



Oil & Gas
Authority

Guidance on requirements for the planning for Cessation of Production

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The guidance can be found on the OGA's website: <https://www.ogauthority.co.uk/exploration-production/production/cessation-of-production/>

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1. Introduction

In late field life, the field operator and licensees are encouraged to confirm with the Oil and Gas Authority (OGA) whether the OGA will have any objection to the field ceasing production, permanently, at a specified time. Consequently, in order to obtain such confirmation prior to ceasing production permanently from a field or part of a field, licensees will have to satisfy the OGA that all economic development opportunities have been pursued, both for the field and for any associated current or future developments including alternative use such as CO₂ storage, and that any infrastructure access considerations have been addressed.

To ensure that all relevant matters are addressed thoroughly before seeking the OGA's view on any proposed permanent cessation of production ("CoP"), the field operator on behalf of the licensees should initiate discussions with the OGA in a timely manner, typically through the Stewardship process. Stewardship expectations SE01 (Joint Venture Hub strategy), SE03 (Use of Subsurface Data), SE06 (Integrated Fields) and SE10 (Planning for Decommissioning) are particularly relevant.

As a minimum, it is expected that such discussions should begin around three years in advance of any proposed CoP date. However, in the case of a large platform-based development, this may be up to six years before the proposed CoP date.

An early agreement between the Licensees and the OGA on the timing for CoP will also be of benefit in the decommissioning planning process.

2. Scope and purpose

This guidance (“guidance”) is intended to assist field operators and licensees involved in the planning for CoP from a field, a group of fields, an asset within a field (e.g. a platform) or a field acting as a hub. The guidance covers the following:

- An overview of the OGA’s requirements and considerations relevant to CoP
- The process to be followed by licensees in late field life leading to CoP
- The content and submission of a CoP document by the field operator
- It explains how the OGA will respond, generally by objecting, or not objecting, to the proposed CoP.

This guidance does not address decommissioning planning and decommissioning execution; guidance on this can be found in the [Decommissioning roadmap](#).

In addition, this guidance does not address the requirements for any temporary suspension of production. Licensees should contact the OGA to discuss the process to be followed if they intend to suspend production temporarily from a field, a group of fields, an asset within a field or a hub.

This guidance is not a substitute for any regulation or law and is not legal advice. It does not have a binding legal effect. Where the OGA departs from the approach set out in this guidance, the OGA will endeavour to explain this in writing to the person seeking a response from the OGA.

3. Licensee representation

It is usual for the OGA to conduct CoP discussions with the operator appointed under the licence(s) for the relevant field(s) ("Field Operator") as the representative of all the relevant licensees, and for the Field Operator to be responsible for the preparation of the CoP document (see Appendix A) and for ensuring that any necessary subsequent consents and authorisations are obtained.

The CoP document submitted by the Field Operator to the OGA should therefore represent a single view of all the relevant Licensees.

4. Definition of CoP

Within this guidance, CoP refers to the licensees ceasing production permanently from a field, a group of fields, an asset within a field or a field acting as a hub. In this guidance, reference to 'Field' should be construed accordingly.

Permanent CoP is deemed to have occurred when:

- Production has ceased and all wells are shut in; and
- Redevelopment/re-use options have been reviewed and discounted; and
- There is a clear intent by the licensees to proceed to decommissioning.

Seeking the OGA's agreement on the point at which all economic development opportunities have been pursued and that production may permanently cease is an important milestone leading to CoP.

5. Basis for CoP

A petroleum production licence in the United Kingdom Continental Shelf (UKCS) is granted for the purposes of, amongst other things, “getting” petroleum, and the development and production consent issued by the OGA pursuant to the licence sets out the minimum and maximum quantities of petroleum to be produced. Consequently, where it is proposed to cease production on a permanent basis from a Field, the licensee may wish to seek comfort from the OGA that it will have no objection to the proposed cessation.

The Field Operator should submit a “CoP document” as per Appendix A which will support the licensees’ request that the OGA confirms it has no objection to CoP.

6. MER UK Strategy

The Maximising Economic Recovery Strategy for the UK (“MER UK Strategy”) came into force on 18 March 2016. Its Central Obligation states that:

“Relevant persons must take the steps necessary to secure that the maximum value of economically recoverable petroleum is recovered from the strata beneath UK waters”.

