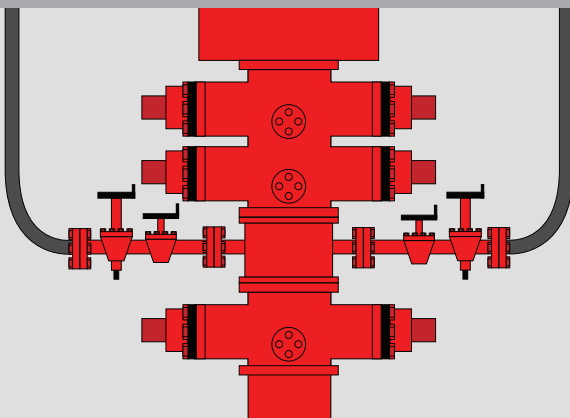


BSEE Proposed Well Control Rule Projected Costs and Economic Impacts

Since 2010, government and industry have made a continuous effort to enhance safety offshore. Together, we have improved regulations and operational standards to effectively protect workers and the environment and ensure designs are robust and equipment operates as expected. However, the government proposed an additional **Well Control Rule** on April 17, 2015. Unfortunately, many of the prescriptive requirements contained within the proposed rule will neither improve safety nor reduce environmental risk in drilling operations, but will actually have the unintended consequence of increasing risk beyond what is presently done today under existing regulations. **As a result, the dramatic costs and economic impacts of the rule as described below are not justified.** Given the flawed and costly approach of the proposal, BSEE should engage industry to work on a rule that achieves the shared goal of enhanced safe operations without the dramatic economic and energy security impacts detailed below.

BSEE severely underestimates the actual costs to implement the rule. BSEE estimated the 10-year incremental cost of the rule at approximately **\$883 million**. The Quest/Blade analysis estimates cumulative 10-year costs at approximately **\$32 billion**.



Categories of Costs:	Billions
Well Design, Tubing and Well Equipment	\$15.7
BOP Replacement or Modification	\$11.8
Rig Requirements	\$2.3
Containment	\$1.2
Real Time Monitoring (RTM)	\$0.7
Compliance and Documentation	\$0.1
Estimated Total 10-Year Cost	\$31.8

The **Quest/Blade** economic assessment projects significant impacts on Gulf of Mexico development:

- A reduction of capital investment and other spending in the Gulf by an average of **\$4 billion per year** or about 10%;
- Lower Gulf of Mexico oil and natural gas production of **500,000 barrels** a day of oil equivalent (MMboed) by 2030 from approximately 3.1 MMboed to 2.6 MMboed, a reduction of more than 15%;
- A reduction of the total employment supported by Gulf development of over **50,000 jobs** by as early as 2027 (469,000 U.S. jobs to 418,000);
- A ten-year cumulative reduction of supported U.S. GDP by **\$27 billion**; and
- A ten-year cumulative loss of government revenue of **\$10 billion**.