

MMS: GOM deepwater activity, production to grow

"THE GULF OF MEXICO continues to be a world class production province and the oil and gas industry can take pride in what has been accomplished."

That assessment was made by **Carolita Kallaur**, Associate Director, **US Minerals Management Service**, at the 2001 IADC Annual Meeting, 25-28 Sept in New Orleans.

Ms Kallaur cited technological breakthroughs, including a recent Unocal well in 9,687 ft of water, as evidence of the Gulf of Mexico success story.

"Our focus continues to be that these technological advances continue without harm to the environment or offshore personnel," she said.

"While deepwater operations capture the limelight, independent operators continue to explore the shallow water Gulf of Mexico looking for deep formations as well as unraveling the challenge of subsalt formations."

To encourage deep exploration in shallow waters, MMS is considering expansion of the Royalty Relief Program for production below 15,000 ft in water depths less than 200 m.

"This program, if put into effect, would expedite natural gas production and help meet the nation's future demand for gas," said Ms Kallaur.

GOM ACTIVITY

The rig count in deepwater has remained consistently high, averaging 171 with a slight dip in 1999 to 146. The number of deepwater wells drilled has remained high for the last 5 years and increased dramatically from 173 in 1999 to 233 in 2000. Many of these deepwater wells are development wells.

The same trend has been true for wells in shallow water, said Ms Kallaur; however because of depressed gas prices recent drilling activity has been down.

In 2000, production from deepwater equaled 50% of the production from the OCS, said Ms Kallaur.

"All available evidence points to this trend continuing into the foreseeable future. Our most recent projections forecast overall Gulf of Mexico oil production of between 1.5 and 2.0 million b/d by the end of 2005."

MMS projects gas production of between 11 and 17 bcf/d by the end of the same year. These forecasts indicate that as much as 67% of daily oil production in the Gulf and 26% of daily gas production will come from deepwater.

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**Carolita Kallaur
US Minerals Management Service**



MORE ACCESS

"MMS clearly understands industry's interest in access to a diversity of properties and knows that there is a level of discontent about the record to date," said Ms Kallaur.

"Under our new 5-year program, we propose to continue annual area-wide leasing in the Central and Western Gulf of Mexico. Since the recent ratification of the continental shelf boundary treaty with Mexico, and beginning with Sale 180 and Sale 178, Part 2, held in August, we will also be proposing to offer blocks beyond the EEZ in the area formerly known as the Western Gap in these sales."

MMS will also offer acreage in several Alaska basins with a focus on the Arctic.

The reduced configuration for Sale 181 will carry forward through 2007. The

draft proposed 5-year leasing program for the years 2002-2007 proposed up to 3 lease sales for this area.

Despite the renewed dialogue on energy and the growing awareness of a long-term natural gas supply problem, no state has expressed interest in revisiting the moratoria question, said Ms Kallaur.

"We plan to continue to work with the OCS Policy Committee on the issue of access and see if over time there are grounds for a change of opinion on this subject."

SAFETY CHALLENGES

"The good news is that the number of fatalities is down for the past three years," said Ms Kallaur.

"The bad news is that the number of loss of well control incidents is increasing. Five in 1999, to nine in 2000, and so far seven this year."

MMS has eliminated the term "blowout," saying loss of well control is a more accurate term, since it includes diverter incidents in that classification.

MMS has also reclassified fires. Since most fires are of short duration and cause little or no damage, they are now listed as incidental fires. "By reporting fires this way, we can show the public that major and catastrophic fires are rare," said Ms Kallaur.

In describing key safety challenges, she also focused on crane accidents.

Since October 1998, there have been 52 crane accidents resulting in 5 fatalities and 28 injuries in addition to property damage and lost equipment. MMS requested that API revise its Recommended Practice for Operations and Maintenance of Offshore Cranes (API RP 2D) to include rigger training.

MMS incorporated the revised RP into the regulations. In April 2001, MMS began checking for proof of such training. In addition, MMS published a proposed rule in the Federal Register on 19 July, 2001, to incorporate API Spec 2C, Specification for Offshore Cranes, by reference into MMS regulations.

“The addition of Spec 2C will ensure that lessees use the best available safety technologies for design, construction, and testing of pedestal mounted cranes,” said Ms Kallaur.

Since 1995, there have been 34 loss of well control incidents in the Gulf of Mexico. Ten of those were caused by poor cementing practices.

As a result, MMS has requested that API prepare a standard or standards that address best cementing practices. API has formed a work group to address the issue and MMS is a participant in the group.

THE NEXT STEP

MMS has completed the development of a proposed rule that will provide for a third party system for accreditation of well control and production schools as well as a fall back position of having MMS accredit schools.

This proposal would amend the current version of Subpart O performance-based training regulations which were published on 14 Aug, 2000. This proposal would require lessees to receive training from either a training organization accredited by an MMS-approved third party, or a training organization approved by MMS.

Ms Kallaur said that MMS believes IADC's WeHCAP program is a positive step in moving towards the standardization of well control training requirements worldwide and setting minimum industry benchmarks for training.

REGULATORY ACTION

During her IADC Annual Meeting presentation, Ms Kallaur updated regulatory actions that affect the drilling industry.

“Our revision of Subpart D-Oil and Gas Drilling Operations restructures the requirements for oil and gas drilling and converts the regulations into plain language. The restructuring follows the logical sequence of obtaining approval to drill and conducting drilling operations.”

The Final Rule package should be published this fall.

MMS is working on a proposed rule that would amend Subpart A to revise incident reporting requirements. The new requirements will clarify what events

are to be reported through more detailed reporting thresholds and definitions.

They are to be more consistent with **US Coast Guard** requirements for those incidents where the two agencies have mutual interest and responsibility.

