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OCT 10 2000

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6 October 2000

Department of Interior
Minerals Management Service, MS-4024
381 Elden Street
Herndon, VA 20170-4817

Re: Rewrite of Oil and Gas Drilling Operations Regulations

To Whom It May Concern:

This letter is written in response to your 21 June 2000 *Federal Register* Notice (65 FR 38453) proposing the addition of new requirements to the regulations governing oil and gas drilling operations on the Outer Continental Shelf (OCS) along with a restructuring of the rule and conversion to "plain language."

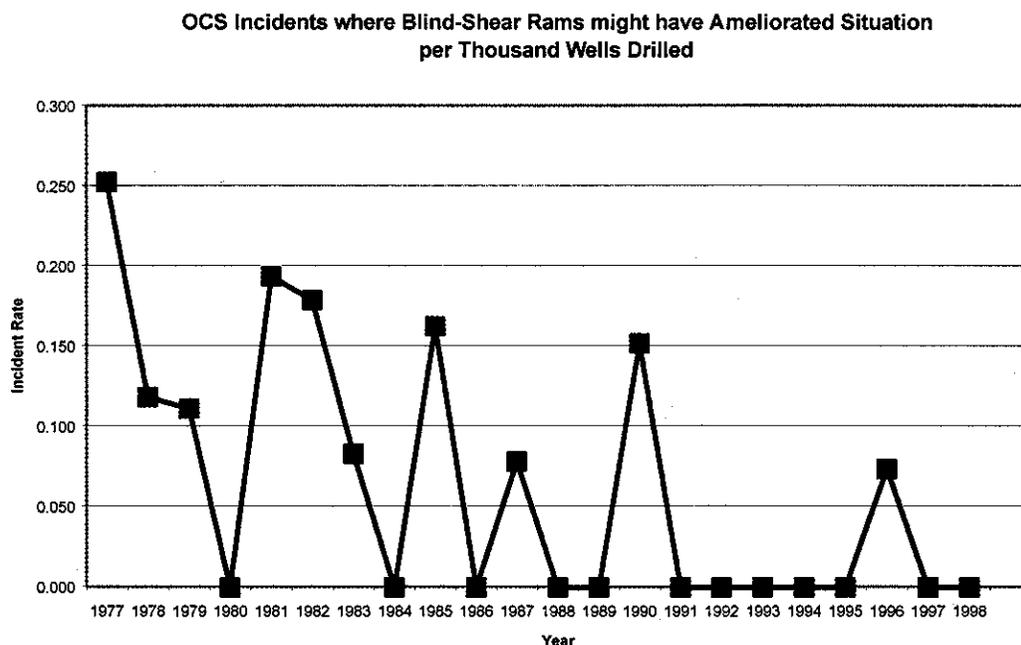
As you are aware, the International Association of Drilling Contractors is a trade association representing the interests of the owners and operators of oil, gas, and geothermal well drilling equipment, worldwide. Our membership includes all companies currently operating mobile offshore drilling units (MODUs) and platform drilling rigs on the U.S. OCS. We are interested in this proposed rule since it will affect this equipment and its operation.

Our principal concerns regarding the proposed rule are associated with the:

- Proposed requirement to install blind-shear rams on surface stacks;
- Facilitation of rig operation through modification of MMS procedures relating to acceptance of mobile drilling units; and
- The MMS's failure to eliminate regulations governing matters that are subject to Coast Guard jurisdiction under the December 1998 MOU between the U.S. Minerals Management Service and the U.S. Coast Guard.

Blind-Shear Rams

We have reviewed the descriptions of the incidents used by MMS to justify the proposed blind-shear ram requirement. We found them to be both somewhat speculative and subjective. Nonetheless, even if we were to accept MMS's assessment of the individual incidents, we would disagree with the conclusion that they supported a requirement to install blind-shear rams on all surface stacks. Normalizing the information used by MMS on the basis of number of OCS wells drilled and plotting it by year yields the following results:



No matter what process is used for derivation of a trendline, it is clear that the incident rate is approaching zero. While we are unable to identify any specific cause for the continued decline in the number of incidents in which having blind-shear rams might have ameliorated the situation, we can speculate that there were a number of activities leading to the reduction. These include:

- Greater attention being paid to safety management generally, as a result of SEMP and other initiatives;
- Continuous improvements in well control methods and equipment;
- Greater attention being paid to the quality of well control training through initiatives such as IADC's Well Control Accreditation Program, *WellCAP*[®].

We believe this trend sufficient to obviate the need for MMS to mandate installation of this equipment.

We would also ask that MMS consider the following:

- 1) As MMS is aware, the successful operation of blind-shear rams (intentional or not) permanently forecloses other well control options;
- 2) While MMS's analysis estimates the number of times the operation of blind-shear rams would successfully ameliorate a well control situation, it does not appear to consider the possibility of the equipment's inadvertent operation or malfunction.
- 3) MMS estimated that 80 surface stacks would need to be re-fitted with blind shear rams. IADC surveyed its membership to determine the number of stacks in inventory on (or spares for) OCS rigs that were not equipped with blind-shear rams. Our members identified over 160 such stacks, more than doubling the MMS's estimate of the cost of this requirement. (The MMS cost estimate for the individual modifications approximates ours.)
- 4) Even accepting the need to install blind-shear rams, given the need to modify over 160 stacks, based on infrastructure requirements a one-year period is clearly inadequate for doing so.

