

October 28, 2008

Senator Reggie P. Dupre, Jr., Chairman
Senate Natural Resources Committee
PO Box 94183
Baton Rouge, LA 70804-9183

HAND DELIVERED

Re: 2nd Report of Proposed Amendments to
Office of Conservation Rules and Regulations
LAC 43:XIX.Subpart 1 Chapter 1 (Statewide Order No. 29-B)

Dear Senator Dupre:

The Commissioner of Conservation, pursuant to Part 1 of Chapter 1 of Subtitle 1 of Title 30 of the Louisiana Revised Statutes of 1950 [LSA-R.S. 30:29(C)(2)], proposes to amend LAC 43:XIX.Subpart 1 Chapter 1 (Statewide Order No. 29-B). More specifically, changes are being proposed to LAC 43:XIX.103 (Application to Drill) and LAC 43:XIX.111 (Diverter Systems and Blowout Preventers).

The Notices of Intent for the proposed amendments were published on page 1558 and 1560 in the July 20, 2008 edition of the Louisiana Register. Although a public hearing was not requested, a public hearing was held on Tuesday, August 26, 2008 for the purposes of allowing interested parties to comment on the proposed amendments. The following report regarding the proposed amendment is submitted in accordance with La R.S. 49:968.D(1)(b).

I. Summary of all testimony at any hearing conducted pursuant to La R.S. 49:953(A)(2):

The proposed amendment was introduced by Mr. Todd Keating, Director of the Office of Conservation, Engineering Division. No oral or written comments were received during the public hearing.

II. Summary of all comments received by the agency, a copy of the agency's response to the summarized comments, and a statement of any tentative or proposed action of the agency resulting from oral or written comments received:

No oral or written comments were received regarding the proposed amendment to LAC 43:XIX.103 (Application to Drill).

The agency received written comments regarding the proposed amendment to LAC 43:XIX.111 (Diverter Systems and Blowout Preventers) from Mr. Don Briggs, President of the Louisiana Oil and Gas Association; Mr. David Cagnolatti, Manager of State Government Affairs, Southeast Region for ConocoPhillips Company; and Gary R. Savage, Member of Faith Energy, LLC. Oral comments were also received from representatives of J. Connor Consultants by the Office of Conservation, Lafayette District Office.

The comments received are summarized below. The proposed actions by the agency follow each comment and are in italics.

Summary of written comments on LAC 43:XIX.111 from Mr. Don Briggs

- The pressure testing of diverter systems may not be possible or necessary.
Diverter system components are subjected to flowing pressures and must be tested accordingly to ensure proper installation and maintenance. Although the required test pressure is low (200 psig), there may be cases where use of a packer is required to obtain a test. As a result, no changes to the proposed amendment have been made.
- The rule requires operators to be responsible for equipment design, installation, maintenance and testing which are tasks typically handled by the drilling contractor.
The rule language has been changed to clarify that "The operator shall specify and insure that contractors design, install, use, maintain and test the BOP system..."
- Equipment working pressure rating requirements are not consistent with industry practices for annular-type preventers.
The rule language has been changed to exclude annular-type preventers from the working pressure rating requirements.
- Clarification is requested for kill line valve type requirements.
The rule language has been clarified to allow the substitution of a manual valve in place of the remotely controlled valve for the kill line only.
- Shop testing of equipment is not possible in all cases as equipment is commonly transported from location to location.
The rule language has been changed to exclude the shop test requirement in cases where equipment is transported directly from one well location to another.
- Request for an exemption to the 14-day testing requirement for wells that have reached total depth.
Loss of well control may still occur on wells that have been drilled to total depth. As a result, no changes to the proposed amendment have been made.

- The rule requires operators to be responsible for ensuring that personnel receive well control training which is a responsibility of the drilling contractor.
The rule language has been changed to clarify that operators shall require contract drilling companies provide and/or implement periodic well control training.

