

**UNITED STATES DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE**

NTL No. 2010-N05

Effective Date: June 8, 2010

NATIONAL NOTICE TO LESSEES AND OPERATORS OF FEDERAL
OIL AND GAS LEASES, OUTER CONTINENTAL SHELF (OCS)

Increased Safety Measures for Energy Development on the OCS

Background and Purpose

This Notice to Lessees and Operators (NTL) implements certain safety measures outlined in the report entitled “Increased Safety Measures for Energy Development on the Outer Continental Shelf” (Safety Measures Report), dated May 27, 2010. The President requested that the Department of the Interior develop this report as a result of the Deepwater Horizon incident on April 20, 2010. This incident resulted in the death of 11 people, an oil spill of national significance, and the sinking of the Deepwater Horizon. Although the cause of the incident is currently under investigation, this incident highlights the importance of ensuring safe operations on the Outer Continental Shelf (OCS). The Secretary has a duty to ensure the OCS is managed in a safe manner, by considering available environmental information and implementing best available and safest technology. In furtherance of this duty, on June 2, 2010, the Secretary directed the Director, Minerals Management Service, to adopt the recommendations contained in the Safety Measures Report and to implement them as soon as possible.

This NTL addresses recommendations of the Safety Measures Report that warrant immediate implementation. The following paragraphs identify the specific recommendations from the Report and provide guidance to lessees and operators on the requirements they must meet. These recommendations apply to all activities on the OCS, including deepwater activity suspended under the Notice to Lessees to Implement the Presidential Directive to Impose a Moratorium on all New Deepwater Wells (NTL No. 2010-N04 - Moratorium NTL), and shallow water operations (under 500 feet in depth).¹

General Certification of Compliance with Existing Regulations and National Safety Alert
Recommendation 1 of section III.A. of the Safety Measures Report directed the Department of the Interior, in conjunction with the Department of Homeland Security, to verify operator compliance with existing regulations and the joint Minerals Management Service (MMS) – United States Coast Guard (USCG) Safety Alert (SA), Deepwater Horizon Explosion and Fire

¹ The six month suspension under the Moratorium NTL was directed toward operations in water depths greater than 500 feet in the Gulf of Mexico and the Pacific Regions. The 500 feet specification was based on the fact that jack-up rigs and human diver capability does not exist beyond this depth, and therefore there are significantly greater challenges in containing a blowout in deep water. The six month suspension period coincides with the hurricane season and the timeline for the Presidential Commission to examine the root causes of the BP Oil Spill and develop options for guarding against and mitigating the impacts of oil spills. The suspension also provides the time necessary to develop regulations to address additional safety concerns described in the Safety Measures Report.

Resulting in Multiple Fatalities and Release of Oil, issued on April 30, 2010. This NTL informs lessees and operators that all operators are required to submit a general certification that they are knowledgeable of all operating regulations at 30 CFR 250 – Oil and Gas and Sulphur Operations in the OCS – and that they are conducting their operations in compliance with those regulations. Operators must review their operations to ensure that they are performed in a safe and workmanlike manner as required by §250.107(a)(1). In addition, each operator must certify that they have conducted the following specific reviews of their operations:

1. Examine all well control system equipment (both surface and subsea) currently being used to ensure that it has been properly maintained and is capable of shutting in the well during emergency operations. Ensure that Blowout Preventers (BOPs) are able to perform their designated functions. Ensure that the ROV hot-stabs are function-tested and are capable of actuating the BOP.
2. Review all rig drilling, casing, cementing, well abandonment (temporary and permanent), completion, and workover practices to ensure that well control is not compromised at any point while the BOP is installed on the wellhead.
3. Review all emergency shutdown and dynamic positioning procedures that interface with emergency well control operations.
4. Ensure that all personnel involved in well operations are properly trained and capable of performing their tasks under both normal drilling and emergency well control operations.

Operators must submit to MMS: (1) a general statement by the operator's Chief Executive Officer (authorized official) certifying the operator's compliance with all operating regulations at 30 CFR 250 and (2) a separate statement certifying compliance with each of the 4 specific items above.

You must certify each of the 4 specific items above separately, and include the following statement in your written certification: "By signing this certification, I certify in my capacity as authorized official that the statements herein are true and complete to the best of my knowledge. I understand that the submission of false statements to the United States is a criminal offense under 18 U.S.C. Section 1001."

Operators must submit these certifications by 5:00 pm EDT June 28, 2010, by mail or email to the address set forth below.

If an operator cannot certify compliance with the 30 CFR 250 regulations or any specific review items, then the operator must submit an explanation of the circumstances for failure to certify and a plan to certify, including a timetable for the certification. Failure to provide this certification will result in the issuance of an incident of non-compliance and may result in a shut-in order.

