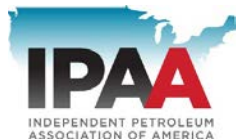




AMERICAN PETROLEUM INSTITUTE



OFFSHORE OPERATORS COMMITTEE



August 6, 2018

Department of the Interior
Bureau of Safety and Environmental Enforcement
Attention: Regulations and Standards Branch
45600 Woodland Road
Sterling, VA 20166

Re: *Blowout Preventer Systems and Well Control Revisions, 1014-AA39*

Via electronic submission to: <http://www.regulations.gov/>

To whom it may concern:

The American Petroleum Institute (API), the International Association of Drilling Contractors (IADC), the Independent Petroleum Association of America (IPAA), the National Ocean Industries Association (NOIA), the Offshore Operators Committee (OOC), the Petroleum Equipment & Services Association (PESA), and the US Oil and Gas Association respectfully submit the following comments on the proposed regulatory revisions to Blowout Preventer Systems and Well Control requirements in 30 C.F.R. part 250. The Bureau of Safety and Environmental Enforcement (BSEE) published these proposed changes on May 11, 2018, in a notice of proposed rulemaking entitled, “Oil and Gas and Sulphur Operations in the Outer Continental Shelf—Blowout Preventer Systems and Well Control Revisions.”

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 and to restore

certainty and predictability to the offshore permitting and regulatory regimes. In particular, we welcome the Administration's commitment to review the final Well Control Rule because some of its provisions actually made operating offshore less safe and therefore, a review of this final rule is warranted. These trade associations represent oil and natural gas producers who conduct the vast majority of the Outer Continental Shelf (OCS) oil and natural gas exploration and production activities in the United States as well as the companies supporting the drilling, equipment manufacturing, construction, and support services for the offshore oil and natural gas industry. Our collective commitment to safe operations motivates us to ensure that the regulations in place foster safe operations today and into the future.

While we are pleased to see the Administration and the Department of the Interior (DOI) continuing to make strides to put in place a lasting, domestically-focused energy policy that will help the U.S. "maintain the Nation's position as a global energy leader," the proposed rulemaking leaves additional opportunity on the table. For too long the U.S. has been hampered by the lack of a strong domestic oil and natural gas energy policy. The oil and natural gas industry is committed to developing and producing domestic energy resources for the benefit of all Americans and doing so in a safe and environmentally sound manner. The below context and the attached detailed response demonstrates areas for continued improvement to the safety and economic competitiveness of the OCS oil and natural gas industry.

Secretarial Order 3350, America-First Offshore Energy Strategy, which implements Executive Order 13795, is an important step forward that will help the offshore oil and natural gas industry regain the cost-effective regulatory framework that promotes the certainty and predictability necessary to make the massive capital investments required to bring the benefits from offshore energy projects to the U.S. economy. This will serve to further the Department's stated goal "to ensure that responsible OCS exploration and development is promoted and not unnecessarily delayed or inhibited."

Our comments are submitted without prejudice to any of our member companies' right to have or express different or opposing views. We have encouraged all of our members to submit comments on the proposal.

This letter highlights below some aspects of the proposed rule that would not advance safety and yet would have the greatest negative impact on the industry. In addition, BSEE has solicited, and we have provided, input on specific aspects of the proposed revisions; we also offer additional detailed revisions to the original rule in Attachment A.

Drilling Margins

The 2016 Well Control Rule set a prescriptive drilling margin requirement of 0.5 ppg. Since that time, BSEE has recognized that it has approved operators' use of drilling margins that are less than the 0.5 ppg margin in instances where the prescriptive margin was not fit for purpose. In this proposal, BSEE specifically requests comment on whether this requirement should be eliminated or revised to alternative standards such as a performance-based, well type, or water depth model.

The current 0.5 ppg margin is arbitrary and does not ensure safety. The industry believes that replacing the current requirement with a performance-based standard under which an approved

safe drilling margin would be established on a case-by-case basis, based on data and analysis specific to a particular well, is a safe and better alternative. Such an alternative would provide a risk-based approach that ensures safety and provides investment certainty to the industry. Attachment A provides alternative language for drilling margin requirements and attendant supporting rationale for BSEE's consideration.

BSEE also requests comment on whether there are situations where, despite not being able to maintain the approved safe drilling margin, an operator's continued drilling with an alternative margin creates little risk. In instances where an operator encounters a lost circulation zone, that operator would need to remedy the situation to move forward. Particularly when the lost circulation zone is on bottom, drilling ahead to get through the lost circulation zone may be the safest option to restore the integrity of the well rather than suspending drilling operations altogether to remedy the situation. It is appropriate for operators to specify how they will remedy an anticipated loss of circulation on bottom in the well's DWOP or APD. If an operator experiences an unanticipated loss of circulation or a reduced drilling margin, the operator should provide notice and the operator's plan for remedying the issue to BSEE within a reasonable timeframe.

