



## H.R. 5626 Blowout Prevention Act

### Position Paper

July 2010

---

- The Blowout Prevention Act, H.R. 5626, is designed to punish the entire oil and natural gas industry for the failures of one company. This retaliatory bill would have far-ranging impacts on the millions of jobs dependent on the energy industry, America's energy security, and the entire U.S. economy.
- While attempting to regulate offshore drilling, this bill would have unintended adverse consequence for onshore energy development, which has an exemplary safety record. The measures lack technical feasibility and would render unconventional onshore plays uneconomic.
- The Gulf accident has placed entirely too much emphasis on the BOPs, before investigators have even determined the actual cause of the disaster. Regulatory changes cannot possibly be effective if undertaken without the knowledge gained from a thorough incident investigation.
- Congress would grant control of 43% of America's energy supply, the entire domestic oil and natural gas supply, 9.2 million jobs, and over 7.5% of the American economy to one bureaucracy, the Environmental Protection Agency (EPA).
- Currently, regulation of the oil and natural gas industry is divided among federal and state agencies, including state oil and gas conservation commissions, the Department of the Interior (DOI), and EPA. This bill would usurp state control over permitting oil and natural gas wells and DOI's primacy on federal lands, and centralize control in one agency that lacks expertise in petroleum technology and experience in well construction.
- EPA, a bureaucracy of over 17,300 employees, is charged with regulation of the impacts to air and water from oil and natural gas, either through direct regulation or delegation to the states. EPA does not have the mission nor the expertise for deciding when, where, and how to drill oil and natural gas wells. The BOP Act would be a vast expansion of EPA's control.
- Usurpation of oil and natural gas regulation from the states to EPA raises serious questions about state's rights. Passage of this bill would represent a huge take-over by the federal government.
- Currently, states issue Underground Injection Control (UIC) permits through delegation from EPA, except in Indian Country where EPA retains primacy. Even though responsible for only a very small percentage of UIC wells, EPA regularly takes over fourteen months to issue a permit. If the agency were suddenly responsible for permitting all 35,000+ wells drilled each year in America, development of 43% of America's total energy supply would grind to a halt.
- The bill also seems to usurp DOI's control on where and how to develop oil and natural gas on America's federal lands. Is it better to have EPA, an agency with no land management, wildlife, archeological, and other natural resource expertise, control where to site and how to build wells on federal lands?
- This vast centralization of control over a trillion dollar industry that powers the rest of the American economy has serious implications far beyond oil and natural gas. Coupled with EPA efforts to regulate greenhouse gas emissions that every individual, household, and business emits, the vision Congress is contemplating is one in which EPA exerts a vast stranglehold on every aspect of American life and the economy. Congress should seriously consider the implications of this huge takeover by one agency of the executive branch.

## Details on the Onshore Impacts from the Blowout Prevention Act of 2010

Implementation of this bill would be extremely expensive, with the cost of “high risk” wells almost double that of wells not deemed to be so because of the redundancy requirements. Since the definition of “high-risk well” is so open-ended and subject to the discretion of unidentified federal officials, we can only assume that most wells on public lands would be considered high-risk. Therefore, we could experience a decrease in well numbers of as much as 50%, as almost double the capital investment would be necessary for 54% of the wells in the West, as 54% of natural gas production is from federal lands. That number could be even higher if the “high-risk well” definition is determined to apply to any development near population centers, which would then affect much of the private lands development in the West as well.

IPAMS is very concerned that this bill, combined with other adverse public lands, taxation, and regulatory measure either implemented or being considered by Congress, will continue to drive investment from the West. We have already documented \$3.9 billion that has either left the region or is being prevented from investment because of adverse public lands policies. This bill could even serve to drive investment overseas, since it will so vastly increase the cost of development in the United States. As documented below, the legislation is not well thought out and does not adequately provide additional safety, especially considering the risk to the economy and American energy security.

In summary, most of the proposed regulations set forth in this bill are simply not applicable to U.S. onshore development, do not make sense technically and would be impossible and/or cost-prohibitive to implement. The passage of this bill would be detrimental to American energy supplies, the industry and the economy as a whole.

**Incorrect Focus on the Blowout Preventers:** The Macondo well control incident has placed entirely too much emphasis on the BOPs by the media and by individuals that are not adequately informed regarding appropriate well design and risk mitigation. Unfortunately, the regulations that are outlined in the bill do not appropriately address the causes of the Deepwater Horizon incident, at least as far as we know today. Regulatory modifications should not be undertaken until a thorough and complete incident investigation by Congressional and White House investigatory bodies. Until these investigations are carried out, peer reviewed, and made available to the public can adequate and effective regulatory modifications be made.

It is apparent that this bill was drafted by those with limited knowledge of the utilization and function of blow out preventer systems. The specifications and practices in 30 CFR 250 already set forth current rules and regulations covering the requirements for BOP operation in the OCS. There is also an assumption that we know that the BOPs on the deepwater horizon were the causal factor of the incident – we don't. Prior to making any changes to existing regulation, analysis should be made of the current regulations under 30 CFR 250 and industry standards such as API RP 53, API 16F and identify potential areas for improvement.

Furthermore, there is insufficient time allowed in the legislation to build all the equipment being requesting. The number of additional BOPs and accumulators that would need to be built is staggering.

**Lack of Technical Expertise:** The legislation contains the fundamental flaw that those without knowledge or significant experience in the oil and gas industry can adequately assess the risk and interpret a well plan as minimizing risk. Most of the items that are painted as egregiously lacking are

addressed by federal and state agencies and API standards. No legislation will be able to fix poor decision making and failure to follow current best practices and regulations.

