the lease on VR-153.”

- “In the event TOPCO does not close on the PSA pursuant to the terms above by December 31, 2018, the RUE is null and void.”
- “Contango will retain the right to sell the field (not just a [sic] ROFR) *to anyone, in any way, at any time prior to a close* with TOPCO, and this consent will be automatically cancelled at that point.”

TOPCO’s June 22 SOP request contained a proposed schedule of work, which included submitting various permit applications, drilling and completing a well, modifying the VR 170 A platform, and commencing production. The proposed schedule did not specifically include any milestones indicating how or when TOPCO would finalize arrangements to purchase or utilize the VR 170 A production facility.

### ANALYSIS

Under 30 CFR 250.171(d), an SOP request must include a commitment to production in order to be eligible for a granted SOP. In addition, guidance found in NTL No. 2000-G17 states that the operator should “demonstrate a firm commitment to develop and produce the proven reserves that have been discovered by wellbore penetration.” An operator must also demonstrate that it possessed a commitment to production before the date that the lease would otherwise expire. *Statoil Gulf of Mexico*, 42 OHA 261, 269 (2011) (*Statoil*). Further, where the operator’s ability to bring the lease onto production is contingent upon the occurrence of uncertain future events, some outside the control of the operator, there cannot be a commitment to production sufficient to support the granting of an SOP. *Id.* at 292-97.

The RUE Agreement indicates that TOPCO’s alleged commitment to production, at least as of June 30, 2018, was contingent upon, among other things, TOPCO (1) receiving funding, (2) purchasing the VR 170 A platform before December 31, 2018, and (3) Contango not selling the platform to someone else first. The RUE Agreement does not bind TOPCO or Contango to a transaction for the VR 170 A platform, and TOPCO did not demonstrate that the contingencies precedent to such a transaction were resolved prior to June 30, 2018. Further, TOPCO did not demonstrate that it had otherwise established, prior to June 30, 2018, a guaranteed right to use the VR 170 A production facility or any other facility for purposes of bringing the Lease on production. Thus, TOPCO did not demonstrate that it had a commitment to production before the date that the Lease would otherwise expire. *See Statoil* at 296-300.

### DECISION

The decision whether to grant or not grant an SOP is at the discretion of the Regional Supervisor. *See Statoil* at 267. After consideration of all available information, we have determined that TOPCO did not demonstrate that it had a firm commitment to production as of June 30, 2018, as required by 30 CFR 250.171(d). Therefore, your request for an SOP for Lease OCS-G 34802 is hereby denied.



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. Brian Russo at (504) 731-1469 or by email at [Brian.Russo@bsee.gov](mailto:Brian.Russo@bsee.gov).

Sincerely,

Richie D. Baud  
Regional Supervisor  
Production and Development

bc:

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Lease OCS-G 34802 - Public, (GE 555A)

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