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09 March 2018 Submitted via: *www.regulations.gov*

Bureau of Ocean Energy Management
Ms. Kelly Hammerle
45600 Woodland Road
Mailstop VAM-LD
Sterling, VA 20166

Re: Notice of Availability of the 2019-2024 Draft Proposed OCS Oil and Gas Leasing Program and Notice of Intent to Prepare a Programmatic Environmental Impact Statement (Docket: BOEM-2017-0074)

Dear Ms. Hammerle,

The International Association of Drilling Contractors is a trade association representing the interests of drilling contractors, onshore and offshore, operating worldwide. Our membership includes all drilling contractors currently operating mobile offshore drilling units (MODUs) in the areas subject to the jurisdiction of the United States.

The purpose of this letter is to respond to the Bureau of Ocean Energy Management's 8 January 2018 Notice; Request for Comments regarding the draft proposed OCS oil & gas leasing program (DPP).

The below comments are offered without prejudice to those that may also be addressed or submitted directly by IADC members.

IADC applauds the Department of Interior (DOI) and BOEM's recent decision to make 25 of 26 U.S. offshore areas available for leasing. This unprecedented action clearly reflects a concerted commitment to developing offshore oil and gas resources in an expeditious and orderly manner. This action is vital to meeting the challenges of a 28% increase in global energy demand by 2040 as forecasted by the U.S. Energy Information Administration EIA).

The benefits derived from a successful offshore drilling and production campaign are prolific. According to IHS Global Deepwater Growth Plays Service, average daily production from offshore wells exceeds 50,000 barrels/day compared with that of onshore wells averaging 4,000 barrels/day. Accounting for nearly one-fifth of the nation's 2016 oil production, offshore oil and gas activity has contributed to a significant portion of the total U.S. oil and natural gas production despite being restricted to the Central and Western regions of the Gulf of Mexico, along with nominal portions of the Alaskan and Californian coasts. The 2019-2024 leasing plan sets the stage for an exponential increase in offshore production as a percentage of overall U.S. production.

However, such upside potential is not realized without accounting for the necessary lead time required to survey, sanction, design, permit, fabricate, and install an operable production facility. This entire process routinely requires upwards of 7-10 years from beginning to end for areas already developed and equipped with infrastructure. For frontier areas, the lead time is even longer at 10-15 years. This offshore lead time is in stark contrast to the weeks or months necessary to bring an onshore project online. Additionally, EIA and IHS Global Deepwater Growth Plays Service placed the average capital costs per well at $4.9-$8.3 million for onshore and $110-$225 million for offshore. As a result, the relative project certainty required by companies to move forward with an offshore oil and/or natural gas project as a function of time and capital is considerably higher than projects undertaken onshore. Not insignificant are the regulatory and compliance considerations that must be factored into the risk portfolio of any offshore project. As such, it is crucial that an offshore leasing plan provide a fundamental level of consistency and reliability to advance the development of U.S. offshore reserves.

It is well understood that offshore oil and gas production is entirely dependent upon the invaluable technologies and the expertise that drilling contractors and associated service contractors bring to a successful drilling campaign. In 2016 alone, drilling and well maintenance activities were supported by a workforce in excess of 70,000 and accounted for more than $7 billion in wages. This activity was reflective of only a peak number of 30 MODUs working throughout 2016. Contrasted with a peak of 65 plus MODUs working during the period between 2013 and 2014, the economic impact will certainly grow if the more inclusive DPP leads to more offshore areas being opened for exploration, development and production. On average, a single deepwater MODU directly employs 200 persons with an additional ancillary staff of three persons for every one working offshore. Consequently, one MODU employs upwards of 800 total persons, along with the thousands of third party support staff and technicians.

In keeping with the Administration's America-First Offshore Energy Strategy, a study completed in December of 2015 by the Institute for Energy Research concluded that an immediate opening of all federal lands for oil and gas leasing would increase GDP by $39 billion annually over the next seven years. Such action would also create over 172,000 jobs over this same time period, with the potential to create 502,000 jobs over the next 30 years. Federal revenues would increase by an additional $3.9 trillion over 37 years, and state and local revenues would rise by $1.9 trillion over the same time period.

