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Technology Suspension

The International Association of Drilling Contractors (IADC) strongly opposes the effort to create a new category to justify Suspension of Operations for OCS leases on the basis of "unavailable technology" to fulfill GOM lease term requirements. IADC representatives participating in the Jan. 23 MMS workshop in New Orleans on this proposal advocated by a distinct minority of operators weren't persuaded that 1.) Technology doesn't exist to pursue exploitation of the referenced deepwater leases and 2.) An entirely new criterion for lease suspensions -- effectively, lease term extensions -- is justified.

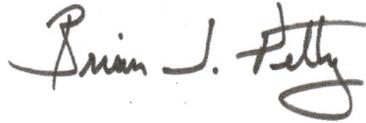
The alleged technological barriers in GOM deepwater exploitation have been met, and surmounted, in other global deepwater markets. It may be that certain GOM operators are encountering financial stresses of their own making, or because of inadequate planning. Or it may be in the current oil price environment they find better returns on investment abroad. Either is no justification for MMS to grant them relief from their lease commitments. As steward of US OCS resources, MMS should look first to what benefits the OCS leasing program and US taxpayers. It's a long-established premise that leases that aren't developed must be returned to inventory for reoffer. A lease is not a long-term purchase which an operator can hold until it chooses to develop on its own commercial and financial timetable.

MMS correctly cited the potential for damage to the vast array of E&P businesses that support offshore oil and natural gas exploitation, noting in its announcement of the workshop's scheduling that suspensions of operations are only rarely granted, and then only when "drilling, well re-working, or production in paying quantities are being conducted." Further, in describing this new "technology barrier" claim, MMS properly identified the potential harm to the entire offshore industry infrastructure in that "this proposed type of suspension may be regarded as harmful by associated businesses as it may postpone drilling and associated operations."

One operator claims that deep stratigraphic test drilling can only be done after a lease is awarded. In fact, that's not the case. Under existing MMS G&G permit authority, an operator can perform such tests, without a lease. If the results suggest the operator can't exploit the zone, for whatever reason, he can choose not to bid in a related lease sale. To claim after agreeing to the lease terms that he essentially didn't understand the geology, or its challenges, is unconvincing.

IADC urges MMS to reject the proposal advanced at the Jan. 23 workshop. An examination of other global deepwater developments might demonstrate that the claimed technological challenges of the GOM aren't idiosyncratic, and have been successfully overcome. MMS has sufficient authority under existing regulations to address lease suspensions. Expanding the criteria isn't justified or in the interest of a robust -- and reliable -- leasing regime.

Respectfully yours,

A handwritten signature in black ink that reads "Brian J. Petty". The signature is written in a cursive style with a large, stylized initial "B".

Brian T. Petty
Senior Vice President - Government Affairs