The way this is written, there will be no additional increase in safety or reduction of risk to the public. The bill would require persons without knowledge or significant experience in the oil and gas industry to adequately assess the risk and interpret a well plan as minimizing risk. Without technical expertise, no additional public safety is provided.

**Onshore Applicability:** The term “*high risk well*” is too expansive - “an onshore oil or gas exploration or production well in the United States, identified pursuant to criteria established by the appropriate Federal official, that, in the event of a blowout, could lead to substantial harm to public health and safety or the environment.” Just about any onshore well could be interpreted to be high risk, especially since the criteria is to be established by some unidentified but “appropriate” federal official. This bill would take significant authority on well construction from state regulators and give it to the federal government.

## Section 2

1. Section 2.1: A blowout preventer does not necessarily prevent a well control incident. More correctly it is to stop it once it has occurred. A well control incident is defined as the uncontrolled flow of formation or other fluids which includes underground blowout. A blowout is initially prevented by the adequate hydrostatic column of fluid within the wellbore to slightly exceed the pressure in the reservoir.
2. Also in Section 2.1: Spill plans don't insure against a blowout; they are for spills.
3. Very vague requirements. What defines “promptly” and who defines it?
4. Attesting to begin drilling a relief well within 15 days requires a rig with equipment to be in the area and/or under contract that is capable of drilling the same “High Risk Well” with all the subsequently defined pressure control equipment. This level of redundancy would be extremely expensive and require a large number of rigs to remain idle in case of a low-probability event. Additional redundancy increases the chance of failure and complicates the ability to maintain the system which increases the risk of a catastrophic failure.
5. The requirement in 2.a.(3) that a relief well must be completed in 90 days is unrealistic since many deep wells take longer to drill than 90 days as vertical wells let alone when drilled as directional relief wells. Unforeseen mechanical problems, etc can also lead to delays.
6. There is neither a supply of blind-shears nor casing shears to cover operations in the US. Rig count would plummet with suspended operations.
7. CFR 250 (250.500) is more inclusive and provides more protection than the specifications in Section 2 – 3.A.

## Section 3

1. The certification language in NTL 2010-N05 better protection and is more inclusive than the language in Section 3.B.
2. The stack up configuration of a BOP that has 2 sets of spaced blind shears, 2 sets of spaced casing shears PLUS the necessary pipe rams and annular would require a massive substructure to

house the equipment underneath. The increase in sub height to accommodate 3 additional rams, assuming 2 blind shear rams and 2 casing shear rams, would be unmanageable on onshore rigs. There are very few domestic land rigs with the substructure capability currently available. Onshore management of multiple shear rams is complicated, and may cause unforeseen operational problems, such as inadvertently cutting the pipe which will cause other problems. And we would see a significant increase in the number of slips, trips and falls. The stack configuration per this requirement would be of such height that 99%+ of the current US land rig market would be incapable of using such a stack, thereby causing US rig activity to plummet. Furthermore, the hydraulic control systems to operate such large stacks are non-existent in the US land rig market, again causing energy development to plummet.

3. Independent and redundant hydraulic activation systems for EACH blind shear ram and casing shear ram would appear to be a requirement for at least 4 accumulator systems. This would be as opposed to 2 accumulator systems. Most (if not all) land based rigs have a single accumulator system.
4. What is most disturbing about these BOP requirements in light of the Macondo well disaster is that an appropriate after incident review has not been completed. Virtually all shear rams on the market are not designed nor would the pressure control systems be capable of, shearing concentric strings of pipe, i.e. pipe within pipe. This was apparently the case on the Macondo well where there was drill pipe inside casing that was across the shear rams and thus, they could not shear both strings. In addition to this scenario, at the time it becomes a requirement to hit the shears, there cannot be guarantees that not only are concentric strings not adjacent to the rams but perhaps tool joints/casing connections are not adjacent to the rams either. The spaced redundant shear rams would prevent that but still, concentric strings across shears are a significant issue.

#### **Section 4**

1. The safe wells and cementing language in Section 4 is already covered in 30 CFR 250 Subpart D, E, and F; and as such section 4 is redundant. Preventing ignition and explosions regulations specified in section 4.C already exist in 30 CFR 250.
2. Three independent tested barriers are likely an impossibility. A tested barrier is always meant as a tested barrier in the direction of flow. Consequently, in order to test all three barriers in the direction of flow, each of the other two barriers must be eliminated as a barrier to insure the one being tested is effective. Testing two barriers in the direction of flow is very often an extremely time consuming and costly endeavor but assuring three would, in many cases, prove to be impossible to attest to. As an example, if two of those are mechanical, the first one can be tested in the direction of flow (remove hydrostatic) but when the second one is in place, in order to test in the direction of flow, pressure must be applied below the barrier (between the two mechanical barriers) in order to test. You can see the challenge compounds dramatically if a third barrier is added.
3. Cement bond logs. Many wells are plagued with lost circulation zones above the reservoir that cannot take the hydrostatic pressure of a cement column. In this case, foamed cement or lightweight cement slurries are utilized in order to provide isolation. Bond log technology for foamed or lightweight cements often provides nebulous results such that if the cement job is suspect that under these regulations, remediation would be required that ultimately could jeopardize a cement job that is actually very good! In addition, if this were to occur in

**Section 5:** Virtually every operator has these policies in place. It is always the intent to have every individual on site to feel 100% certain of their right and responsibility to stop at any time they feel safety, for any reason, is jeopardized.

**Section 6:** Independent certification and verification – the requirement for 3 national academy of engineering members doesn't list specific requirements of job experience.

**Sections 7-10 and 12:** All covered in CFR 250.

**Section 13:** Prohibiting retaliation is already covered under federal labor laws.