To assist with its effective delivery, the MER UK Strategy also sets out several Supporting Obligations and Required Actions and Behaviours. These expand on how the Central Obligation applies in particular circumstances and specify the actions and behaviours to be adopted by relevant persons when carrying out activities in the UKCS. The MER UK Strategy also contains a number of safeguards; the Central and Supporting Obligations, Required Actions and Behaviours should be read subject to those safeguards.

When considering whether to agree to a proposal to cease production permanently from a Field the OGA will evaluate whether the proposal is consistent with the MER UK Strategy, any OGA Plans produced in accordance with paragraph 23 of the MER UK Strategy and any options for the continued use of facilities in accordance with paragraph 24 thereof.

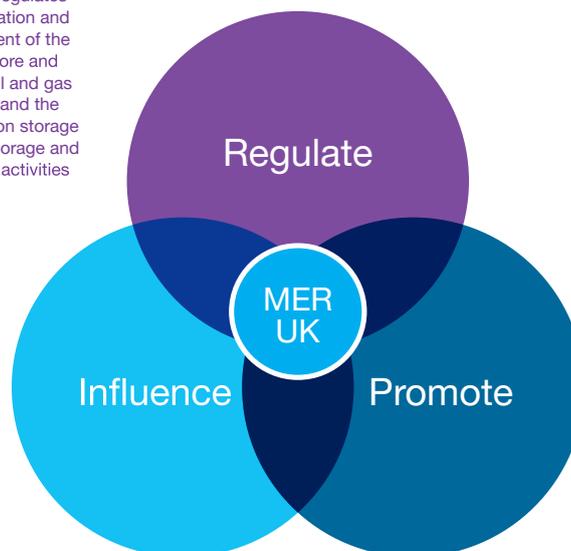
In most cases the OGA will seek to work with licensees, to ensure that the CoP option proposed is that which is most likely to fulfil the Central Obligation.

The Oil and Gas Authority’s role is to regulate, influence and promote the UK oil and gas industry in order to maximise the economic recovery of the UK’s oil and gas resources.

To avoid any difference of opinion between the licensees and the OGA on whether the licensees have met their obligations under the MER UK Strategy, it is recommended the licensees to have regard to the matters and follow the process set out in this guidance. Figure 1 describes key aspects of the OGA role.

Figure 1: The OGA role

The OGA regulates the exploration and development of the UK’s offshore and onshore oil and gas resources and the UK’s carbon storage and gas storage and offloading activities



The OGA has a critical role to influence and encourage a culture of greater collaboration on the UKCS, improve commercial behaviours, and help enable a more efficient industry

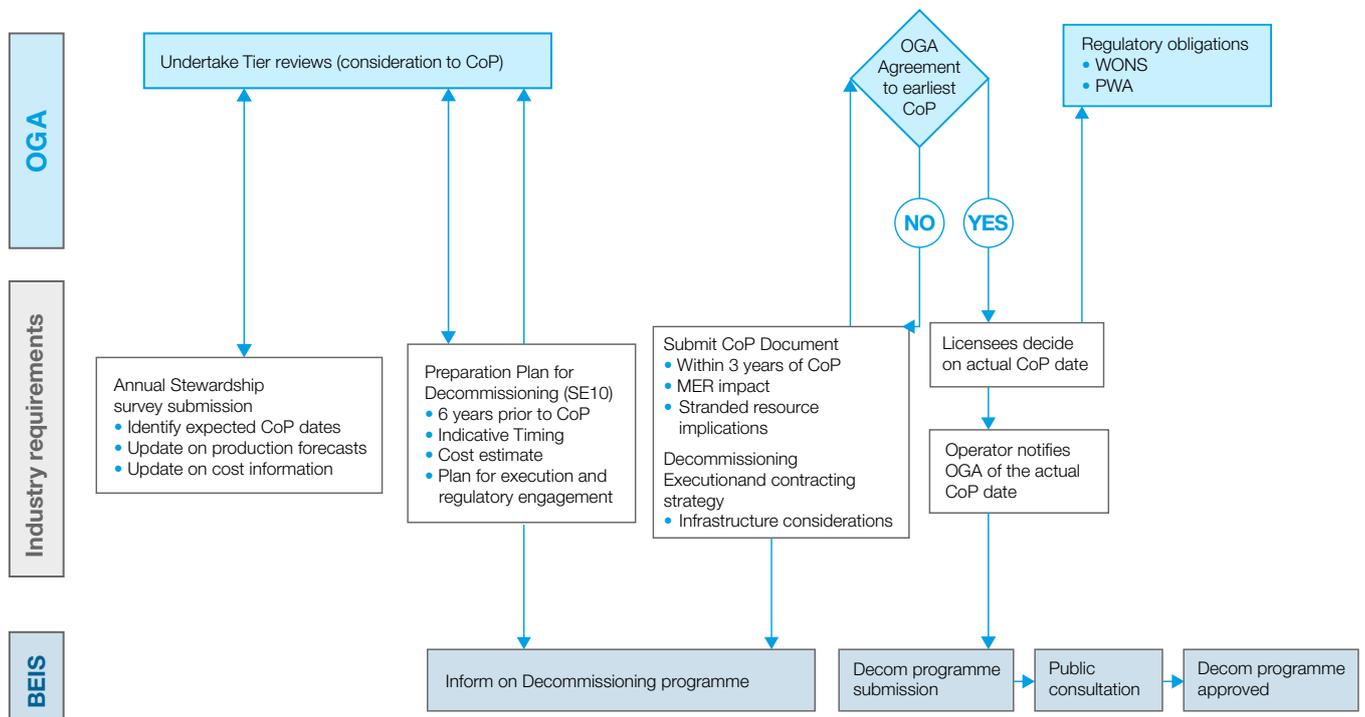
The OGA has an important role to promote investment in the UKCS, create value in the UK through exports and develop the prosperity of the industry including wider supply chain

