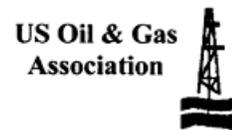




AMERICAN PETROLEUM INSTITUTE



OFFSHORE OPERATORS COMMITTEE



February 23, 2018

Chad Whiteman
Office of Management and Budget
Office of Information and Regulatory Affairs
New Executive Office Building
725 17th St. NW
Washington, DC 20503

Re: EO 13795 & Well Control and Blowout Preventer Rule

Via Electronic Transmittal

Dear Mr. Whiteman:

Thank you for taking the time to meet with us on February 1, 2018 to hear our concerns on this important rulemaking proposal. We share the government's goal of enhancing offshore safety while producing more oil and natural gas in the United States. Government and industry have made a continuous effort to enhance safety in offshore operations and prevent process safety events. Industry has been working with BSEE since 2012 on this rulemaking process. The industry is committed to conducting safe operations and will continue to do so using effective regulation and industry standards. We welcome this opportunity to reduce unnecessary regulatory burdens imposed under the existing regulations that do not enhance the safety of operations. As you know, industry is highly invested in this rulemaking and will continue our extensive effort to provide meaningful and helpful comments. The Final Well Control Rule is greatly improved from the original proposed rule, but numerous concerns remain.

Industry participated in the public forum hosted by BSEE on the Well Control and Blowout Preventer Rule in September 2017. The forum was in response to Executive Order (EO) 13783 (“Promoting Energy Independence and Economic Growth”) and Section 7 of EO 13795 (“Implementing an America-First Offshore Energy Strategy”) which directed BSEE to review the entire WCR to determine whether it should be revised to encourage energy exploration and production on the OCS, while still ensuring that such exploration and production activities are safe and environmentally responsible. The industry recommendations offered to reduce regulatory burden, add efficiency, while maintaining safe operating conditions are contained in the API and OOC presentations posted on the BSEE website (<https://www.bsee.gov/guidance-and-regulations/regulations/well-control-rule/public%20forum>).

Industry has previously provided BSEE with great detail regarding our concerns with the Final Well Control Rule.

For the purpose of clarity, and in support of OIRA’s Well Control Rule review process, we have summarized below the industry comments on the five major concerns discussed with OIRA representatives at the meeting held in Washington, D.C. on February 1, 2018.

§ 250.414 Drilling Margins

Industry Recommendation: Drilling margin requirements should be risk based and enable Operators to apply Industry best practices and technologies to manage narrow margins. The single prescriptive drilling margin should be replaced with a tiered approach as presented at the BSEE WCR Public Forum based on well-specific risk-based drilling margins (with associated justification and agreed operational mitigations). (Presentation Slide attached)

- a) As written, the drilling margin requirements challenge the feasibility of wells, with deepwater and depleted fields most at risk. The current regulation broadly applies indiscriminate of risk and is enforced on zones where absence of hydrocarbons has been confirmed. Areas that have been safely drilled with known manageable loss zones can no longer be penetrated without alternative compliances and increased regulatory burden.
- b) Codifying the tiered approach will provide Operators greater certainty of the application of drilling margin requirements at the time of project sanctioning and through well planning for well specific mitigation implementation. Current processes delay drilling margin certainty until APD approval or during operations, which can be years after investment decisions. Industry recommends the regulation be revised to include review of the required drilling margin as part of the DOCD approval.
- c) If adopted, this risk-based tiered approach will provide industry with an improved certainty of BSEE requirements, reduce regulatory burden and elevate confidence in investment decisions.

§ 250.724 Real Time Monitoring

Industry recommendation: Prescriptive remote real-time well monitoring requirements should be eliminated in favor of performance-based requirements.

- a) This would enable Operators to deploy a fit-for-purpose approach providing effective management of risk in daily operations while preserving clear lines of responsibility and authority for operational decision making. Any prescriptive well monitoring requirements

- that are implemented should be thoroughly evaluated to ensure they do not compromise the long-term effectiveness or empowerment of wellsite supervision.
- b) The requirement for a fit-for-purpose monitoring program would allow Operators to deploy personnel in the most effective manner to manage operations and minimize operational risk.
 - c) Eliminating the prescriptive requirement for remote onshore monitoring would help to address the potentially significant safety and economic impacts associated with a cybersecurity event.

§ 250.420 Well Cementing Requirements

Industry recommendation: Prescriptive cementing requirements should be eliminated in favor of well specific cementing objectives and evaluation requirements.

- a) The current prescriptive requirements can result in supplementary cement evaluation, even after job objectives have been confirmed per API Standard 65—Part 2, *Isolating Potential Flow Zones During Well Construction*; Second Edition, December 2010; incorporated by reference at §250.198 and §250.415(f)).
- b) Prescriptive requirements limit the ability of Operators to manage risk. In addition, the current WCR increases BSEE's role in critical path decision making, which results in operational delays waiting for approval.
- c) The current prescriptive cementing requirements do not address technical requirements or well specific risk.
- d) Alternative compliances for cement evaluation and remediation are responsible for a large portion of re-permitting obligations and regulatory burden during operations due to the prescriptive nature of the requirements.

