

Onshore Division Monthly Activity Report



May 2014

Policy, Government and Regulatory Affairs

California: The Los Angeles City Council recently passed a motion directing the City Attorney to draft a zoning ordinance banning hydraulic fracturing that many consider “precedence setting” and a likely template for local governments to replicate throughout the United States. A draft ordinance is currently under development by the City Attorney’s Office under the direction of the City Planning Department. If adopted as proposed by the City Council, this local land use prohibition would be the first-ever use of zoning regulation to halt drilling activities within a major municipality.

IADC Action: IADC is currently working in cooperation with its California members, the California Independent Petroleum Association and allied trade associations to address industry concerns with the Los Angeles City Attorney’s Office and the Planning Department. An initial meeting with City Attorney has taken place and meetings with the Planning staff are being set with the goal of working cooperatively to influence a positive outcome for IADC member companies.

PGRA Washington: IADC is currently tracking 173 legislative proposals at the federal and state level, including the District of Columbia. The public is largely unaware of safety and environmental protections that are already in place and what actually is being done to increase those protections. IADC’s legislative outreach strategy recognizes that the debate over hydraulic fracturing cannot be silenced, but it can play a role in promoting science based facts and solid technical data by positioning itself as a credible voice in that debate.

IADC Action: IADC will continue to communicate Federal and State legislative proposals to members. The Onshore Advisory Panel will assist the onshore division with identifying which legislation IADC should be involved in.

Regulation Changes / Request for Comment

The Federal Motor Carrier Safety Administration (FMCSA) proposes amendments to the Federal Motor Carrier Safety Regulations (FMCSRs) to establish: Minimum performance and design standards for hours-of-service (HOS) electronic logging devices (ELDs); requirements for the mandatory use of these devices by drivers currently required to prepare HOS records of duty status (RODS); requirements concerning HOS supporting documents; and measures to address concerns about harassment resulting from the mandatory use of ELDs.

IADC Action: After further review and lack of member feedback, IADC did not provide comments and concluded these amendments will not affect Onshore Drilling Contractors.

The FMCSA requests approval to revise and extend an ICR (information collection request) entitled, “Hazardous Materials Safety Permits.” This ICR requires companies holding permits to develop communications plans that allow for the periodic tracking of the shipments. A record of the communications that includes the time of the call and location of the shipment may be kept by either the driver (e.g., recorded in the log book) or the company. The motor carrier or driver must maintain a record of the communications for at least six months after the initial acceptance of a shipment of hazardous material for which a safety permit is required.

IADC Action: During the comment period, IADC sent notices to 600+ contacts representing 363 member companies. No feedback or comments were received regarding this matter. IADC does not think this ICR will affect Onshore Drilling Contractors and will not provide comments to FMCSA.

Department of the Interior (DOI) / Bureau of Land Management (BLM) Hydraulic Fracturing on Public and Indian Land: The BLM is re-proposing a rule to regulate hydraulic fracturing by providing disclosure to the public of the chemicals used in hydraulic fracturing on public and Indian land. The proposed rule would also strengthen regulations on well-bore integrity and address issues related to flow back water. Comment period ended on August 23, 2013. The Unified Agenda indicates that a final action is planned for May 2014, but has been moved to September 2014.

IADC Action: IADC Onshore Division has not commented on the BLM proposed rule changes, but will track its publication and review the document for issues that may affect onshore drilling contractors.

Greenhouse Gas Reporting Rule: Revisions and Confidentiality Determinations for Petroleum and Natural Gas Systems: The EPA is proposing to revise certain calculation methods, amend certain monitoring and data reporting requirements, clarify certain terms and definitions, and correct certain technical and editorial errors that have been identified during the course of implementation. This action also proposes confidentiality determinations for new or substantially revised data elements contained in these proposed amendments, as well as proposes a revised confidentiality determination for one existing data element.

IADC Action: IADC Onshore Division does not know for sure if this rule will directly affect onshore drillers. In the interim, IADC will engage EPA and make recommendations regarding issues that may affect onshore drilling contractors.

Impacts of Climate Change on Human Health in the United States: On 7 February, the US EPA, on behalf of the United States Global Change Research Program (USGCRP), will publish a Request for Public Engagement in the Interagency Special Report on the Impacts of Climate Change on Human Health in the US.

IADC Action: IADC will engage EPA and make recommendations regarding issues that may affect onshore drilling contractors.

New Regulation Changes / Request for Comment since Last Report

Environmental Protection Agency 40 CFR Part 49 Managing Emissions From Oil and Natural Gas Production in Indian Country AGENCY. Advance notice of proposed rulemaking. This ANPR pertains to permitting approaches for new oil and natural gas sources and EPA's effort to manage emissions from existing oil and natural gas sources on Indian lands. **Note: The ANPR EPA indicates that oil and gas drilling contractors will be covered in this rule.**

IADC Action: At this time IADC Onshore Division does not know how this rule will affect onshore drillers. In the interim, IADC will engage EPA and make recommendations regarding issues that may affect onshore drilling contractors.