Offshore drilling provides jobs and revenues for our economy, but it is also a safer industry than it's ever been. With the evolution of modern safety features, revised national and international safety regulations, and performance management requirements, MODUs have come under much closer scrutiny by regulatory compliance and industry auditing regimes since 2010. In 2017, the International Maritime Organization's Code for the Design & Construction of Mobile Offshore Drilling Units was revised based directly on investigatory

findings related to the 2010 Macondo incident. Additionally, the Coast Guard and Bureau of Safety and Environmental Enforcement have implemented a variety of safety measures involving the operation of dynamically positioned MODUs, electrical equipment in hazardous locations on MODUs, and the enhanced safety of blowout preventers and well control operations among others. The preventative barrier management concepts introduced by the Center for Offshore Safety have provided the offshore industry with sophisticated methodologies that enable more thorough assessment processes for preventing low probability, high consequence incidents such as oil spills. Additionally, two spill containment consortiums were create that provide Gulf of Mexico response capabilities in the event of an uncontrolled flow of hydrocarbons. Other response-related developments include organizations that provide industry stakeholders information related to spill prevention, preparedness, and response planning.

With the increased use of dynamic positioning (DP) capabilities installed on modern day deepwater MODUs, these units have proven much more nimble in comparison to earlier generations of "moored" MODUs that utilize anchoring systems to remain on location/position while drilling offshore. Today's DP MODUs are able to remain on location under propulsion power that can be applied in any direction. This allows a MODU to counteract the natural forces of the wind, waves, and current in real time enabling the MODU to "remain on-station" within feet of its intended position while drilling. This arrangement provides a significant advantage when the advance of heavy weather may require the MODU to move off its drilling position to a storm safe location only to return once favorable weather returns. MODUs are specifically designed for a variety of operating environments including the more extreme arctic environment, thus operating anywhere on the U.S. OCS presents a nominal challenge.

Given the long history requiring the orchestration of multi-use activities on the U.S. OCS, the Department of Defense (DOD) and the DOI have continuously coordinated to account for joint-use considerations to ensure offshore safety. The DOD-DOI memorandum of understanding placed into effect in 1983 provides a framework for reaching mutually acceptable solutions regarding defense-related activities and exploration and development projects undertaken on the OCS. The DOD is currently conducting an assessment of OCS planning areas identified for leasing in the DPP to determine a level of coordination that may be required under the MOU. Previous studies conducted in 2010 and 2015 found that relatively few OCS areas presented a potential conflict or were identified as restricted areas considered off limits to oil and gas development.

The offshore exploration and production experience gained, not only in the U.S., but in the variety of producing regions around the world, has collectively contributed to a vast amount of industry knowledge and specialized expertise. As the "cradle of the global offshore industry," the Gulf of Mexico has long established itself as the world's proving ground for safe and efficient offshore activities. The Gulf of Mexico has continued to yield significant discoveries that can be safely developed in a relatively benign and predictable

metocean conditions. The possibility of further developing prospects in the Eastern Gulf of Mexico, in particular, is considered highly advantageous due to existing pipeline and subsea infrastructure immediately to the west that could support these efforts. While concerns for tourism on the Florida coasts are quite prevalent as the appearance of offshore structures could otherwise obstruct pristine ocean views, it is relevant to note that the line of sight from a Florida beach front is typically not more that 12 miles beyond the shore. This would leave the majority of the Eastern Gulf available for development without contributing to an "eyesore" for which many are concerned.

IADC fully supports the work the DOI has completed toward the implementation of the 2019-2024 leasing plan and looks forward to an objective and deliberative process by which new offshore areas may be made available for development.

IADC appreciates the opportunity to provide comments and recommendations and asks that they be given due consideration. Should you have any questions about any portion of this correspondence, please contact Elizabeth Craddock, VP of Policy and Government Affairs, at (202) 293-0670.

Sincerely,

Jason McFarland
President