7. Cessation of Production Road Map

Figure 2 below sets out the recommended steps to enable licensees to reach CoP for a Field. It is expected that the annual stewardship review and subsequent Tier reviews will drive the initial interaction between the OGA and licensees on the timing of CoP. The key elements are:

- Early engagement through the annual stewardship submission and Tier reviews
- A preparation plan for decommissioning Submission of a CoP document
- Final decision on CoP timing.

Cessation of Production and Decommissioning preparation



8. Stewardship expectations considerations for CoP

The Field Operator will submit an annual Stewardship Survey and the OGA may request several Tiered Stewardship reviews. These reviews should be used to initiate discussions on the timing and criteria for CoP, and the appropriate time for licensees to seek the OGA's view on the proposed CoP timing.

Early engagement between the Field Operator and the OGA through the Stewardship process is an important element in the consideration of CoP. These early engagements should clarify the decision being made on CoP and how they relate to a Field.

Stewardship Expectations relevant to the CoP process include;

SE01 (Joint Venture Hub Strategy)

The Field Operator should be clear about the CoP decision that is being made, particularly for Fields that act as hubs, and should consider the impact of CoP on:

- Existing hub strategies and how that hub will maximise economic recovery over its life time
- A joint venture's subsequent activity plans
- The potential for a hub to provide services to nearby prospectivity and discoveries (either operated by the joint venture or by others) beyond its immediate producing fields and facilities
- Implications for future production from a hub where a satellite field CoPs.

SE03 (Optimum Use of Subsurface Data)

During late field life, good practice requires that the information needed to optimise recovery has been gathered and analysed properly, including geophysical, well and production data. This will allow all realistic options for the field and area, including the application of Improved Oil Recovery (IOR), Enhanced Oil Recovery (EOR) techniques, and new or innovative technology, to be considered properly.

SE06 (Integrated Fields)

The Field Operator needs to be aware of the good production optimisation practice deemed to maximise economic recovery of fields operated on behalf of its co-venturers. This Stewardship Expectation describes the fundamental elements expected in a systematic approach to ensuring production is both protected and grown.

SE10 (Cost Effective Decommissioning)

In accordance with SE10, the Field Operator should have:

- A preparation plan for decommissioning in place no less than 6 years prior to expected CoP
- A decommissioning execution and contracting strategy in place no less than 3 years prior to expected CoP.

9. Timing of the process

In accordance with Stewardship expectations the Field Operator should submit to the OGA:

- A preparation plan for decommissioning no less than 6 years prior to CoP
- A decommissioning execution and contracting strategy no less than 3 years prior to CoP
- A CoP document, prepared in accordance with Appendix A, at a time to be agreed in advance with the OGA (usually 3 years in advance of the proposed CoP date, or 6 years for large platform- based developments)
- Standard Economics Templates (“SETs”) required to support the CoP document (see Appendix A).

The Field Operator should generally initiate discussions with the OGA on CoP in parallel with preparing a decommissioning execution strategy. Discussion may be initiated as a consequence of the Field Operator’s input to the OGA’s Stewardship Survey and/or as part of any tiered Stewardship reviews.