DOL OSHA: The Department of Labor (DOL) OSHA is seeking extensions from the OMB to continue to collection information on number of information collection request (ICR). These include:

- Manlifts Standard
- Standard on the Control of Hazardous Energy (Lockout/Tagout)

IADC Action: IADC will engage DOL /OSHA and make recommendations regarding issues that may affect onshore drilling contractors.

Clean Water Act Jurisdiction Proposed Rule Released: On 21 April 2014 (79 FR 22188) the EPA issued a proposed rule (with the Army Corps of Engineers) defining the scope of water protected under the CWA. This proposal will increase clarity as to the scope of the "waters of the United States" protected under the Act. Comment due date: 21 July 2014. This proposed rule expands Federal Jurisdiction over Streams and Wetlands: This proposed rule would codify the Administration's view that CWA jurisdiction is broad and expansive. **Note: This proposed rule may affect/limit well site locations.**

IADC Action: IADC will engage EPA and make recommendations regarding issues that may affect onshore drilling contractors.

U.S. Fish and Wildlife Service (USFWS) lists lesser prairie chicken as threatened. On 27 March 2014 USFWS listed the lesser prairie chicken, a small grassland bird native to parts of the country's oil and gas belt, as "threatened." Energy companies worry that some oil and gas fields could become off-limits to drilling and that the move could also affect wind farms and other activity. A coalition of energy groups termed the listing "not warranted" in a letter to the USFWS in April.

IADC Action: IADC PGRA is in contact with the industry ESA Western Energy Alliance's Greater Sage-Grouse efforts.

Federal Motor Carrier Safety Administration (FMCSA) published a FRN announcing it has received an application from the American Trucking Associations (ATA). On May 23, 2014, (FMCSA) received an application from the American Trucking Associations (ATA) for an exemption from the 14-hour provision of the Agency's hours-of-service regulations to enable certain drivers to exclude waiting time at a natural gas or oil well site from their calculations of on-duty time. Currently, only specially trained drivers of commercial motor vehicles (CMVs) that are specially constructed to service oil and

natural gas extraction sites may employ this provision. ATA proposes that FMCSA by a limited 2-year exemption that may be renewed, permit exclusion of such waiting time by drivers of CMVs who are exclusively engaged in servicing oil and natural gas extraction sites and have the opportunity to obtain rest while waiting at such sites. FMCSA requests public comment on ATA's application for exemption. **Comments must be received on or before July 7, 2014.**

IADC Action: IADC Action: On May 27th, 2014 IADC sent out a request for comment to the Rig Moving and Well Servicing Committees. IADC has gathered comments from various members and will provide them to FMCSA on or before the deadline of July 7, 2014.

API Standards Development / Monitoring

2014 API STANDARDS PLAN: This list contains a number of Specifications, Recommended Practices and Standards "expected" to be published in 2014 that may be of interest to Onshore Drilling Contractors. IADC will publish this list in the June addition of Drillbits. In addition, this information can be found on the API website: <http://www.api.org/publications-standards-and-statistics/annual-standards-plan>

Exploration & Production/Oilfield Equipment and Materials

- Specification 6A, Specification for Wellhead and Christmas Tree Equipment, 21st Edition.
- Specification 7-2, Specification for Threading and Gauging of Rotary Shouldered Thread Connections, 2nd Edition.
- Recommended Practice 10B-4, Recommended Practice on Preparation and Testing of Foamed Cement.
- Slurries at Atmospheric Pressure, 2nd Edition.
- Specification 11D1, Packers and Bridge Plugs, 3rd Edition.
- Recommended Practice 13B-2, Recommended Practice for Field Testing Oil-based Drilling Fluids, 5th Edition.
- Recommended Practice 13C, Recommended Practice on Drilling Fluid Processing Systems Evaluation, 5th Edition.
- Specification 16A, Specification for Drill-through Equipment, 4th Edition.
- Standard 16AR, Repair and Remanufacture of Blowout Prevention Equipment, 1st Edition.
- Specification 16C, Choke and Kill Systems, 2nd Edition.
- Specification 16D, Control Systems for Drilling Well Control Equipment and Control Systems for Diverter Equipment, 3rd Edition.
- Recommended Practice 19B-A1, Addendum 1 to Evaluation of Well Perforators, 2nd Edition.
- Standard 20G, Qualification of Welding Suppliers, 1st Edition.

Drilling & Production Operations

- Recommended Practice 64, Diverter Systems Equipment and Operations, 3rd Edition.
- Recommended Practice 90-2, Annular Casing Pressure Management for Onshore Wells, 1st Edition.
- Recommended Practice 92M, Managed Pressure Drilling Operations, 1st Edition.
- Recommended Practice 92U, Underbalanced Drilling Operations, 2nd Edition.

- Recommended Practice 99, Flash Fire Risk Assessment for the Upstream Oil and Gas Industry, 1st Edition.

