



INTERNATIONAL ASSOCIATION OF DRILLING CONTRACTORS

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MEMORANDUM

TO: IADC Executive Committee Onshore Advisory Panel
FROM: Steve Kropla, Executive Vice President – Operational Integrity
DATE: 17 January 2014
SUBJECT: Follow-up -- OSHA Request for Information and meeting with OSHA

As noted in the 19 December 2013 memo to the Onshore Advisory Panel, OSHA has initiated a new Process Safety Management (PSM) rulemaking effort. This was in the form of a Request for Information (RFI) published in the *Federal Register* on December 9, 2013, and led to IADC's Government and Regulatory Affairs and Onshore Division to arrange a meeting with OSHA in Washington, D.C. That meeting took place on 10th January 2014. (The RFI resulted from Executive Order 13650, aimed at improving chemical facility safety and security following incidents in West, TX and Richmond, CA.)

The RFI is requesting input from all stakeholders on ideas to improve the PSM standard including the following areas:

- Clarifying or eliminating some PSM exemptions, including oil and gas well drilling/servicing and production facilities
- Expanding PSM coverage and requirements for reactivity hazards
- Updating the list of Highly Hazardous Chemicals in Appendix A of the PSM Standard
- Revising the PSM Standard to require additional management system elements
- Clarifying the PSM Standard by adding a definition for Recognized And Generally Accepted Good Engineering Practice (RAGAGEP)
- Expanding the Mechanical Integrity element to cover any safety-critical equipment
- Management of organizational changes
- Coordination of emergency planning with Local Emergency Response Authorities
- Third-party compliance audits

In the meeting with IADC, OSHA made it clear it intends to move forward with proposed rulemaking. OSHA stated the intent of the RFI is to begin the process of "modernizing" PSM and bringing standards into the 21st century. The potential ramifications for drilling contractors remains uncertain, as the effort is primarily targeted on facilities like chemical plants and oil refineries (particularly facilities that use ammonium nitrate) and security of chemicals is a top priority. If adopted, such changes could significantly increase the regulatory compliance burden for chemical plants and related industries/facilities by increasing:

- Number of covered facilities
- Number of covered processes in existing PSM facilities
- Workload for existing PSM covered processes

OSHA representatives said that following the 90-day RFI comment deadline (which ends 10th March 2014), OSHA is likely to take several months to analyze the comments they receive before issuing a Notice of Proposed Rulemaking to propose an "improved" PSM standard. The rulemaking process could be complete within 18 months.

A Working Group formed as the result of the Executive Order has also held a series of public "listening sessions" around the country. These have taken place in Texas City, TX and Washington D.C. in November and in Sacramento, Los Angeles and again in Washington D.C. thus far in 2014. The next meeting of this type will be in Houston on 24th January, and will be attended by Joe Hurt, IADC Vice President – Onshore Division. These workshops are designed to offer opportunities prior to and outside of the OSHA PSM RFI process for stakeholders to provide opinions on how best to improve chemical facility safety and security.

Analysis

This effort targets a broad swath of industries and facilities for additional regulatory compliance, of which oil and gas drilling operations are a small piece. That is not to suggest that IADC should ignore the RFI or the potential for rulemaking, or to better understand how changes to the oil and gas exemption to PMS may affect our member companies. In that regard, OSHA outlined four points which they felt might help inform OSHA and guide IADC:

- How would IADC suggest OSHA modernize PSM? What alternatives to removing the oil and gas exemption to PSM might be submitted by IADC once the formal rulemaking process begins?
- What would such changes mean for our member companies?
- IADC should engage with the EO Working Group and regulatory agencies to ensure IADC has a seat at the table that would allow IADC to promote sensible, effective improvements in the regulatory regime.
- Are there any initiatives that IADC member companies are doing improve process safety that can be shared during in the rulemaking process?

IADC will be communicating this information to its broader onshore interests via our website and e-mail distribution. We would, however, welcome any guidance or comments from the Onshore Advisory Panel or Executive Committee in general that might help direct our future efforts on this matter.

Sincerely,



Steve Kropla
Executive Vice President – Operations & Accreditation

CC: Executive Committee Offshore Advisory Panel
IADC GRA & OI Staff et al