LMOGA
LOUISIANA MID-CONTINENT
OIL AND GAS ASSOCIATION

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July 16, 2015

Department of the Interior
Bureau of Safety and Environmental Enforcement
Attention: Regulations and Standards Branch
45600 Woodland Ranch Rd.
Sterling, VA 20166

Re: Blowout Preventer Systems and Well Control, 1014-AA11

To Whom it May Concern:

The Louisiana Mid-Continent Oil & Gas Association (LMOGA) respectfully submits the following comments on the proposed regulatory changes to Blowout Prevention Systems and Well Control requirements in 30 C.F.R. part 250. The Bureau of Safety and Environmental Enforcement (BSEE) announced these proposed changes on April 17, 2015, in a notice of proposed rulemaking entitled, "Oil and Gas and Sulphur Operations on the Outer Continental Shelf – Blowout Preventer Systems and Well Control."

LMOGA is Louisiana's longest standing trade association, exclusively representing all aspects of the oil and gas industry onshore and offshore, including exploration, production, mid-stream activities, pipeline, refining and marketing. Louisiana is a significant supporter of OCS activity in the Gulf of Mexico, which currently accounts for more than 16 percent of the Nation's oil production and about five percent of domestic natural gas production, resulting in annual federal revenues of over $7.4 billion in 2014. Louisiana's oil and gas industry has a total annual economic impact to the state of over $70 billion annually. The oil and gas industry is Louisiana's economic engine and federal regulations that potentially hinder offshore oil and gas development put our local, state and national economies at risk.

First and foremost, LMOGA recognizes and fully supports offshore operations that are conducted safely and in a manner that protects the environment. The U.S. offshore industry has a long history of safe operations that have advanced the energy security of our nation, and contributed significantly to our nation's economy. Since the 2010 Deepwater Horizon incident, the oil and gas industry has demonstrated its commitment to ensure that people and the environment are protected during all phases of energy exploration, development and production. A robust collaborative effort among industry has resulted in the development of new technology and standards for prevention, intervention and response. Industry has formed the Marine Well Containment Company (MWCC) and developed cutting-edge technology to minimize the risk of a catastrophic oil spill and they have formed the Center for Offshore Safety (COS) to continuously improve the safety performance of offshore operations.

While we support continued improvements to safety and environmental protection measures, we are concerned that the proposed regulation did not adequately analyze the economic impacts across the entire oil and gas industry as well as to the local, state and national economies. We are very concerned that the proposed rule will significantly reduce current production operations and hinder future offshore oil and gas development and production. As such, this will have a significant impact on our nation's employment, our economy, revenues generated for the U.S. Treasury and America's energy security.

Since the beginning, the Gulf has produced 90% of domestic US crude oil from all of the OCS territories, with approximately 20% of our nation's oil and gas currently coming from the Gulf of Mexico. LMOGA members are on the forefront of developing Gulf energy resources; therefore, these proposed rules are of significant concern to LMOGA as they may impact future oil and gas production in the Gulf of Mexico. The offshore industry alone has a $44 billion economic impact on the state of Louisiana. According to the Department of Interior, it is believed that over $1 trillion in net economic value is associated with the development of the Gulf of Mexico over the past 20 years and the federal government has collected over $150 billion in revenues. A Wood-Mackenzie report indicates that there will be a $10-20 billion per year of capital expenditures on Gulf exploration through 2020. Noting the economic significance of oil and gas development in the Gulf of Mexico, we do not believe the Agency has adequately addressed the impact of the proposed rules on future offshore development and to the economy.

In fact, we believe the Agency's Regulatory Impact Analysis (RIA) in the proposed rule is significantly understated and does not take into consideration the broader economic impact on the industry and the nation from the immediate and long-term reduction of U.S. offshore oil and natural gas development and production. According to an initial analysis of the direct impacts conducted by the Offshore Operators Committee (OOC), BSEE costs only accounted for approximately 2.3% of those estimated by the OOC analysis.

In 2010, the Administration's deepwater moratorium and the slow permitting process posed a significant threat to Louisiana and our nation's economy. At that time over 2800 small businesses and over 35,000 workers were involved in offshore oil and gas development in Louisiana alone. Along the entire Gulf Coast the numbers increased to over 16,000 companies and over 153,000 employees. A 2010 study by IHS/CERA recognized that over 380,000 direct and indirect jobs were at risk. Today, the oil and gas industry is faced with low crude oil prices resulting in a decline in offshore development and posing a significant impact on our nation's employment and economy. Imposing additional regulations that potentially further reduce offshore development will only exacerbate those impacts.

It should be noted that LMOGA, along with numerous other industry representatives submitted initial comments to BSEE on April 28, 2015 requesting an additional 120 days to the public comment period; however, BSEE granted only a 30 day extension for a total of 90 days to review this far-reaching and complex rule. Our request was based on the fact that it took the Agency over four years to develop the rule and the Agency themselves stated that this rule "represents one of the most substantial rulemakings in the history of the BSEE and its predecessor organizations." An extension to the public comment period would have provided industry the opportunity to provide more thorough and well thought-out comments and would have been beneficial to the Agency as well.

Furthermore, the limited amount of time for the public comment period did not provide industry enough time to prepare a comprehensive macroeconomic analysis in order to determine the far-reaching economic impacts the proposed rule will have to our local communities, to the State and to the nation. We believe it is critical to understand these impacts prior to imposing regulations that could potentially further weaken our economy.

Louisiana's oil and gas industry places safety and environmental protection as our highest priority. We appreciate the opportunity to comment on this proposed rule and strongly urge the Agency to take into further consideration impacts of this proposed rule to our nation's current and future energy production as well as to our local, state and national economies.

Sincerely,

Lori LeBlanc
Louisiana Mid-Continent Oil & Gas Association
Director, Offshore Committee