

Onshore Division Monthly Activity Report



June 2014

Policy, Government and Regulatory Affairs

Senate Republicans have unveiled a plan to package together ways to expedite permitting of oil and natural gas drilling on federal lands and the gathering and exporting of natural gas. The North Atlantic Energy Security Act draws from bills to quicken liquefied natural gas exports. That includes requiring the Energy Secretary to approve LNG exports to Ukraine, NATO allies and Japan. Also added was new language to require a decision on other LNG export applications within 45 days after a company completes the pre-file process with the Federal Energy Regulatory Commission. In addition there was a categorical exclusion under the National Environmental Policy Act for some natural gas gathering lines located on federal and Indian lands and to service oil wells. National parks, wildlife refuges and preservation areas would be excluded. The package also requires the Interior and Agriculture secretaries within 30 days to issue rights-of-ways for natural gas gathering lines that qualify for categorical exclusions and within 60 days for all other natural gas gathering lines servicing oil wells. The GOP plan also echoes a recent House-passed bill to require onshore oil and gas permits on federal lands to be approved within 60 days.

IADC Action: IADC supports LNG export legislation and will monitor the progress of the legislation.

House Moves to Block Social Cost of Carbon, GHG Factors in LNG Exports: The House recently approved amendments that would block the Energy Department from continuing the development of the Obama administration's social cost of carbon calculation and any attempt by the agency to consider a greenhouse gas emissions report in its liquefied natural gas export reviews. An amendment approved 227-191, would "prohibit the flawed and capricious social cost of carbon rule from being implemented."

House lawmakers also backed an amendment that would defund DOE's ability to factor greenhouse gas emissions into the agency's public interest determination of liquefied natural gas export applications.

IADC Action: Monitor progress of legislation in Senate.

House Clears Energy and Water Spending Bill: The bill boosts funding for the Energy Department's fossil energy programs while slashing renewable energy funds by about \$111 million. By offsetting increases in fossil fuel energy research with cuts to "lower-priority programs," The bill now goes to the Senate where it ultimately may end up in a conference committee. A number of riders are anticipated to the omnibus bill, which likely will influence to ultimate language and direction of the bill.

IADC Action: Monitor progress of legislation in Senate.

Commerce Department to Release Final Tariffs on Oil Country Tubes: The Commerce Department will release its final antidumping duty and countervailing duty levels for imports of some oil country tubular goods — products used in drilling oil and natural gas wells — from several countries. Preliminary tariff levels announced in February hit Thailand with a 118 percent margin, Vietnam with 111 percent and Indian with 55 percent; the remaining countries saw less than 10 percent duties. However, bipartisan groups of lawmakers from both chambers of Congress and domestic manufacturers have urged Commerce to reverse course on its decision not to impose duties on South Korean imports, which total more than all of the other countries involved combined. Aside from South Korea, the countries included in the investigations are India, the Philippines, Saudi Arabia, Taiwan, Thailand, Turkey, Ukraine, and Vietnam.

IADC Action: Monitor final rule for impacts on drilling industry.

Interior Department – Bureau of Land Management – Update on Hydraulic Fracturing on Federal Lands (also known as the BLM fracking rule): This rule would set the first federal regulations governing hydraulic fracturing on federal lands. Because fracking is now regulated by each state, the rules are significant because they could serve as a floor for fracking regulations around the country. Critics say the rule could duplicate state efforts and is unnecessary because shale plays vary from region to region. This rule would require fracking operators to follow "best practices" including disclosing chemicals used in fracking operations and confirming that fracked wells meet appropriate construction standards. It would also require operators to have a plan to manage fracking flowback waters. The Rule would also apply to Indian lands that BLM manages. The matter is in the final rule stage. BLM is expected to issue its rule late this year or early in 2015.

IADC Action: The Onshore Division has not yet commented on the BLM proposed rule and currently does not intend to. However, IADC will continue to track the progress of the rule in the event of any circumstantial changes.

Environmental Protection Agency – Hydraulic Fracturing Chemicals; Chemical Information Reporting Under TSCA Section 8(a) and Health and Safety Data Reporting Under TSCA Section 8(d): EPA is considering proposing a rule that would require the manufacturers, producers and distributors of products used in fracking fluids to detail their potential health and environmental hazards under the Toxic Substances Control Act. The potential disclosure was prompted by a petition from environmental groups, and would serve as a way to garner more information about the impacts of chemicals contained in fracking fluids without requiring official federal disclosure of fracking chemicals, which the industry has been skeptical of. Interesting to note that this pre-rule has been in the works for a while -- the process was started back in 2012 and is likely to churn on until at least 2015. This matter is in the pre-rule stage and next major action (Advanced Notice of Proposed Rulemaking) is expected in August 2014.