10. CoP document submission

When the Field Operator (on behalf of the licensees) is satisfied that the Field(s) under consideration meet(s) the criteria for CoP then the Field Operator should submit a Cessation of Production document to the OGA. This document will form the basis of the OGA's consideration of CoP from the Field. The document should indicate the expected date for proposed CoP. Guidelines for the suggested content of a CoP document are provided in Appendix A.

The Field Operator should provide evidence in the CoP document to demonstrate or substantiate that at the proposed date of CoP:

- All commitments in the applicable consented field development plan (FDP) (and any consented field development plan addendum (FDPA)) will have been implemented (or justification is provided for not doing so)
- Any other licence commitments will have been fulfilled (or justification provided for not doing so)
- All economic development opportunities will have been pursued
- Taken over a reasonable period, the value of the hydrocarbons produced will no longer cover the costs of production.

An economic review by the OGA's Economics Team will be required, as set out in section 5 of Appendix A.

At any time – whether during the period of consideration by the OGA of the CoP document or following any confirmation from the OGA that it has no objection to the proposal for CoP - should there be a material change of circumstances which may mean the information in the CoP document becomes out of date or is otherwise changed materially, it is the responsibility of the Field Operator to promptly inform the OGA and initiate discussions on whether the CoP date is still applicable. (In this context, the OGA will consider “materiality” on a case by case basis).

11. Economic evaluation

The Central Obligation under the MER UK Strategy is the key criteria for economic evaluation of CoP.

The normal criterion for deciding when a Field's production is no longer economic and that production should cease permanently is that, taken over a reasonable period, the value of the hydrocarbons produced no longer covers the costs of production. In normal circumstances, this maximises the economic value of the development. However, a number of issues can give rise to complications in assessing this criterion, including (but not limited to):

- Where CoP from one Field might impact on production and recovery from other Fields, whether directly or indirectly (e.g. shared facilities, infrastructure, or pressure communication)
- The treatment of leasing costs
- If the Licensees want the residual value of some or all of the production facility to be considered in the calculation
- Where the timing or cost of decommissioning the assets associated with a Field are affected by the date of CoP

The treatment of such matters in the economic evaluation of CoP must be agreed in principle with the OGA at the earliest opportunity.

To assist the OGA in assessing the economics of CoP, the Field Operator should provide costs and profiles in the OGA's Standard Economics Template (SET). Annual technical (untruncated) profiles should be provided for both production and costs for at least 2 years beyond the Field Operator's proposed CoP date to enable the OGA to carry out sensitivity analyses.

12. The OGA's view on CoP

The OGA will review the CoP document and if satisfied that the matters to be considered for CoP, as set out in this guidance, have been met and the processes followed, may confirm that, on the basis of the information available to it, it has no objection to the licensees permanently ceasing production on or after a specified date.

The OGA will inform the licensees of this decision usually in the form of a letter stating an earliest CoP date acceptable to the OGA. Nonetheless, the licensees retain flexibility to continue production beyond this date to optimise economic recovery or to facilitate decommissioning work schedules.

Subject to the necessary approvals, development well plugging and abandoning can begin prior to CoP itself—the schedule for well abandonments should be set out in the CoP document. Well abandonment applications should be made in the normal manner through the OGA's Well Operations Notification System (WONS) portal on a case by case basis.

If the OGA has any objection to the proposed CoP as set out in the CoP document, it will inform the Field Operator, explaining the reasons for its view.

13. Transboundary fields

The operation of transboundary fields extending beyond the limits of the UKCS, or fields wholly on another continental shelf which make use of UKCS or transboundary infrastructure or wells and control facilities, may be governed by a formal agreement (for example a treaty or memorandum of understanding) between the governments concerned.

The matters addressed in any such intergovernmental agreements may vary from project to project.

It should therefore be noted that the time-scale for the consideration of CoP proposals, the decision-making and the nature and extent of any response from the OGA and/or its counter-part regulator in the other jurisdiction, relating to fields with transboundary issues, will be governed by the terms of such agreement and therefore subject to the level of consultation and/or agreement required between the governments concerned.

Licensees are advised to seek early guidance from the OGA during late field life for any CoP proposal that may have transboundary implications.

14. Considerations in the Post CoP Phase

Notification of COP date

Once production has ceased permanently and all the wells have been shut in, the Field Operator should notify the OGA, either by email or letter. The Field Operator should also update the wells statuses on WONS.

