

Onshore Division Monthly Activity Report



August 2014

Policy, Government and Regulatory Affairs

RECAP OF CONGRESSIONAL ACTION: The House and Senate are in recess until after the November 4, 2014 mid-term elections however, both Houses did pass legislation to fund the government through December 2nd in the form of a Continuing Resolution. Broader budget negotiations were pushed into a lame-duck session and possibly beyond. The federal debt ceiling is currently suspended through March 15, 2015; the 113th Congress is unlikely to propose any hike or extension, but the 114th Congress is certain to consider the issue.

HOUSE PASSES ENERGY OMNIBUS BILL: The House passed its omnibus energy bill, H.R. 2, by a vote of 226-191. The bill includes a variety of previously-passed bills, including measures permitting full construction of the Keystone XL pipeline, cutting EPA regulations, expediting LNG exports and expanding offshore oil production. The White House issued a veto threat on the package, saying it “would undermine energy security and endanger human health and the environment.”

OVERHAUL OF 1976 TOXIC SUBSTANCES CONTROL ACT – DEAD, FOR NOW: A draft bipartisan deal in the Senate meant to lay the groundwork for overhauling federal oversight of dangerous chemicals fell apart just prior to the Congressional recess. But a late concerted lobbying effort by critics of the draft — and opposition from Environment and Public Works Chairwoman Barbara Boxer (D-Calif.) — torpedoed their plans. After months of negotiation, Senators Vitter and Udall had reached a compromise on the environment and health-related provisions. However, the California Democrat had objected to the lack of a deal preventing the federal preemption of toxics laws in California and other states, along with concerns such as protections for vulnerable populations and the need to shorten the time it takes to classify a chemical. The issue may be revisited in the 114th session of Congress.

GOP SENATOR DEBUTS BILL TO BLOCK OZONE RULE: Republican Sen. John Thune of South Dakota introduced legislation that would halt EPA's progress towards releasing new regulations to limit ground-level ozone, the main component of smog. Thune claims the regulatory rewrite "is expected to be [the agency's] most costly regulation" yet and says his legislation would help stem the bleed. Thune's bill would require the agency to focus on getting counties that have not yet complied with current smog standards to demonstrate attainment before moving on to set a new standard. The bill will be taken up after the November mid-term elections, however, as long as the Senate remains in Democratic hands, however, don't expect the legislation to pass.

SENATE FINANCE COMMITTEE CONSIDERS ENERGY TAX POLICY: Expired and expiring tax provisions may not see action before the midterms, but after the election, Congress could consider a larger taxation bill including energy tax provisions and tax reforms specific to investment and energy development. Testimony highlighted how policies have affected renewables and traditional sources of energy.

HIGHWAY TRUST FUND: In late July, Congress passed a bill that funds the Highway Trust Fund until May 2015, pushing for negotiations for a longer-term solution to the 114th Congress.

SENATE PASSES BLM PROCESSING IMPROVEMENT BILL: the Senate passed the BLM Permit Processing Improvement Act of 2014 (S. 2440), a bill that would make permanent a program designed to provide resources to the Bureau of Land Management (BLM) to reduce the backlog of permit applications and improve the efficiency of its oil and natural gas permitting process without reducing environmental protections. The bill now moves to the House, however it will not be taken up until after the mid-terms.

IADC assisting Western Energy Alliance in filing a Data Quality Act Challenge against the U.S.

Department of the Interior on the Greater Sage-Grouse. IADC PGRA and the Western Energy Alliance (WEA) met on August 5, 2014 in Washington, D.C. to discuss IADC joining the WEA in filing a Data Quality Act challenge against the U.S. Department of the Interior (“DOI”) on greater sage-grouse (“GRSG”). The potential listing of the greater sage grouse is of critical importance to our members. Given the sizable range (11 states encompassing approximately 165 million acres) of the sage grouse’s habitat, a listing would be devastating. Timing is critical. A listing decision under the Endangered Species Act (“ESA”) is expected by September 30, 2015. In the meantime, the Bureau of Land Management (“BLM”) and U.S. Forest Service are implementing draconian “one size fits all” new regulatory measures that will lock up millions of acres of public lands in the West and significantly impact the ability of drilling contractors to conduct their work.

IADC Action: This opportunity allows IADC to assist the industry by securing positive outcomes through advocacy with government policy makers, representation with regulators and leadership of the drilling space. The support of IADC and the membership is critical so the coalition can proceed with both of these important tasks. Therefore, IADC is in need of a drilling contractor expertise in the Colorado area to assist in this matter.

