

Submitted electronically via regulations.gov September 18, 2017

Hon. Ryan Zinke
Secretary, Department of the Interior
1849 C St. NW Washington, DC 20240

Re: Notice of request for comments on regulatory reform in the Department of the Interior pursuant to Executive Order 13777

Dear Secretary Zinke:

NOIA is the only national trade association representing all segments of the offshore industry with an interest in the exploration and production of both traditional and renewable energy resources on the U.S. OCS. The NOIA membership comprises roughly 300 companies engaged in a variety of business activities, including production, drilling, engineering, marine and air transport, offshore construction, equipment manufacturing and supply, telecommunications, finance and insurance, and renewable energy.

NOIA highlights the following regulatory items within BSEE's jurisdiction for your consideration.

Well Control Rule

The final rule, issued April 14, 2016, is one of the most substantial rulemakings in the history of the agency and its predecessors. In lead up to the final rule's release, industry representatives and various subject matter experts met with Interior officials to discuss general and specific industry concerns with the proposed rule. In general, given the large scope of the rule change and context of previous rulemakings, industry was dissatisfied with the time allotted for and the results of these meetings.

These meetings aimed to clarify the rule's intent and reach mutual understanding of the proposal; address fundamental technical and economic flaws in the proposed rule; and allow constructive development of rules that promote safety and environment protection, and economic growth, innovation, competitiveness and job creation.

In large part, the Final Rule retained provisions of significant concern to industry. While some modifications were made, serious concerns remain regarding the impacts of the rule on Gulf of Mexico operations, with potentially large decreases in drilling, production, investment and jobs, while potentially decreasing, rather than increasing safety.

Specifically, the "Safe Drilling Margin" requirement of .5 pounds per gallon, one of the most controversial and problematic aspects of the rule, was maintained. The final rule allows for variances of that requirement if the operator can provide justification for the variance, but questions remain about the process by which BSEE will consider and allow for such variances. BSEE will approve variances only on the APD, thus creating great uncertainty until immediately before well spud. This is not conducive to making prudent project investment decisions and will likely have a chilling effect.

Another provision of the WCR was a requirement that operators receive verification of blowout preventer (BOP) systems by independent third-parties designated as "BSEE Approved Verification Organizations" (BAVOs). In the regulatory preamble accompanying the WCR, BSEE asserted that BAVOs "will help BSEE ensure that BOPs perform as necessary to protect safety and the environment from losses of well control." Notably absent from the

preamble was any explanation of why a BAVO was needed to perform a number of enumerated reporting, verification, and certification requirements related to BOP systems and equipment.

Though BSEE's BAVO requirements seemingly skirted careful scrutiny during rulemaking process, the requirement creates a new, redundant level of scrutiny that threatens to dramatically increase compliance and operating costs for OCS operators and contractors without establishing that it will achieve any measurable enhancement in offshore safety.

There are various other areas of concern with the Well Control Rule that warrant technical discussions between regulators and industry. For all these reasons, we are strongly supportive of the ongoing re-evaluation of the rule, and strongly encourage BSEE to continue its dialogue with technical experts within industry and other stakeholders with an aim toward correcting the rule's flaws in a manner that maintains the highest level of safety while avoiding negative consequences as previously noted.

Arctic Drilling Rule

It is estimated that the Arctic holds approximately 30% of the world's undiscovered natural gas and 13% of its undiscovered oil. This amounts to roughly 400 billion barrels of oil equivalent, or 10 times the total oil and gas produced to date in the North Sea. Other Arctic nations such as Russia, Canada, Norway, and Greenland are leasing and moving toward exploration of their Arctic resources. Developing the U.S. Arctic could be essential to securing domestic energy supplies for the future, but it will mean balancing economic, environmental and social challenges.

In July 2016, DOI issued a final rule for Arctic exploratory operations covering such issues as well control, subsea containment systems and relief wells. The final regulations raise serious questions as to their workability with regard to future Arctic operations. Despite taking years to write, the rule does not accurately reflect current industry capabilities and includes unnecessary requirements, such as same season relief wells, which may not be needed due to the availability of new response and containment equipment. Prescriptive requirements in the rule could thwart industry innovation and development of new technology, and may not actually increase operational safety.