IADC Action: IADC has provided general comments to EPA and will await the Advanced Notice of Proposed Rulemaking prior to submitting formal comment. At issue is the notion that EPA rulemaking could directly constrain hydraulic fracturing operations, and thus, impact the drilling industry.

Department of Interior Inspector General Report on Drilling Permit Delays: In case you have not read the report, the Bureau of Land Management’s review times for oil and gas drilling permits are “very long,” according to a June 2014 Interior Department inspector general report. The report notes that oil and gas operators share some blame for the delays, but says inefficiencies in Interior’s review process “impede productivity.” The report continues: “We found that neither BLM nor the operator can predict when the permit will be approved. Target dates for completion of individual APDs are rarely set and enforced, and consequently, the review may continue indefinitely. The process at most field offices does not have sufficient supervision to ensure timely completion. BLM also does not have a results-oriented performance goal to address processing times.”

Read the IG report: <http://on.doi.gov/1lu20YC>

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: 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.

Update: After gathering information from five member companies, IADC submitted comments to Docket No. FMCSA-2013-0470 on Thursday, July 3rd, 2014. FMCSA is currently analyzing and reviewing all comments, once they reach a decision, it will be published in the Federal Register.

API Standards Development / Monitoring

API Standards Plan: Every year API develops a list of Specifications, Recommended Practices and Standards “expected” to be published during that calendar year. For a complete list of API documents “expected” to be released in 2014, visit the API website: <http://www.api.org/publications-standards-and-statistics/annual-standards-plan>

On a regular basis, IADC staff monitors, reviews and provides feedback on API documents on behalf of the IADC members. Below is a list of current document revisions that IADC is involved in:

- Specification 16A, Specification for Drill-through Equipment, 4th Edition.

Note: The concern of subcommittee 16 (Subcommittee on Drilling Well Control & Equipment) came from a liability standpoint surrounding who is responsible for maintaining BOP specifications & traceability, the repair shop or the owner? API maintained a stance that their review goal was to determine who's responsible for remanufacturing and controlling these specifications...but you can't make that distinction with an untraceable BOP. At the June meeting in Chicago, only two drilling contractors were present.

IADC Action: IADC will continue to monitor the subcommittee roster to ensure drilling contractors are represented. The next meeting for document review set for July 9, 2014.

- Standard 16AR, Repair and Remanufacture of Blowout Prevention Equipment, 1st Edition.

Note: IADC has reviewed the task group roster for the document and discovered that drilling contractors for onshore and offshore are present and represented.

IADC Action: IADC will take no further action within this task group.

- Standard 53, Blowout Prevention Equipment Systems for Drilling Wells.

Note: API Standard 53 was revised and modified greatly as a response to the Macondo incident in the Gulf of Mexico. The main issue onshore members have with API Standard 53 is that the Texas Railroad Commission's Rule 13 made blanket use of Standard 53 and its requirement of blowout preventer equipment to be certified according to the standard.

IADC Action: IADC attended an initial API Standard 53 TG meeting to review suggestions that had been submitted for revision of the standard. Representatives from the Texas Railroad Commission (TRRC) were in attendance. However, only one drilling contractor was present. Additionally, the IADC letter addressed to the TRRC regarding the API standard was reviewed and API will post IADC's letter on API's SharePoint site for the 53 TG.

API agreed to review the following concerns (within the standard) expressed by IADC members in a letter submitted to the TRRC:

6.1.2.12 - A Class 5 BOP arrangement or shall be installed for 15K and greater pressure rated systems. The minimum requirements for a class 5 BOP stack arrangement shall include one annular, one BSR, and two pipe rams. A risk assessment shall be performed to identify ram placements and configurations, and taking into account annular and large tubulars for well control management.

6.1.4.4 - if replacement parts & assemblies are acquired from a non-OEM, the parts & assemblies shall be equivalent or superior to the original equipment and fully tested, designed verified, and supported by traceable documentation in accordance w/ relevant API specs.

6.2.2.9 - A minimum of two remotely operated chokes shall be installed on choke manifold systems rated 10K and greater. The choke shall have two independent control valves, one each for the two remotely operated chokes.