MMS and the USCG also plan to develop a web-based reporting system so that

written reports required by both agencies need only be submitted once. This proposed rule should be published in the Federal Register by the end of the year.

Another proposed rule is the revision of Subpart B—OCS Plans and Documents that reorganizes and updates the requirements and processes for submitting various plans and information for MMS review and approval before an

operator may explore, develop, or produce oil and gas and sulfur.

It will also clarify the requirements for Exploration Plans, Development and Production Plans, and Development Operations Coordination Documents.

The proposal also adds sections covering Deepwater Operations Plans and Conservation Information Documents.

MMS hopes to publish this rule in the Federal Register by the end of the year.

FLOATING SYSTEMS

"We have no regulations that specifically govern (floating) systems; rather we have been involved in an effort to develop API industry consensus standards," said Ms Kallaur.

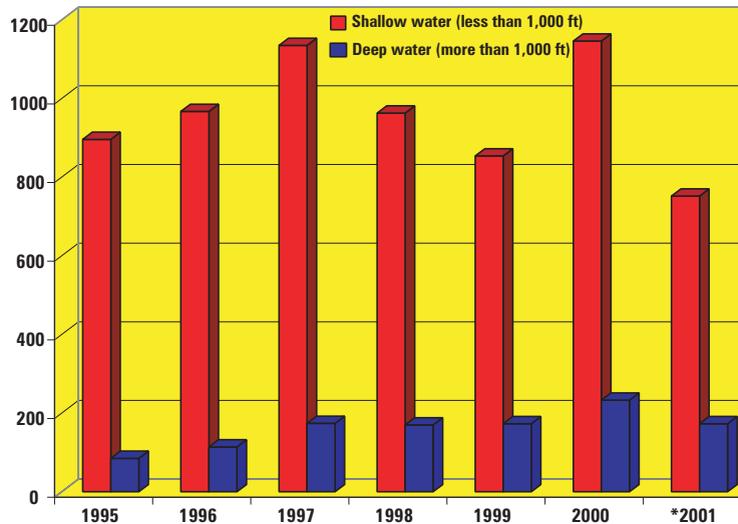
A proposal will be issued for public comment by year end.

"Incorporating these voluntary industry standards will save the public the cost of developing government-specific standards."

In a single Rulemaking, MMS is proposing to incorporate into its regulations a body of industry standards that will enhance MMS's ability to permit floating offshore production facilities that have not been specifically covered under our existing regulations.

Such facilities include floating production systems; column-stabilized units;

Wells drilled in the US Gulf of Mexico



Source: US Minerals Management Service. *Year to date as of 4 Sept.

floating production, storage and offloading systems; tension-leg platforms; spars; etc.

The rulemaking will cover, among other things, station-keeping systems, synthetic mooring systems, risers, flexible pipe, hazard analysis and underwater welding standards.

INTERNATIONAL

"With the commonality of worldwide offshore operations, international standards will become increasingly important in making the process of moving workers and equipment from one geographic area to another transparent to regulatory differences," said Ms Kallaur.

After API adopted back ISO 10432 as part of its 14A standard on subsurface safety valves, MMS incorporated API 14A/ISO 10432 into its regulations in December 2000, with an effective date of January 2001.

This was the first time MMS incorporated an international standard into its regulatory program.

API 6D/ISO 14313 covering specifications for wellheads and Christmas tree equipment and API 6A/ISO 10423 covering pipeline valve specifications are both expected to be pub-

lished as international standards "adopted-back" by API.

"Immediately after MMS receives these documents, we will begin the process of incorporating them into our regulations," said Ms Kallaur.

MMS does emphasize that certain regional differences exist. For these two standards, API will include Regional Annexes to require compliance with the API quality program and test agency requirements.

MMS endorses both of these programs.

Over the past few years, MMS has expanded its expertise in the area of Environmental Management Systems (EMS) and their relation to International environmental standards such as ISO 14000.

MMS recently completed a study examining the use and potential for EMS in US Outer Continental Shelf activities.

"Currently we do not mandate the adoption of an environmental management system and have no plans to do so," she said.

"We are interested in looking at the environmental component of SEMP and working with API on any efforts to strengthen RP75 by incorporating some aspects of ISO 14000."

COMING WORKSHOPS

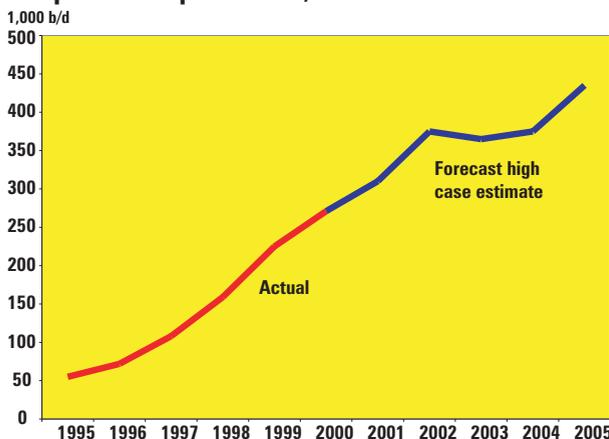
"We view workshops as an important avenue of communication between the MMS and the regulated community," said Ms Kallaur.

MMS plans workshops on the proposed Subpart O-Training rule and on the proposed Subpart B-OCS Plans and Documents rule after those documents are published in the Federal Register.

It also plans a workshop on the transfer of the US Coast Guard inspection functions to MMS. These 3 workshops will be held late this year or early next year.

MMS will hold a Human Factors Workshop in Houston on 8-10 April, 2002 and a Blast Workshop in mid-2002.

Deepwater oil production, Gulf of Mexico



Source: US Minerals Management Service