API Standard 53

The incorporation of API Standard 53 4th edition should also include Addendum 1 to Blowout Prevention Equipment Systems for Drilling Wells, Fourth Edition (July 2016). Industry is finalizing the 5th edition and once it is published, consideration for incorporation by reference should be taken to ensure the U.S. OCS is operating to the latest API standard for well control systems, allowing for continued safety improvements into the future, and is consistent with the remainder of operations around the world.

BOP Equipment & Testing

Industry requests that BSEE align the proposed changes to the Well Control Rule with the 21-day testing interval outlined in API Standard 53 4th Edition (July 2016). This 21-day period has proven to provide assurance of a safe and reliable system without causing premature wear on the equipment. The existing 14-day regulation requirement results in an additional 53% of testing over a 12-month period with a corresponding increase in wear of seals and packers. Industry believes that the testing frequency of API Standard 53 4th Edition (July 2016) is the optimum requirement for worldwide operations. The 21-day testing period of API Standard 53 (July 2016) aligns with the global practice and capabilities of the existing technology installed and utilized in the GOM. If BSEE does not accept industry's proposal regarding a 21-day BOP testing interval, then we recommend BSEE engage in a pilot 21-day testing program to gather the data needed for assessing the difference in BOPE performance between 14 and 21-day testing intervals.

Industry and BSEE recognize that there are technologies that exist, or are in development, that can provide the operator, owner, and OEM with data regarding the equipment's performance. The combination of existing technologies, API Standard 53 failure reporting, and the potential use of emerging technologies may lead to product and process advances that further improve safety and reliability. As these technologies become more widely proven, Industry will continue to review the test frequency requirement within future revisions of API Standard 53.

Real Time Monitoring (RTM)

Industry recommends that RTM be applied to operations using subsea BOPs and surface BOPs from a floating rig defined by API Standard 53, which is already incorporated by reference into the regulations. This would clarify the intent of the RTM system and provide a clear and complete framework for RTM requirements.

With respect to specific operations under RTM (workover, completions, etc.), the covered operations will be defined by each individual Operator's RTM plan, which takes into account the risk of the operation, the individual Operator's Safety and Environmental Management System framework, and alignment through the permitting activity for the specific operation. These types of operations are generally lower risk due to lower complexity, known bottom hole conditions, and in the case of decommissioning, non-flowing wells.

Containment

Industry supports the proposed changes to 30 CFR 250.462, which would clarify the source control equipment requirements based on the operator's Regional Containment Demonstration (RCD) or Well Containment Plan (WCP). Similar to spill equipment (e.g. skimmers, sorbent boom, etc.), the majority of source control equipment has no other commercial purpose and is used solely for emergency containment operations, such as capping stacks, top hats and subsea dispersant wands. This unique containment equipment is maintained by specialty companies, is readily available for inspection at any time, and is maintained and stored for immediate use if an event occurs. Other equipment listed for source control that has broad commercial purpose, such as Remotely Operated Vehicles and vessels are readily available and frequently inspected and maintained for safe and efficient normal operations.


Economic Analysis

API contracted Calash and Blade Energy Partners to perform an independent economic impact analysis of the proposed revisions "Oil and Gas and Sulphur Operations in the Outer Continental Shelf—Blowout Preventer Systems and Well Control Revisions." The report supports BSEE's assertion that the proposed rule increases the competitiveness of America's offshore energy industry. Consistent with the Executive and Secretarial Orders, undue burden has been removed. The report further demonstrates that, without further revision as proposed in Attachment A, an increase in inappropriately restrictive enforcement of the rules still poses a significant financial threat to the industry without a measurable safety benefit. Specifically, the prescriptive drilling margin could be used to limit ~~restrict~~ future offshore development.

We look forward to continued engagement with BSEE on these important regulatory requirements to assure that the energy that is fundamental to our society and its economic prosperity can be developed and delivered safely. It is important that safety regulations indeed enhance safety, rather than hinder it.

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

Sincerely,



Holly Hopkins, API



Jason McFarland, IADC



Daniel Naatz, IPAA



Randall Luthi, NOIA



Evan Zimmerman, OOC



Leslie Beyer, PESA



Alby Modiano, US Oil and Gas Association

Attachment