Licensees should be aware that HMRC may contact the OGA to confirm the CoP date. This will be done if a licensee has made a claim under the Transferable Tax History (TTH)¹ rules, which can be done only once a field has ceased production permanently.

Licence retention

The licensees should include within the CoP document a statement of their intentions on licence retention following CoP. The OGA would usually expect licensees to relinquish the relevant parts of the licence once production has permanently ceased. If the licensees wish to retain part of the licence following CoP, they should include in the CoP document their plans for further activity on the licence. Note that in relation to some licences, the OGA may have the right to terminate the licence (to the extent that it governs the Field) after CoP, where production has fallen below the relevant minimum quantity of petroleum (or there has been no production) for a specified period.

Retention and Reporting of Field Information

Field Operators and licensees are reminded of their obligations to retain and report certain information and/or samples, which may arise under the terms and conditions of the licence itself, or pursuant to other legislation.

The Retention of Information and Samples Regulations 2018 (which came into effect on 14th May 2018) govern the retention of all petroleum- related information created or acquired in relation to a field (and therefore under the terms of the relevant petroleum production licences). Any information set out in the regulations that has not been reported to the OGA in accordance with Part 2, Chapter 3 of the Energy Act 2016 ("2016 Act"), must be retained.

Sections 30 to 33 of the 2016 Act impose obligations on a responsible person to prepare an information and samples plan in connection with licence events. The information and samples plan must be agreed with the OGA. When CoP is being planned, the Field Operator should ensure that all information and samples retention and reporting requirements have been met. Preparing and executing an information and samples plan should be made considerably easier if these matters have been well managed throughout the field lifecycle.²

Decommissioning

The decommissioning of offshore installations and pipelines is the subject of Part IV of the Petroleum Act 1998 ("1988 Act"). The 1988 Act provides the Secretary of State for Business Energy and Industrial Strategy with powers to require those parties with a decommissioning liability for offshore oil and gas facilities to submit costed decommissioning programmes for approval at such time as may be specified.

This process is administered by the Offshore Petroleum Regulator for Environment and Decommissioning ('OPRED'), part of the Department for Business, Energy and Industrial Strategy (BEIS) in Aberdeen. OPRED should be contacted separately to discuss the necessary arrangements.

Such approval is separate from the OGA's consideration of CoP.

Guidelines on the preparation of Decommissioning Programmes are available or can be obtained direct from OPRED.

¹ TTH was introduced by sections 27 & 38 (and Schedule 15) of the Finance Act 2019, which amends the Oil Taxation Act 1975. TTH enables the seller of a field (licence) interest and the buyer of that interest to elect that an amount of the seller's profits be treated, for tax purposes, as if it were an amount of the buyer's profits.

² <https://www.ogauthority.co.uk/news-publications/publications/2018/retention-of-information-and-samples-guidance/>
<https://www.ogauthority.co.uk/news-publications/publications/2017/guidance-relating-to-information-and-samples-plans-and-the-role-of-information-and-samples-coordinators/>

Appendix: Guidelines for a Cessation of Production Document

The amount of detail required in the CoP Document will depend on the size and complexity of the Field and its production facilities. It is recommended the Field Operator discusses the content of the CoP document with the OGA before detailed drafting begins.

Suggested section headings are:

Executive Summary

Field status, including third party-production processed/transported

Field life extension - options investigated

Additional developments options and status including third party

Field economic limit criteria

Conceptual decommissioning plans

More comprehensive or varied text, which some Field Operators might for example choose to submit for partner reasons or internal preferences, will be accepted provided it covers the OGA's information requirements as set out in sections 1 to 6 below.

1.0 Executive summary

A management summary of what is in the body of the document.

Confirmation of the extent of the Field(s) in question and the licence(s) and licensee(s) involved should be provided, together with a statement of the licensees' intentions with regard to retention or relinquishment of the licence following CoP. The proposed date for CoP should be clearly indicated.

The Field Operator should be clear about the CoP decision that is being made, particularly whether for an individual field, a group of fields, an asset within a field or a field acting as a hub and should consider the impact of CoP on:

- Existing hub strategies and how that hub will maximise economic recovery over its life time
- The joint venture's subsequent (to CoP) activity plans
- The potential for a hub to provide services to nearby prospectivity and discoveries (whether operated by The joint venture or by others) beyond the hub's current producing fields and facilities

- Implications for future production from a hub where a satellite field CoPs.
- Potential alternative infrastructure usage including CO₂ storage.