We encourage BSEE's re-examination of this rule to see that it is implemented in a manner that will enhance Arctic safety and foster a robust Arctic energy leasing program.

Idle Iron/Rigs to Reefs

Under NTL 2010-G05 and existing lease conditions, operators face short time frames to remove non-producing structures from the OCS, some of which are providing important habitat for marine species. The inability to receive permits for reefing, either through Rigs to Reefs or Special Artificial Reef Sites (SARS), will result in hundreds of structures being removed along with the associated habitat.

Due to long term liability and cost issues, operators – as opposed to outside groups – should be able to decide which structures they remove or attempt to reef. In response to these and other concerns, in June 2013, BSEE issued an Interim Policy Document (IPD) which provided welcome additional flexibility to both industry and government agencies as they jointly identify and evaluate suitable structures for the program. The IPD removed the requirement for a five-mile buffer zone between designated reefing areas and certain restrictions to reefing in

place. It also provided for extensions to regulatory decommissioning deadlines for facilities that companies are actively pursuing acceptance into a state program, and eliminated storm-toppled platforms from consideration.

The IPD also reinforced case by case evaluation of each reefing proposal with balanced consideration of future oil and gas development, pipeline rights of way, decommissioning operations and other uses such as charter, commercial and recreational fishing, shrimping and recreational diving.

While time frames for receiving permits have improved over the past few years, there is some concern over the lack of additional SARS designations and the rate of permit approvals. State legislatures using funds set aside for the Rigs to Reefs program to cover budget deficits have caused some concern within the industry that potential future liability may not be covered. In addition, as companies work with BSEE and BOEM to determine decommissioning liability, there has been inadequate discussion of how Rigs to Reefs could lessen the decommissioning costs and thus the bonding requirements.

We look forward to continue working with BSEE to further refine the process, particularly concerning allowing toppled structures to be a part of the program, and what additional materials can be left on structures. In addition, we encourage BSEE to examine other options for use or reuse of idle iron including potential tourism, aquaculture, renewable or tidal energy uses which may extend the life of, or potentially repurpose, structures while providing additional opportunities for economic activity in the Gulf of Mexico.

Royalty Relief

We encourage BSEE to work with BOEM to consider expanding opportunities for royalty relief available under current statutes.

Specifically, we encourage BSEE to examine the current process for End-of-Life Royalty Relief which can be offered regardless of water depth. While many operators may be aware of the option for relief, the current process is entirely too arbitrary and subject to far too much discretion at the regional level. We encourage BSEE to revisit this process and propose clear economic and production conditions under which relief may be applied to reduce the arbitrary nature of the current end-of-life royalty relief.

In addition, BSEE should re-examine the conditions for Special Case Relief, a discretionary program which may be utilized when other relief incentive programs do not fit the needs of BSEE or operators. In addressing reform of special case relief, BSEE may consider streamlining the application process and formalizing a specific set of circumstances which could qualify for this type of relief. This formality would begin to remove the uncertainty operators face in seeking special case relief to promote domestic production.

Other Items

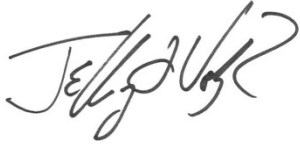
We would also like to highlight the following regulatory items as deserving of further discussion and review:

- Safety and Environmental Management Systems (SEMS)
- 30 CFR 250 subpart H, Oil and Gas Production Safety Systems
- Offshore Hydraulic Fracturing
- Drilling Safety Rule
- Escape Ladder Requirement

- Inspection Fees
- BAST Determination Process of Methane Gas Detection and Early Kick Detection

Thank you for your consideration of these items.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey L. Vorberger". The signature is stylized and cursive, with the first name "Jeffrey" being the most prominent part.

Jeffrey L. Vorberger
National Ocean Industries Association
Vice President, Policy & Government Affairs