Facilitation of Rig Operations

There are two instances in the proposed rule where it is inferred that the MMS is maintaining files of rig-specific information, *i.e.*, §§250.417(c) and 250.418(a). Such action by MMS is clearly in our members' interests, as it facilitates the utilization of these rigs. However, we can find no authority for MMS to maintain files on individual drilling rigs or to transfer this information between the files of lessees/operators, if that is occurring.

We remain frustrated that MMS interprets its legislative authority as precluding direct contact between the Agency and rig owners while, under the same legislative authority, the U.S. Coast Guard issues individual Letters of Compliance to MODUs and individually approves certain equipment used on the OCS by contractors (*e.g.*, quarters buildings). Having similar legislative authority, the Norwegian Petroleum Directorate recently began issuing individual Letters of Acceptance to MODUs operating on its shelf so as to obviate the need for repeated resubmission of identical information by different lessees/operators.

We ask that MMS consider similar action with respect to MODUs and platform rigs, on a *Regional* Basis. By doing so, MMS would eliminate what, to us, appears to be a repetitive, and non-productive review of identical drilling rig specifications by its district offices.

Matters Subject to Coast Guard Jurisdiction

Third-Party Review. The proposed §250.417(c) states that the District Supervisor may require a third-party review (Certified Verification Agent, or CVA) for the unit's design in accordance with §250.903. Although the proposed regulation fails to specify exactly which elements of the unit's design are subject to third-party review, the reference to §250.903, which in turn refers to §§250.904 through 250.911, clearly implies that it is the unit's structure that is to be verified. This is problematic in that:

- 1) In the December 1998 MOU between the MMS and the U.S. Coast Guard, the responsibility for structural integrity of MODUs, including the design environmental conditions, structural integrity, modifications for construction and repair (item 2) and structural inspection requirements (item 24.a) have been vested in the U.S. Coast Guard;
- 2) The U.S. Coast Guard's regulations at 46 CFR 107.279 and 108.113 clearly define the structural standards for MODUs, so that regulation in this area by the MMS would be redundant and counter to the intent of E.O. 12866;
- 3) MMS has failed to identify the structural standards to be applied to MODUs; and
- 4) 30 CFR 250.903 requires that the verification be carried out under the supervision of a registered professional civil or structural engineer. MODUs are typically designed by naval architects, so it is unlikely that a registered civil or structural engineer would be considered competent to supervise the verification.

Electrical Hazardous Areas on MODUs. The proposed §250.459 requires that drilling fluid handling areas, both on MODUs and platform drilling rigs, be classified according to API RP500, and imposes ventilation requirements for such spaces. For MODUs, the December 1998 MOU between the MMS and the U.S. Coast Guard (items 14.d and 19) assigns regulatory responsibility in this regard to the U.S. Coast Guard. The Coast Guard's regulations at 46 CFR 108.170 to 108.187 clearly address these matters, as do Classification Society requirements applicable to MODUs. Accordingly, we believe that regulation in this area by the MMS is redundant and counter to the intent of E.O. 12866.

Automation of Pipe Handling Systems

The preamble to the proposed rule states:

“MMS is also looking at requiring drilling rigs to use automated pipe handling systems during drilling operations. MMS believes that the use of automated pipe handling systems clearly provides safety advantages over non-automated pipe handling systems. After further consultation with the U.S. Coast Guard, we may propose this new requirement under the provision in §250.107, which mandates that the Director require the use of the best available and safest technology to protect health, safety, property, and environment.”

In response, we would offer the following comments:

- 1) There is a wide variety of automated equipment for handling pipe. MMS has not identified which aspects of pipe handling it believes should be automated. Some automated pipe handling equipment is common on all MODUs today. A few MODUs have almost totally automated the pipe handling process.
- 2) Our members indicate their experience with systems that almost totally automate the pipe handling process does not provide the clear “safety advantages over non-automated pipe handling systems” opined by MMS.

- 3) The statement indicates that drilling rigs would be required to *use* automated pipe handling systems. Our members almost universally indicated continued problems with the reliability of the highly automated systems. When such systems fail, would drilling operations need to be suspended until repairs are completed?
- 4) Some functions can be performed more rapidly by existing methods than with currently available automated equipment.
- 5) Any automation requires additional deck space, additional power, and adds weight, thereby diminishing variable deck load. On many MODUs, deck space is severely limited, as is excess electrical power generation capacity. It may simply not be feasible to install the types of automated systems envisioned by the MMS on these units. A similar situation exists with respect to platform rigs that might be used for drilling new wells from many of the smaller fixed platforms in the Gulf of Mexico.

If you have any questions regarding these comments, please feel free to contact the undersigned.



Alan Spackman

Director, Offshore Technical
and Regulatory Affairs

Copy to: Commandant (G-MSO), U.S. Coast Guard, Attn: Captain Richardson