2.0 Final field status including third party-production processed/transported

The CoP Document should set out clearly, among other things:

- A summary of the location of the Field, surface layout in terms of platforms, vessels, wells, subsea wells and manifolds, intra-field flow lines, topside facilities, and transportation of products, e.g. pipelines and/or offshore loading.
- Production and injection profiles together with projections through to economic limit and approximately 2 years beyond.
- Brief details of any third-party production that is processed and transported via the current facilities. This discussion should consider the impact of removal/alteration of platforms and subsea manifolds and the future handling of satellite and/or third-party production.

The document should also contain appropriate reservoir maps indicating the estimated location and distribution of remaining technically recoverable petroleum that will be undrained at the time of proposed CoP. For large multi-layered fields, this information should be provided for each of the main reservoir units. In addition, some indication of likely changes in such distributions over time should be given for completeness.

3.0 Field life extension - options investigated

An outline of concepts and scope/timing of possible incremental activity that may impact economic recovery should be investigated together with potential economics. Annual technical (untruncated) data for production and capital and operating costs should be provided for all projects. Examples of considerations for improving economic recovery could include:

- New 3D seismic or re-processing of existing seismic data.
- Enhanced Oil Recovery (EOR)
- Infill/additional wells (incl. coiled-tubing, multi-lateral drilling or any novel techniques)
- Re-completions
- Development of undrained horizons/fault blocks
- Increased gas/water/oil handling facilities
- Increased injection facilities
- Artificial lift.
- Gas compression.
- Gas import/export and utilisation.
- Power import/export.
- Maintenance regime.
- Reduced manning.
- Alternative lower cost facilities (e.g. recertified FPSO).

It is important to record why opportunities were not viewed as economic to pursue.

4.0 Additional developments options and status including third party

A summary of all nearby fields which could potentially be developed from the existing facilities and infrastructure should be listed, together with any exploration prospects of which the Field Operator is aware. This should include any third-party fields and prospects. The following information will assist in making an assessment on the viability or otherwise of potential additional development:

- Field details and status, location, exploration, appraisal etc.

- Hydrocarbon reserve estimate i.e. type oil/condensate/gas and size
- Outline of development scheme considered or under consideration
- Viability or otherwise of the development
- Reasons why the development cannot proceed, i.e. requires new technology, economics, difficulty in agreeing tariff rates with third parties etc
- Impact of life extension for the parent facilities
- What needs to be done to promote and accelerate the development together with any other relevant considerations.

This section of the CoP document should draw on the licensees' Hub Strategy prepared in accordance with Stewardship Expectation SE01.

5.0 Field economic limit criteria

The CoP Document should include a detailed analysis of:

- Definition of economic limit
- Determination of cut-off rates and timing
- Cash flow over the period up to this economic limit and approximately 2 years beyond
- Detailed information on any factors that would advance or postpone the economic limit so that the OGA can form a view as to the main sensitivities and uncertainties involved
- The costs and any revenues associated with CoP itself (capital and operating expenditures and any residual value of field assets)
- The form and costs of decommissioning, particularly where these affect the timing of the economic limit.

To assist the OGA in assessing the economics of CoP, the Field Operator should provide costs and profiles in the OGA's Standard Economics Template (SET). Annual technical (untruncated) profiles should be provided for both production and costs for at least two years beyond the Field Operator's proposed CoP date to enable the OGA to carry out sensitivity analyses. The SET should also include data on costs and profiles for possible incremental activity and additional developments as set out in sections 3.0 and 4.0 above.

6.0 Conceptual decommissioning plans

Approval of Decommissioning Programmes is separate from the OGA's agreement to the CoP document. It will be important, nonetheless, to include in the CoP document an indication of decommissioning plans. This should provide a general outline of the sequence of events which will take place from the date of the OGA's confirmation (if given) that it has no objection to CoP until complete decommissioning of wells, facilities and pipelines and should include an indication of the timetable for such activities. This is especially important when there is a considerable time delay between CoP and actual decommissioning, e.g. a tariffing phase of operations involving the whole or part of the field facilities and pipelines.

The CoP Document should also generally consider options for the re-use of facilities, including those not directly related to the recovery of petroleum, e.g. for CO₂ storage (ref MERUK Strategy paragraph 20). Reference should be made to the decommissioning execution and contracting strategy prepared to satisfy stewardship expectation SE10.



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