Summary of written comments on LAC 43:XIX.111 from Mr. David Cagnolatti

- The requirement for dual diverter lines may not be practical.
Dual diverter lines are necessary to allow safe diversion capability under as many weather scenarios as possible. As a result, no changes to the proposed amendment have been made.
- The pressure testing of diverter systems may not be possible or necessary.
Diverter system components are subjected to flowing pressures and must be tested accordingly to ensure proper installation and maintenance. Although the required test pressure is low (200 psig), there may be cases where use of a packer is required to obtain a test. As a result, no changes to the proposed amendment have been made.
- The rule requires operators to be responsible for equipment design, installation, maintenance and testing which are tasks typically done by the drilling contractor.
The rule language has been changed to clarify that "The operator shall specify and insure that contractors design, install, use, maintain and test the BOP system..."
- The rule requires the use of annular-type preventers which are typically not used on workover rigs.
The intent is to provide minimum requirements for blowout prevention equipment. As a result, the rule has been revised to remove all requirements for annular-type preventers since most workover rigs do not use this type of equipment. A statement has been added encouraging the use of annular-type preventers in conjunction with ram-type preventers to allow maximum flexibility in well control situations.
- Equipment working pressure rating requirements are not consistent with industry practices for annular preventers.
The rule language has been changed to exclude annular-type preventers from the working pressure rating requirements.
- Shop testing of equipment is not necessary as it is tested upon installation.
The rule language has been changed to exclude the shop test requirement in cases where equipment is transported directly from one well location to another.
- Clarification is requested for testing requirements prior to drilling an H2S zone. An acceptable limit since the last test or an acceptable proximal distance should be provided.
The rule language has been clarified to require testing within 48 hours of drilling to a depth within 1000 feet of an H2S zone.
- The rule requires operators to be responsible for ensuring that personnel receive well control training which is a responsibility of the drilling contractor.
The rule language has been changed to clarify that operators shall require contract drilling companies provide and/or implement periodic well control training.

- Additional specifications are requested for the training requirements (i.e. level of training required by certain employees and certification renewal requirements).
To provide maximum flexibility, the intent is to provide a minimum requirement for well control training. As a result, the timing of periodic training and training requirements for specific personnel are left to the discretion of the operator. No changes to the proposed amendment have been made as a result of this comment.

Summary of written comments on LAC 43:XIX.111 from Mr. Gary Savage

- Request for an exception to the blowout preventer equipment requirement for wells drilled to, or completed in the Nacatoch Formation in Caddo Pine Island Field, Caddo Parish.
Due to the shallow depth of the Nacatoch Formation in the Caddo Pine Island Field, the rule language has been changed to exempt wells completed in or drilled to this formation in the Caddo Pine Island Field from the blowout preventer requirements. Language has also been added which allows the Commissioner to grant other exceptions to these requirements following a public hearing.

Summary of oral comments on LAC 43:XIX.111 received by the Office of Conservation, Lafayette District Office from representatives of J. Connor Consultants

- Request for exceptions to the 14-day testing requirement for wells with “exceptionally” long periods of time between trips.
The rule language has been changed to allow the District Manager to grant exceptions to the 14 day test requirement in cases where a trip is scheduled to occur within 2 days after the 14 day testing deadline.

Copies of all written comments received along with agency responses to the written comments are attached.

Based on the comments received, minor changes and/or clarifications were made to the proposed amendment to LAC 43:XIX.111 (Diverter Systems and Blowout Preventers). No changes were made to the proposed amendment to LAC 43:XIX.103 (Application to Drill).

III. A revision of the proposed rule if any changes to the rule have been made since the report provided for in La R.S. 49:968.B was submitted , or a statement that no changes have been made:

A revised copy of the proposed rule amendment to LAC 43:XIX.111 (Diverter Systems and Blowout Preventers) is attached.

IV. A concise statement of the principal reasons for and against adoption of any amendments or changes suggested:

The proposed amendments represent the best efforts of the Office of Conservation to reduce the potential for environment damage and the risks to public safety and commerce caused by the loss of well control while considering the technical requirements and/or limitations of the regulated industry.

The final rule is planned for publication and promulgation in the December 20, 2008 edition of the Louisiana Register.

Please contact me at 225-342-5550 or Mr. Chris Sandoz of my staff at 225-342-5524 if there are questions.

Yours very truly,

James H. Welsh
Commissioner of Conservation

JHW:cs

Attachments