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Susan E. Carter

Senior Director, Federal Relations



October 1, 2015

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

Re: Bureau of Safety and Environmental Enforcement (BSEE), 30 CFR Parts 250,
Oil and Gas and Sulphur Operations on the Outer Continental Shelf-Requirements -
Blowout Preventer Systems and Well Control

RIN: 1014-AA11, Docket ID: BSEE-2015-0002

Dear Doug,

On behalf of ExxonMobil, I want to thank you again for providing us with the opportunity to meet on Tuesday September 15th, 2015 to clarify some of our official comments on the proposed BOP and Well Control Rule.

As requested, we are attaching further information regarding our estimated \$25B+ potential cost of the rule. Per discussions in the meeting, the estimate is not intended to be all-inclusive but rather incorporates anticipated costs of certain aspects of the rule and leverages a number of BSEE's key activity assumptions to build up a low-side estimated total cost to the industry. Furthermore, the estimate does not consider any resulting impacts associated with a potential reduction in offshore activity or production stemming from the rule's requirements.

ExxonMobil would greatly appreciate the opportunity for further discussions with BSEE to clarify and provide insight into other aspects of our detailed comments, especially those pertaining to the proposed drilling margin requirements and the cementing and packer fluid requirements which may challenge well feasibility. We believe additional engagement will help ensure that the final regulation provides strong safety and environmental protection, in a manner that is practical, workable and effective. We appreciate your consideration of this additional meeting request.

Sincerely,

A handwritten signature in blue ink that reads "Susan E. Carter".

Susan E. Carter
Senior Director, Federal Relations
ExxonMobil

FOLLOW-UP QUESTION FROM EXXONMOBIL-BSEE MEETING

Company comment: "ExxonMobil's assessment indicates the cost would be in excess of \$25B..."

BSEE questions: Please provide additional details regarding the assessed \$25B cost impact

ExxonMobil response:

Given the short response timeframe, ExxonMobil based its estimate of the potential impacts of the proposed rules on a number of BSEE's baseline schedule and operating rate assumptions in combination with the anticipated minimum costs associated with some of the more significant proposals in the rule.

The key assumptions leveraged from BSEE's Regulatory Impact Assessment (RIA) include the number of wells (320 per year), number of rigs (40 subsea BOP rigs, 50 surface BOP rigs), and the estimated spreadrates (\$1M per day for subsea BOP rigs, \$200k/day for surface BOP rigs). As per the RIA, the anticipated impacts were assessed over a 10 year period.

The majority of the estimated costs shown in the table below are driven by anticipated critical path impacts to operations which were not adequately addressed in the RIA. As an example, the proposed rule requires additional ROV functionality, beyond existing Industry standards, but does not consider the associated installation time and significantly underestimates the incremental time that would be required on routine BOP tests (in addition, design and equipment costs are also excluded).

Impact Area	Estimated Industry Impact	Drivers
BOP Equipment, Maintenance and Inspection Requirements	\$11B+	<ul style="list-style-type: none"> • Critical path impact of deviations from API Standard 53 <ul style="list-style-type: none"> - Installation of additional equipment for BOP systems averaging 3 weeks or more of critical path impact per rig - Routine BOP tests / certifications (extra components & broader scope) resulting in an additional 2-4 days per well - "All-at-once" 5 year BOP maintenance extending major overhaul periods by at least 4 weeks
Operational Practices and Well Design	\$10B+	<ul style="list-style-type: none"> • Prescriptive drilling margin requirements drive additional week of operations on most wells due to time spent installing extra casing string(s), responding to losses and/or managing wellbore instability
Real Time Monitoring	\$3B+	<ul style="list-style-type: none"> • Establishment of dedicated onshore and offshore monitoring infrastructure and full-time support staff
Source Control Equipment	\$1B+	<ul style="list-style-type: none"> • Prescriptive requirements drive the need for additional dedicated "Cap and Flow" equipment and organizational support regardless of well design alternatives ("Cap and Contain")
Total	\$25B+	

The costs provided reflect a low-side estimate and assume implementation periods are sufficient to avoid a shut-down of activity at the time of initial rollout. This preliminary assessment does not cover all potential costs anticipated with the proposed rule and as a result additional exposures do exist (including but not limited to well design changes due to cement and packer fluid requirements, BSEE engagement in real time operational decisions, additional permitting documentation, etc). Furthermore, this assessment does not consider any resulting impacts associated with a potential reduction in offshore activity or production.