6.2.2.18 - The choke control station shall include all instruments necessary to furnish an overview of the well control operations. This includes the ability to monitor and control such items as standpipe pressure, casing pressure, and monitor pump strokes.

- Recommended Practice 54, Occupational Safety for Oil and Gas Well Drilling and Servicing.

Note: The completed revision of RP-54 was presented to the API subcommittee and well received. API's next step is to have a task group review the document for possible additions or changes.

IADC Action: IADC will actively engage the IADC task group members to remain active in the API balloting of this document. Failure to remain active throughout the balloting process could result in forfeiture of drilling contractor's voice.

- Recommended Practice 92M, Managed Pressure Drilling Operations, 1st Edition.

Note: This Recommended Practice is currently being reviewed and revised by the IADC MPD / UBO Committee. The next committee meeting is in Bergen, Norway on September 3-5, 2014.

IADC Action: IADC will continue to support the UBO / MPD Committee in the development of this document.

- Recommended Practice 92U, Underbalanced Drilling Operations, 2nd Edition.

Note: This Recommended Practice is currently being reviewed and revised by the IADC MPD / UBO Committee. The next committee meeting is in Bergen, Norway on September 3-5, 2014.

IADC Action: IADC will continue to support the UBO / MPD Committee in the development of this document.

- Recommended Practice 49, Drilling and Well Servicing Operations Involving Hydrogen Sulfide, Third Edition and API 68, Oil and Gas Well Servicing and Workover Operations Involving Hydrogen Sulfide, First Edition.

Note: These Recommended Practices are currently being review and revised by the IADC Well Servicing Committee.

IADC Action: IADC has proposed and received approval from API to combine these two documents into one document titled Recommended Practice 68R, Oil and Gas Drilling, Well Servicing and Workover Operations Involving Hydrogen Sulfide.

- Recommended Practice 5C8, Care, Maintenance and Inspection of Coil Tubing, First Edition.

Note: This Recommended Practice is currently being review and revised by the IADC Coil Tubing Subcommittee.

IADC Action: IADC will continue to support the Coil Tubing Subcommittee in the development of this document.

Chapter Meetings

Each of IADC's 15 active chapters is represented by a regional representative, who helps coordinate IADC activities with the chapters in that area. Chapters comprise local drilling contractors, producers and service companies. The chapters sponsor social events and provide informal regional forums for members to consider problems and issues in the industry. For additional information regarding chapters, visit the IADC website at <http://www.iadc.org/chapters/>.

South Louisiana Chapter (Lafayette, LA): Approximately 65 attendees; 3 drilling contractors (all chapter board members). Congressman Bill Cassidy spoke on the state of Washington and its effect on the oil and gas industry. He also put in a plug for his campaign run against sitting Senator Mary Landrieu. Next meeting date is September 22, 2014.

Permian Basin Chapter (Midland, TX): Approximately 35 attendees; 8 drilling contractors. The scheduled presenter had to cancel so the chapter provided a report on the "State of the PB Chapter." This report included chapter finances, initiatives of the chapter HSE committee, next fund raiser, and future meeting dates/events. Jared Blong, with Octane Energy briefed the chapter on his upcoming appearance in D.C. A brief update on current IADC initiatives as well as regulatory issues was presented at the IADC Permian Basin Chapter. Next meeting date is October 2014.

IADC Permian Basin Chapter HSE Committee (Midland, TX): There were approx. 10 contractors, one representative from Howard College, and one representative from the Texas Workforce Commission in attendance. Discussion focused on establishing a new employee, oil and gas safety training program for the Permian Basin. Next meeting date is August 12th in Midland, TX.

Mississippi Chapter (Jackson, MS): Approximately 30 attendees; Five drilling contractors (Energy Drilling, H&P, Performance Drilling, RAPAD Drilling, and WT Drilling) were in attendance. An IADC presentation was made focusing on IADC current initiatives, legislative/regulatory updates, and a review of the 2013 ISP results. Britt Herrin with Pike County Economic Development District presented on the projected increase in activity in the Tuscaloosa Marine Shale (TMS) and its impact on the local area (Southwestern MS which is McComb, Jackson, Amite).

