



Office: 985.448.4485
P.O. Box 2048-NSU Thibodaux, LA 70310
www.gulfeconomicsurvival.org

February 24, 2016

The Honorable Howard A. Shelanski
Administrator
Office of Information and Regulatory Affairs
Office of Management and Budget
Executive Office of the President
Eisenhower Executive Office Building
1650 Pennsylvania Avenue, NW
Washington, DC 20503

Re: February 29, 2016 Meeting: Department of the Interior, Bureau of Safety and Environmental Enforcement Oil and Gas and Sulphur Operations in the Outer Continental Shelf—Blowout Preventer Systems and Well Control (“Well Control Rule”)

Docket ID BSEE-2015-0002; 15XE1700DX EEEE500000 EX1SF0000.DAQ000

Dear Administrator Shelanski:

On behalf of the Gulf Economic Survival Team (GEST), I look forward to meeting with you on February 29th to discuss issues related to the Bureau of Safety and Environmental Enforcement’s (BSEE) proposed Well Control Rule. We will be joined by representatives from the Offshore Operators Committee and Wood Mackenzie to further discuss the economic impacts of the proposed rule. As such, we would appreciate the opportunity to extend our meeting to 60 minutes in order to have adequate time for a constructive dialogue.

We wanted to take this opportunity to provide you with some information relevant to the proposed rule in advance of our meeting. Having shared a long history with the oil and gas industry, Louisiana and the other Gulf states have experienced first-hand the need for safe operations as well as the impacts and unintended consequences of unnecessary regulations.

GEST is a Louisiana-based, nonprofit grassroots advocacy organization advocating for safe and robust offshore oil and gas development in the Gulf of Mexico. We are focused on achieving full production of Gulf energy in a safe and environmentally protective manner, providing both economic growth and enhanced energy security for America.

In April 2015, the Bureau of Safety and Environmental Enforcement (BSEE) proposed the Well Control Rule, a set of regulations that would impose expansive new requirements on offshore oil and gas drilling. Unfortunately, we do not believe the agency has adequately considered the impact of the proposed rule on safety, on Gulf energy production or on economic activity in the Gulf region and beyond.

The new rule applies a highly prescriptive, one-size-fits-all approach to extraordinarily complex offshore operations. In so doing, it fails to allow the necessary leeway for risk-based decision-making by drillers, potentially creating unnecessary risk to offshore workers and the environment alike. Further, this rule stifles innovation and it discourages proven or new solutions to offshore drilling challenges. The flexibility to meet regulatory requirements through multiple paths helps encourage new and innovative thinking which can actually help meet and exceed safety and environmental goals.

All those involved in the energy industry share the government's desire for safe offshore operations. To that end, the industry has made extensive investments over the last five years to ensure its operations are the safest in the world. Yet we believe that BSEE's highly prescriptive approach represents a missed opportunity to build upon a host of vastly improved well-control practices throughout operations, instead imposing often duplicative or even detrimental mandates that do not result in a reduction of risk—and in certain instances actually increase risk. While we have a strong interest in regulations intended to improve safety and enhance environmental protection of offshore drilling operations off our coast, it is imperative that new regulations meet these goals and are cost effective.

As such, we are also concerned that the proposed rule would significantly increase capital and operational expenses for those working offshore with minimal improvement to safety.

GEST recently commissioned a macroeconomic study by Wood Mackenzie regarding the economic effect of the Well Control Rule on Gulf Coast communities and the broader economy. Initial findings from the Wood Mackenzie study, which is due to be released shortly, indicate that the draft rule would:

- Decrease exploration drilling by up to 55 percent or 10 wells annually;
- Reduce Gulf of Mexico production by as much 35 percent by year 2030;
- Risk 105,000 to 180,000 jobs, including jobs beyond the energy sector, with 80 percent of those job losses right here in Louisiana and in Texas;
- Reduce industry investment by up to \$11 billion annually, which would greatly impact our local drilling contractors and service providers and their employees; and
- Reduce government tax revenues up to \$5 billion annually through 2030.

Note that the study bases its assumptions on \$80 oil, comparable to the price assumptions used by BSEE in developing the rule.

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In fact, the costs of compliance related to the rule are so high, many operators will find it economically prohibitive to develop leased tracts, resulting in a host of stranded and/or underutilized assets in the Gulf of Mexico that will reduce future offshore oil and gas development in the resource rich basin. This dynamic could effectively shutter otherwise viable Gulf energy production, creating a net effect not unlike that of another drilling moratorium, with significant negative impacts on U.S. energy supplies as well as Gulf communities and the broader regional economy. It will also have significant impacts on federal and state revenue flows related to offshore operations. Many of these impacts are irreversible.

Finally, it is important to note that Gulf coast economies are currently experiencing a severe downturn due to the decline in crude oil prices. For example, the State of Louisiana has lost 9,900 jobs this past year as oil prices declined sharply and companies cut operations. The Houma-Thibodaux region alone lost 3,700 jobs over the past 12 months. Imposing new rules that further depress operational activity in the Gulf at this point could be simply devastating for local communities.

We look forward to the opportunity to discuss our views on the pending rule and provide information to you and your staff regarding its potential impact on the safety of offshore operations, robust energy production in the Gulf basin, and economic activity in the Gulf and beyond.

Once again, we look forward to our meeting on Monday and hope we can extend the meeting timeframe to 60 minutes in order to have a constructive discussion.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lori LeBlanc", written in a cursive style.

Lori LeBlanc
Executive Director
Gulf Economic Survival Team