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Mr. John Murphy, Chair
Economic Classification Policy Committee
Census Bureau, Room 8K157
Washington, DC 20233-6500

Via: <http://www.regulations.gov/>

Re: 2012 North American Industry Classification System (NAICS) – updates for 2017
[Docket# OMB-2014-0004]

Dear Mr. Murphy:

The International Association of Drilling Contractors (IADC) is a trade association representing the worldwide interests of onshore and offshore drilling contractors. Our members operate the vast majority of onshore rigs in the United States and offshore, drilling contractors operate Mobile Offshore Drilling Units (MODUs) in areas subject to the jurisdiction of the United States. Additionally, our members operate rigs, onshore and offshore, in Mexico and Canada.

The purpose of this letter is to respond to the 22 May 2014 Notice for Solicitation for Proposals to Revise Portions of NAICS for 2017, Office of Management and Budget (OMB). Our comments are offered without prejudice to any comments that may be offered directly by IADC members.

IADC appreciates the specific solicitation of comments by the OMB's Economic Classification Policy Committee (ECPC), to: (1) update the structure of the oil and gas industries in Subsector 211, Oil and Gas Extraction and (2) distinguish between the onshore and offshore sectors of the industry. IADC believes that both actions are warranted. IADC also believes that consideration should be given to corresponding changes in other sectors and subsectors which support the onshore and offshore oil and gas extraction industries.

IADC offer the following comments and recommendations regarding Subsector 211 and other related NAICS codes.

NAICS 211 (Oil and Gas Extraction) and 213 (Support Activities for Mining)

IADC proposes the following NAICS codes be moved under sector 211 to aggregate cell components of the same industry into one subsector.

- 213111: Drilling Oil and Gas Wells
- 213112: Support Activities for Oil and Gas Operations

The new codes may be listed as 4-digit, 5-digit, or 6-digit code as appropriate for the updated structure of Sector 211.

The oil and gas fatality rate, employment, and wage statistics reported by the Bureau of Labor Statistics (BLS) is presently based solely on NAICS 211. The statistics do not account for related oil and extraction related activities listed under “Support Activities for Mining” NAICS 213111 and 213112. This, in IADC’s view, results in a misleading representation of the industry. For example, in NAICS 211, you find geologists, draftsmen and petroleum engineers, people employed directly by oil and gas companies. NAICS 213 contains people that work for the “service companies” and drilling industry, the companies that drill, frack, service and equip wells. Job titles include roughnecks, roustabouts and service pump operators, positions all integral to, and dependent on, oilfield activities.

IADC also recommends that within the updated Sector 211, a distinction be made between establishments engaging in the drilling of oil and gas wells and those establishments providing well servicing and/or completion services, *e.g.*:

- Drilling: Drilling and casing the well bore.
- Well Servicing/Completions: Remedial or maintenance work performed within the well casing on any well, other than a drilling well, cementing operations, completion or recompletion activities, and well abandonment operations.

Further, within the updated Sector 211, delineation between onshore and offshore activities is needed at the 6-digit level (or higher). The establishments engaging in onshore and offshore operations differ significantly in their composition and regulatory governance, in the U.S., as well as in Canada and Mexico, and this distinction is necessary to ensure the different components of production, safety, and performances are captured accurately.

Further delineation between onshore and offshore activities

For consistency, IADC suggests that the possibility of distinguishing between onshore and offshore activities for other establishments in other sectors supporting oil and gas extraction activities be considered. Such subsector codes include, but are not limited to: 237120 (Oil and Gas Pipeline and Related Structures Construction); 481211 (Nonscheduled Chartered Passenger Air Transportation); and 483111 (Deep Sea Freight Transportation).

There have always been significant differences between the establishments that conduct oil and gas extraction activities onshore and those that conduct such activities offshore. However, these differences have become much more significant over the last decade, and IADC now has very few drilling contractor members conducting business both onshore and offshore, and those that do, conduct such operations under different business units. One of the major differences is the costs, and overhead, associated with conducting such operations.

IADC would appreciate an opportunity to work the ECPC to help develop an appropriate code structure for our segment of the industry that can be applied in a practical manner, and which hopefully could be accepted in Canada and Mexico as well.

The oil and gas industry, which includes drilling contractors, accounts for 5.3 percent of total U.S. employment. To put this in perspective, the number of jobs supported by the upstream segment alone in 2010 – 2.2 million – is larger than the populations of 15 states. We believe

that these substantial contributions to employment must be accurately reported and understood in order for policy makers to consider the right policies and for our industry to help drive a broader economic recovery.

IADC appreciates the opportunity to provide these initial comments. If you have any questions about this correspondence or desire further information, please contact Mr. Bill Tanner in our Washington, DC office (Phone: 202.293.0670)

Sincerely,

A handwritten signature in black ink that reads "Bill Tanner". The signature is written in a cursive, flowing style.

Bill Tanner

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