Notes from Mississippi Chapter:

- It is projected that by end 2015 and into 2016, TMS will aggressively ramp up activity.
- Mini-onshore operations forum was conducted
 - Focused on current IADC initiatives and activities (KSAs, WADI, 2013 ISP, Rule 13).
- Performance Drilling asked if IADC could create a policy on FRC since each operator has a different policy. Performance Drilling was directed to API RP 99 for Flash Fire Assessments.
 - IADFC staff and the Onshore Advisory Panel need to discuss course of action in more detail.
- Because of the forecasted increase in activity in the TMS, the chapter has a great opportunity to greatly increase its membership and be the “go to” meeting place for the Mississippi region.
- Next meeting will be the annual golf tournament which is scheduled for 14 August 2014.

OSHA / Regulatory

OSHA – Oklahoma City, OK: IADC met with the OSHA Compliance Assistance Officer, David Bates. David is very familiar with IADC because both OSHA and IADC collaborate on various industry task groups such as STEPS, SafeLand and OSHA O&G Safety & Health Conference Planning Committee and other industry initiatives. IADC staff brought David up to speed on current IADC initiatives and offered our support to assist with reducing the number of incidents and fatalities in the industry.

Note: Business cards were provided to David along with IADC literature regarding current programs.

Texas Railroad Commission, Texas: On June 26, 2014, IADC contacted the Texas Railroad Commission (TRRC) and spoke with Christi Craddick. The purpose of the meeting was to introduce IADC to the Commissioner and to open up a dialog between IADC and the TRRC.

Notes:

- TRRC wants to involve all representatives of the oil and gas industry not just the producers, in meetings and decision-making.
- Wants IADC to tell story. “IADC to step up and step out”
- Connect Bill Tanner (IADC) with Bill Black (TRRC)
- Texas to be example for the country.
- Internal TRRC struggles with staffing resources and knowledge regarding the industry.
- Supports IADC initiatives such as WADI and KSA.

OSHA – Denver, CO: David Nelson, OSHA Area Director, Englewood Area Office and Greg Baxter, OSHA Region 8 Administrator was sent e-mails, with no response. Unable to reach them by phone while in Denver as well.

Industry Meetings

Midland, Texas: Permian Basin STEPS Network. Approximately 175 attendees; 5 drilling contractors

Oklahoma City, Oklahoma: Mid-Continent STEPS Network. Approximately 75 attendees; 6 drilling contractors

Oklahoma City, Oklahoma: OSHA Oil & Gas Safety & Health Conference Planning Committee. Next meeting will be held in Houston on Wednesday, September 24, 2014 at Oxy.

Chicago, IL: IADC staff attended API's Exploration & Production Standards Conference on Oilfield Equipment and Materials. There were only three onshore drilling contractors in attendance; Precision Drilling, Orion Drilling and Ensign. The bulk of attendees and registration list consisted mainly of operators, manufacturers and service providers.

Note: The next API meeting will be held on January 26-30, 2015 in New Orleans, LA.

Cheyenne, WY: IADC staff attended and gave presentations during the Wyoming Safety and Workforce Summit. June 25 – 26, 2014. There were approximately 500 attendees. Drilling contractors present included Patterson-UTI, SST Energy Services and H&P. Stallion Well Services was the only recognized servicing company present. Warren Hubler was the keynote speaker.

Notes:

- Overall the presentations and key note speakers were very good, some of whom might be good for the HSE-T 2015 conference. IADC's conference team will be provided with contact information.
- IADC was an invited guest of Patterson – UTI to the Governor's Awards Dinner
- Governor Matt Mead announced the "Stop Work Authority" award.

Houston, Texas: IADC staff attended the API Drilling and Production Operations Subcommittee (DPOS) meeting in Houston, TX. Attendance was estimated at 25-30 with no onshore drilling contractors present. The attendees were predominantly offshore contractors and operators.

Note: A status report regarding Executive Order 13650 – Actions to Improve Chemical Facility Safety & Security was given. The report summarizes the government working group's progress, findings, lessons learned, challenges and short/long term priority actions in regard to process safety management. The status report can be viewed here: https://www.osha.gov/chemicalexecutiveorder/final_chemical_eo_status_report.pdf

Presentations

Permian Basin: An update on current IADC initiatives, as well as regulatory issues was presented at the IADC Permian Basin Chapter. There was also a question/answer period after.

Jackson, MS: An IADC presentation was made at the IADC Mississippi Chapter. The presentation focused on current IADC initiatives, legislative/regulatory updates, and a review of the 2013 ISP results. There was also a question/answer period after.

Contacts

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

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