API Standards Development / Monitoring

API Standards Plan: Every year API develops a list of Specifications, Recommended Practices and Standards “expected” to be published during that calendar year. For a complete list of API documents “expected” to be released in 2014, visit the API website: <http://www.api.org/publications-standards-and-statistics/annual-standards-plan>

On a regular basis, IADC staff monitors, reviews and provides feedback on API documents on behalf of the IADC members. Below is a list of current document revisions that IADC is involved in:

- Standard 53, Blowout Prevention Equipment Systems for Drilling Wells.

Note: API Standard 53 was revised and modified greatly as a response to the Macondo incident in the Gulf of Mexico. The main issue onshore members have with API Standard 53 is that the Texas Railroad Commission's Rule 13 made blanket use of Standard 53 and its requirement of blowout preventer equipment to be certified according to the standard.

IADC Action: IADC attended an initial API Standard 53 TG meeting to review suggestions that had been submitted for revision of the standard. Representatives from the Texas Railroad Commission (TRRC) were in attendance. However, only one drilling contractor was present. Additionally, the IADC letter addressed to the TRRC regarding the API standard was reviewed and API will post IADC's letter on API's SharePoint site for the 53 TG.

IADC Update: IADC sent out a meeting update out to onshore members who have expressed interest in Standard 53 encouraging their participation.

Spec 16A Specification for Drill-Through Equipment

- Spec 16 AR Repair and Remanufacture of Blowout Prevention Equipment

IADC Update: Both Spec 16 A and 16 AR's next meeting is TBD.

Member Visits

Tyler, Texas: Sam Hardin, Marketing Manager – ScanDrill.

Arkansas: Chuck Lovelace, Operations Manager and John Crain, Stadd Analyst – Southwestern Energy Drilling Company.

New Mexico: Dave Walters & Almie Lambson, Co-Owners – L&W Drilling, Inc; John Baugh, Contracts Manager – Bearcat Drilling; Tory Larsen, HSE Manager – Aztec Well Family

Chapter Meetings

Each of IADC's 15 active chapters is represented by a regional representative, who helps coordinate IADC activities with the chapters in that area. Chapters comprise local drilling contractors, producers and service companies. The chapters sponsor social events and provide informal regional forums for members to consider problems and issues in the industry. For additional information regarding chapters, visit the IADC website at <http://www.iadc.org/chapters/>.

IADC Permian Basin Chapter (Midland, TX):

The next Permian Basin Chapter meeting is scheduled for December 2014 at the Midland Petroleum Club.

Ark-La-Tex Chapter:

Meeting with Sam Hardin of ScanDrill to discuss the future of the chapter and what they would like to see the chapter focus on. Sam indicated that they would like to increase the number of meetings to, at least, quarterly. He also expressed concern with getting as many members and industry representatives to the meetings as possible. It was advised, that IADC can help him spread the word about the chapter meetings by making phone calls and reminding members as we make our visits. The IADC staff liaison for this chapter also offered assistance.

OSHA / Regulatory

29 CFR Parts 1904.9 and 1952 [Docket No. OSHA–2013–0023] RIN 1218–AC49 Improve Tracking of Workplace Injuries and Illnesses: On September 11, 2014, the US Department of Labor Occupational Safety and Health Administration (OSHA) announced a new rule that will go into effect [on January 1, 2015](#). Whereas in the past, OSHA only required employers to report deaths and incidents that caused the in-patient hospitalization of three or more employees, within eight hours, the new rule will require employers to report *all* work-related hospitalizations, amputations, and/or loss of an eye within twenty-four hours of the event causing the hospitalization, amputation or loss of eye *regardless* of the number of employees involved and/or whether a fatality occurs. The new rule will also change the industries that are partially exempted from reporting workplace injury and illness data from those that have a DART (Days Away, Restriction, or Transfer rate) of 2.325 to those with a DART rate of 1.5.

IADC Action: The IADC staff will distribute this information to members via email, posting on the IADC website and member visits.

Industry Meetings

Farmington, NM: 4 corners STEPS Network. Approximately 40 attendees, 4 drilling contractors.

Lompoc, CA: Far Western STEPS Network. Approximately 20 attendees, no drilling contractors present.

Hallsville, TX: Ark-La-Tex STEPS Network. Approximately 30 attendees; 0 drilling contractors and 3 operators.

Heber Springs, AR: AR STEPS Network. Approximately 50 attendees; 3 drilling contractors and 6 operators.

Presentations

Hallsville, TX: Ark-La-Tex STEPS Network – IADC history, membership served, 2013 ISP results, Safety Alert Program, current initiatives (KSA & WADI), and other IADC benefits (Publications, Conferences, Committees, etc.). There was also a question/answer period after.

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