JOINT TRADE ASSOCIATIONS WCR MEETING WITH OMB
MARCH 21, 2016

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. Working together, we can develop practical final rules that are ultimately both workable and effective.

There are still discussions and clarifications needed on the proposed rule, including understanding the specific risks BSEE is trying to address by proposing prescriptive requirements beyond existing Industry consensus standards when performance based alternatives have been proposed. In order to enable development of rules that are both workable and effective, and to avoid unintended consequences that increase risk, it is imperative that the concerns we are raising be addressed. The proposed rule requires significant technical changes, these extensive changes should be re-proposed to provide the regulated community the required notice and meaningful opportunity to comment.

The table below provides an example of some of the significant areas of concern that need to be resolved before a final rule is issued.

Significant Concern	Sub-Topic	Proposed Regulation Reference	Overall Recommendation
Unintended consequences that increase risk and decrease safety by deviating from API 53	BOP Design	250.731(c)	Avoid deviations from API 53, maintain incorporation by strict reference to API 53. API 53 is a robust document that both considered and included many recommendations of the Macondo investigations.
	Shearing Capabilities	250.732(b)(1)I, 250.734(a)(1), 250.734(a)(16)	
	Subsea Accumulator Capacity	250.734(a)(3)	
	ROV Capabilities	250.734(a)(4)	
	Annular Bleed Valves	250.734(a)(15)	
	Surface Accumulator Capacities	250.735(a)	
	5 Year Inspection	250.739(b)	
	Hydraulic Locks on Surface Stacks	250.733(e) / 250.735(g)	
	VBR Ram Requirements	250.738(e)	
	Personnel Qualifications	250.739(d)	
Prescriptive Drilling Margin		250.414	Align with API 92L or adopt attached regulatory text that provides regulatory certainty
Prescriptive Casing, Cementing, and Completions Requirements	Centralization	250.420(a)(6)	Adjust requirements to ensure overall risk profile is considered. Align with API 65-2 where applicable
	Cementing Overbalance	250.420(c)(2)	
	Inadequate Cement Jobs	250.428(c)	
	Packers and Packer Fluids	250.518(e) / 250.619(e)	
	Casing Pressure Tests	250.721(e)	
Pre-mature rulemaking on Real Time Monitoring		250.724	Regulatory requirements pre-mature, await NAS report

In addition to the topics listed above, the vast difference between the BSEE economic analysis of this proposed rule and the third party and Industry analyses needs to be resolved.

Alternative Proposed Language Which Recognizes the Ability to Deviate from a Prescriptive 0.5 ppg Drilling Margin Requirement

In lieu of "alternative compliance," if BSEE decides to adopt a prescriptive standard without working with the appropriate voluntary standards committee, then it is recommended to have the following language added to § 250.414 (c) to have a two-tier approach to drilling margin:

(c) Planned safe drilling margins between proposed drilling fluid weights and the estimated pore pressures, and proposed drilling fluid weights and the lesser of estimated fracture gradients or casing shoe pressure integrity test. Your safe drilling margins must meet the following conditions:

(1) Equivalent downhole mud weight must be greater than estimated pore pressure;

(2) Equivalent downhole mud weight must be a minimum of 0.5 ppg below the lesser of the casing shoe pressure integrity test or the lowest estimated fracture gradient, except as provided for in paragraph (c)(3);

(3) The margin between the equivalent downhole mud weight and the lesser of the casing shoe pressure integrity test or the lowest estimated fracture gradient may be reduced to the least of:

(i) 0.3 ppg;

(ii) 2.5% of fracture gradient; or

(iii) 200 psi below the lesser of the casing shoe pressure integrity test or the lowest estimated fracture gradient.

(4) If you use a lower margin than set forth in paragraph (c)(3), in lieu of the alternative procedures described in 250.414 (h), you must submit documentation (for example, a risk assessment, offset, or analogous well data) to support the reduced drilling margin in:

(i) your APD; or

(ii) for field-wide applicability in advance of APD preparation, your DOCD.