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RULES PROCESSING TEAM
MAR 0 8 2002

ChevronTexaco

March 6, 2002

Department of the Interior
Minerals Management Service; MS 4024
381 Elden Street
Herndon, Virginia 20170-4817
Attn: Rules Processing Team (RPT)

Re: Notice of Proposed Rulemaking
Procedures for Dealing with Sustained Casing Pressure

Gentlemen:

Chevron U.S.A., Inc. (hereinafter referred to as ChevronTexaco) appreciates the opportunity to provide written comments on the proposed rule to amend regulations in Subpart E as detailed in the November 9, 2001 Federal Register Notice. This notice regards sustained casing pressure (SCP) in oil and gas wells on the outer continental shelf (OCS).

ChevronTexaco is a member of the Offshore Operators Committee (OOC) and has been an active participant in developing the OOC's separate response to the above referenced November 9th notice for both Shelf and Deepwater operations. ChevronTexaco fully supports the position of the OOC. We too request the MMS consider withdrawing the proposed rulemaking or holding it in abeyance until such time as a joint industry, risk-based, study of SCP management can be completed and an American Petroleum Institute (API) Recommended Practice (RP) drafted and adopted. ChevronTexaco further affirms the OOC's recommendation that MMS's current casing pressure policy as expressed in the Letter to Lessees dated January 13, 1994 remain in effect for fixed platform wells and that subsea wells and hybrid wells continue to be handled on a case-by-case basis through the Deepwater Operations Plan (DWOP) process.

ChevronTexaco would like to add or reinforce a few salient points for the MMS's consideration:

- The MMS cites the four incidences that occurred in OCS waters between 1980 to 1990 as supporting these regulatory changes. In these incidents, well and equipment damage occurred, but there have been no injuries to personnel and pollution has been limited to a minor occurrence in one incident. All of these incidents occurred prior to the adoption of detailed policies for sustained casing pressure in 1991. Additionally, the proposed regulations which have conventional dry tree operational venue and historical events basis do not have a direct application to sub sea and hybrid well applications. Thus the proposed sub sea and hybrid well prescriptive regulations do not have appropriate functional capability or operability in the subsea and hybrid wells.

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- The proposed rule for non-producing wells with SCP under 250.531 presents a significant negative economic impact to industry and a potential loss of natural resources to the MMS. The MMS notes in the preamble that they have "sought to identify and eliminate SCP in only those cases that represent a hazard." In keeping with that intent, it is industry's contention that those non-producing wells that fall into the "Fixed Term Status" category would be consistent with this statement and should require this type of attention and action. Many non-producing wells are future sidetrack candidates and do not warrant the loss of natural resources by premature abandonment that would occur with the proposed one-year period mandated by the policy. Our data over the last two years indicates that approximately 45% of wells drilled were sidetracks. It is clear that as reserve bases continue to shrink, ChevronTexaco and industry need economical options such as sidetracks to be able to continue to produce on the OCS. Using the cost range provided by MMS for well repair and workovers, the accelerated repair or abandonment requirements for these wells will cost industry between $540,000,000 and $2,700,000,000 in the near term, if the proposed regulation is adopted. Due to this significant economic impact, industry strongly recommends that decision be made on the basis of risk using sound engineering practices, not just a blanket policy.

- At a value over $100,000,000, all government agencies are required to substantiate the necessity for any proposed regulations changes, as required by the OMB under E.O.12866. As the OOC and others have and will further substantiate, the proposed regulation changes shall have a much larger economic impact than that listed by the MMS. The MMS values are limited to the cost increase of the well head. They do not appear to include the support hardware, facility and flowline modifications, increased maintenance, and spill risk associated with operation of that equipment in a subsea environment. ChevronTexaco recommends a more moderate approach for subsea and hybrid wells (a) altering the casing or completion designs, (b) exempt the structural and conductor casings from the regulations for pressure monitoring, as these are not considered pressure systems, (c) allow technology to further develop and (d) determine the feasibility of achieving all annuli pressure and temperature monitoring with consideration given to the issues of reliability, remediation, engineering etc. ChevronTexaco requests that the MMS provide further details of these costs before implementing the proposed regulations.

- Proposed rule 250.517 Tubing and wellhead equipment. Deepwater, subsea wellheads can present a unique casing pressure situation. Production-generated heat effects can create Trapped Casing Pressure (TCP) that can exceed the 10% and 20% levels of minimum internal yield pressure (MIYP) specified for SCP. We design our tubulars and hardware within these wells to safely manage this effect. However, if the same maximum operating pressure levels are prescribed for TCP and SCP, the industry would not be able to produce these reservoirs with available technology. Current casing and completion design technology provides effective means to address these issues, but does not provide a means for monitoring, bleeding, testing and remediation without a large economic impact and operational risk.

- The proposed rule to increase monitoring frequency for wells with SCP to weekly and daily (a) is not justified based on the minimal rate of change in SCP documented over time, (b) will increase risk of injury to our operators, and (c) add significant cost to our operations if adopted. The proposed increased monitoring requirements for unmanned platforms will require four times the

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amount of manpower, boat and helicopter transportation than is currently required to the tune of approximately $20,000,000 per year to industry. This additional transportation will expose personnel to additional risk of accident and injury involving boat transfers by swing ropes, helicopter transfers and back fatigue that results from working around short and somewhat difficult casing decks that exists on some platforms. Exposing personnel to this additional risk is not justified.

- The proposed regulation specifies that subsea well heads installed after Jan. 1, 2005 be capable of monitoring all casing annuli but does not specifically require pressure-bleeding capability. Without bleeding capability, confirming that annular pressure is due to annulus heat-up by returning the annulus to zero pressure would be prohibitively expensive. Shutting down production will not return the pressure to zero in the near-term. Heat from production acts to increase the temperature of the shallower formations and well bore fluids and that heat and resultant pressure does not dissipate quickly. Production would have to be shut in for days and possibly weeks for the well to return to undisturbed temperature and thus (zero) pressure. In the case of subsea and hybrid wells, they will never achieve the zero pressure measurement due to the trapped hydraulic pressures and mechanical barriers of these wells.

- The MMS is establishing a two tier (10% vs 20% of MIYP) schedule for allowed casing pressure and bleed-down (4-hour vs 24 hour) for subsea and hybrid wells vs. surface trees. Details of the engineering principles used for this approach have not been provided and we can thus not ascertain their merit.

Again, thank you for the opportunity to provide comments on the proposed rule and we appreciate your consideration of these comments. We are providing three printed copies of our comments with this submittal. Please feel free to contact us at the numbers below if you have any questions concerning our comments or wish to discuss them in more detail.

Sincerely,

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