Notes:

- IADC will be attending the API DPOS meeting in Houston on June 10, and the API Conference in Chicago the week of June 15th.
- IADC sent a link containing RP-99 to the Onshore Advisory Panel on May 21, 2014.
- The IADC task group for API RP 54 (Occupational Safety for Oil and Gas Well Drilling and Servicing) has completed the review and revision. This document will be presented at the API DPOS meeting in Houston on June 10, 2014.

Chapter Meetings

Permian Basin Chapter Update: On May 15th, the chapter officially became "The Permian Basin Chapter of the International Association of Drilling Contractors, Inc." Next meeting scheduled for June 12th.

Houston Chapter: The chapter presented two checks, one to each of their main charities. Most of the attendees were vendors with few drilling contractors present.

OSHA / Regulatory Visits

OSHA – Cleveland, OH: The OSHA Compliance Assistance Officer did not show for this meeting.

OSHA – Corpus Christi, Texas: This was an introductory meeting with the OSHA Regional Director, Mike Rivera and the OSHA Compliance Assistance Officer, Marianne Magee. Marianne is very familiar with IADC as we collaborate on industry task groups such as SafeLand and OSHA 5810 as well as other industry initiatives. Mike and Marianne were brought up to speed on current IADC initiatives and to offer our support to assist with reducing the number of incidents and fatalities in the industry. They both were given a packet of IADC literature that contained the IADC initiative updates. They welcomed IADC support and offer of assistance.

OSHA – Onshore Drilling Conference: At the onshore conference, a visit was conducted with Dr. Michaels regarding his comments about workers in the Bakken region being overcome by methane fumes coming off of flow back water. During the meeting, IADC staff mentioned a recent visit during a STEPS meeting with a manufacturer of fracking tanks. A discussion ensued around the separation of gas from the flow back water. According to the manufacturer some companies are using a device similar to a "Poor Boy" gas buster like most drilling rigs have and the gas is vented away from the workers.

Industry Meetings

Canton Ohio: Buckeye STEPS Meeting. An IADC presentation was made at this meeting. The presentations focused on IADC current initiatives with a question/answer period after. There were approximately 45 attendees; 1 operator, 3 well servicing companies and no drilling contractors in attendance. The rest of the attendees were either vendors or consultants. Ohio EPA and IADC were the

only speakers. Chesapeake Energy was supposed to speak; however, the speaker was called away on an emergency.

Notes:

- Approximately 40 membership applications were available at the meeting and all were gone by the end of the meeting. In addition, IADC staff had many inquiries about RigPass and other ACD programs. Business cards were forwarded to ACD Dept. for further assistance.
- The Buckeye STEPS Executive Committee asked if IADC would present again at the Buckeye STEPS meeting in October in Cambridge, OH. This STEPS group meets in the northern part of the state on odd months and in the southern part of the state on even months.

South Texas: Texas STEPS Meeting in Robstown, TX The South Texas STEPS meeting presentation focused on IADC current initiatives and the newly released 2013 statistics from the ISP. There were approximately 75 attendees; 3 operators, 3 drilling contractors (H&P, Coastal Drlg, Nabors), and 4 well servicing contractors in attendance. The rest were vendors or consultants. In addition to IADC, Hammerhead Tools spoke about personal tool tethering and Stan Smiley spoke about the Battlefields to Oilfields program (PEC).

Note:

- There was a great interest in the WADI program. Del Mar College in Corpus Christi is interested in becoming a partner on the WADI program. Contact information for Del Mar was forwarded to Brooke.

Houston, Texas: Houston STEPS Meeting. On Tuesday 20 May morning IADC staff attended the Houston STEPS meeting. Based on conversations, forty attendees were present with one being a drilling contractor and a few operators. Most attendees were vendors.

Notes:

- Looking at the officers, there are no contractors or operators. The board has one operator the rest are vendors and consultants.
- Statoil: Kristy Bellows, Environmental Lead – Marcellus, presented on the environmental issues that need to be address. Invitation to speak at the Environmental Subcommittee meeting in July was extended.
- The second presentation was "Wake Up to Sleep" (fatigue presentation) - Allyson Faist, Senior HSE Specialist, Permian Production Unit, BHP Billiton. Her presentation discussed various stages of sleep, (power naps, apnea, and micro-naps (micro-sleep)) and the effects on fatigue levels.

Houston, Texas: IADC staff met with BP to discuss current initiatives of IADC. Two meetings took place during May with BP. The first occurred at a BP sponsored lunch during OTC and the second occurred at the IADC Onshore Drilling Conference.

Houston, Texas: Onshore Operations Forum Onshore Division staff held attended the forum and lead discussion on items of interest to the onshore contractors. Thirty nine contractor members were in attendance.

Presentations

Ohio and South Texas STEPS meetings: An IADC presentation was made at The Ohio STEPS meeting. Presentation focused on IADC current initiatives with a question/answer period after. The South Texas STEPS meeting presentation focused IADC current initiatives and the newly released 2013 statistics from the ISP.

Houston STEPS meeting: A short update on IADC activities was provided. After the meeting concluded, IADC was asked to make a formal presentation later this year.

Contacts

For additional information regarding this report, please contact one of the IADC staff members listed below.

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