BOP Testing Requirements

Industry recommendation: BOP testing requirements should be updated to align with API Standard 53, *Blowout Prevention Equipment Systems for Drilling Wells*, Fourth Edition, November 2012, (API 53) incorporated by reference at §250.198, §250.730, §250.735, §250.737, and §250.739).

- a) Prescriptive requirements beyond those in API 53 for BOP testing create unintended consequences. If BSEE desires to retain incremental requirements beyond those in API 53, a comprehensive analysis of the net risk, cost and operational impacts as a result of each proposed change should be completed in collaboration with industry.
- b) Incremental requirements above API Standards create increased investment cost to develop OCS resources compared with foreign opportunities. For example, BSEE outlined in the preamble of the final rule that updating pressure test requirements to align with international standards (21-day pressure test schedule) would reduce investment cost by \$400 million per year. Industry BOP experts agree that revising pressure testing requirements to 21 days, as provided for in API 53, would not adversely impact the safety of offshore operations. API 53 requirements for function testing of BOPs is aligned with the current regulation and confirms control system integrity (pipe ram and annular preventers are function tested every 7 days).

- c) Based on the questions raised in the meeting, Industry reviewed available international BOP guidelines and regulations. In most areas, the guidelines do not impose testing at intervals more frequent than the API 53 21-day BOP test frequency. Specifically, the UK, Canada, Australia, India, Brazil, Indonesia, Vietnam, China, and the West African nations allow testing consistent with API 53. This includes the other main deepwater regions of offshore drilling activity (Brazil and West Africa). The only guidelines or regulations identified that limit the duration between pressure tests to 14 days are those of the US and Norway.

Incorporation by Reference of API Standards

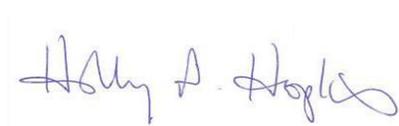
Industry recommendations: Regulations should ensure that the latest revisions of Industry Standards are incorporated to allow inclusion of the most up to date information and assist in positively impacting the safety of offshore operations.

- a) Most notably, BSEE should incorporate the latest revision of API 53 (API Standard 53, Blowout Prevention Equipment Systems for Drilling Wells, Fourth Edition, Addendum 1) published in July 2016.
- b) The Well Control and Blowout Preventer Rule should remove standards that are incorporated by reference if those standards are comprehensively required in API 53 (e.g., API Specification 6A, API Specification 16C, API Specification 16D). This will remove redundant requirements and support the expeditious updating of the WCR.
- c) The Well Control and Blowout Preventer Rule should be revised to ensure that requirements allow flexibility for the use of equipment that met applicable industry standards at the time of manufacture. This can be accomplished by implementing a) and b) above since API 53, Fourth edition, Addendum 1 already addresses this issue.

Safety is a core value for the oil and natural gas industry. We are committed to safe operations and support effective regulations in the area of blowout preventer systems and well control. We appreciate the actions of this Administration to eliminate unnecessary burden, promote well planning risk management and their efforts to restore certainty and predictability to the offshore permitting and regulatory oversight. We look forward to continued engagement on these important regulatory requirements to assure that the energy that is fundamental to our society can be developed and delivered safely.

Thank you for your consideration of these comments, please do not hesitate to contact us if you have any questions.

Sincerely,



Holly Hopkins, API



Alan Spackman, IADC



Daniel Naatz, IPAA



Randall Luthi, NOIA



Evan Zimmerman, OOC



Leslie Beyer, PESA



Alby Modiano, US Oil and Gas Association

Attachment

cc: Joe Balash, Assistant Secretary for Land and Minerals Management, US Department of the Interior

Katharine MacGregor, Deputy Assistant Secretary for Land and Minerals Management, US Department of the Interior

Scott Angelle, Director, Bureau of Safety and Environmental Enforcement

Lars Herbst, Director, Gulf of Mexico Region, Bureau of Safety and Environmental Enforcement

Doug Morris, Chief, Office of Offshore Regulatory Programs, Bureau of Safety and Environmental Enforcement

Drilling Margin Proposal

- To provide additional certainty for operators prior to investment decisions, OOC recommends that BSEE delineate additional approved drilling margin scenarios as outlined below:
 - Clarify that drilling margin requirements in the CFR only apply for hole sections with anticipated hydrocarbons
 - Implement a tiered analysis for drilling margin application similar to BSEE approach contained in the WCST
 - Tier 1: 0.5 pound per gallon or greater drilling margin; approved as outlined in current WCR text
 - Tier 2: Drilling margin of at least 0.3 ppg, 2.5% of fracture gradient, or 200 psi with supporting documentation (such as risk assessment data, offset well data, analog data, or seismic data) for the adjusted margin; approved contingent upon supporting documentation
 - Tier 3: In lieu of meeting the criteria in Tier 1 or Tier 2, Operator may request alternative Drilling Margin requirements as specified in their APD with adequate documentation for District Manager review and approval on a case by case basis
- OOC recommends that this tiered approach to drilling margin review be applied utilizing the District Manager's authority outlined in §250.414(c)(2) through a regional policy directive during the ongoing review of the WCR to provide additional clarity for Operators and BSEE Districts



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