BOP Configuration and Performance Information

Recommendation 8 in section I.C. of the Safety Measures Report sets forth new reporting requirements for BOP stacks and loss of well control events. All operators that were conducting operations using a subsea BOP system or using a surface BOP stack on a floating platform on May 27, 2010, must submit BOP and well control system configuration information for the drilling rig that was being used. Operators must submit the following information by 5:00 pm EDT June 17, 2010, to the address set forth below:

1. BOP and well control system configuration. This includes the piping diagram of the stack and control system, including the BOP stations and accumulator system.
2. BOP and well control system test results, including any anomalies in testing or operation of critical BOP components. Submit test results (charts, digital pressure data, forms, etc.) and information on any initial failed test attempts and remedy to obtain a successful test.
3. BOP and loss of well control events. Document any loss of well control event, even if temporary, and the cause of the event. The operator does not have to include kicks that were controlled but should include the release of fluids through a diverter.
4. BOP and well control system downtime. Submit downtime related to BOP and well control system failures (failure to test properly).

Data for items 2, 3, and 4 is for the time period you have had the rig under contract, not to exceed three years.

Address for Submitting General Compliance Certification and BOP Information

Operators must submit their general compliance certification statement and BOP information to MMS by mail or email to:

Minerals Management Service
Office of Offshore Regulatory Programs
Attention: David Nedorostek
381 Elden Street, MS-4023
Herndon, VA 20170

or David.Nedorostek@mms.gov

Operators must identify the facilities they are certifying by region, company, MMS company number (5 digit), area and block, and rig name. Contact information and questions: David Nedorostek, 703-787-1029.

BOP Certification Requirements for Floating Drilling Operations

Recommendation 1 of section I.A. of the Safety Measures Report ordered immediate re-certification of all BOP equipment used in new floating drilling operations. Floating drilling operations includes drilling operations that use a subsea BOP system and drilling operations on a floating production platform that use a surface BOP system. Before beginning new floating drilling or resuming floating drilling operations that were suspended under NTL No. 2010-N04, you must have an independent third party conduct a detailed physical inspection and design review of the BOP. If you are currently conducting workover, completion, or abandonment activities you must conduct this inspection and design review before you begin work on another well. The design review must be conducted in accordance with the Original Equipment Manufacturer (OEM) specifications and § 250.446(a) and other applicable standards. The review must certify that:

- (a) The BOP will operate as originally designed; and
- (b) Any modifications or upgrades to the BOP stack conducted after delivery have not compromised the design or operation of the BOP.

You must submit a written and signed certification from the independent third party attesting to the information required above to the appropriate District Manager (Regional Supervisor for Field Operations in the Alaska OCS Region), and you must make this certification publicly available. A description of the qualifications of the independent third party should be attached to the certification. This certification is required one time only, on or after the effective date of this

NTL, for all BOP equipment used in floating drilling operations. Additional safety measures for BOP equipment set forth in the Safety Measures Report will be addressed in future rulemakings.

BOP Inspection, Maintenance, and Repair for All Wells

Recommendation 1 of section I.A. of the Safety Measures Report states that the operator must have documentation showing that the BOP has been maintained according to the regulations. You must maintain and inspect your surface and subsea BOP system according to the requirements in § 250.446(a). You must maintain records of your maintenance and inspections of your BOP systems according to the requirements of § 250.450 and make them available to MMS upon request. You must maintain records of any repairs made to your BOP system for the duration of the well work and make them available to MMS upon request.

BOP Compatibility Verification for All Wells

Recommendation 2 of section I.A. of the Safety Measures Report ordered operators to obtain independent third party verification that the BOP stack is designed for the specific equipment on the rig. Your BOP stack must be compatible with the specific well location, well design, and well execution plan. In the event of loss of well control, the BOP stack must provide a seal and contain wellbore pressure under all conditions expected in the wellbore. Before you begin drilling **any** new well or resume drilling **any** well you suspended drilling under NTL No. 2010-N04, you must obtain independent third party verification that shows the following:

- (a) The BOP stack is designed for the specific equipment on the rig and for the specific well design (well location and well execution plan) including certification that the shear rams are appropriate for the project.
- (b) The BOP stack has not been compromised or damaged from previous service.
- (c) The BOP stack will operate in the conditions in which it will be used.

A description of the qualifications of the independent third party should be attached to the certification.

Secondary Control System Requirements and Guidelines for Subsea BOP Stacks

Recommendation 5 of section I.B. of the Safety Measures Report states that the Department will establish clear requirements for secondary BOP control systems. For all subsea BOP stacks, you must have a secondary control system with remote operated vehicle (ROV) intervention capabilities, including the ability to close one set of blind-shear rams and one set of pipe rams.

Your subsea BOP system must have an emergency shut-in system in the event that you lose power to the BOP stack, have an unplanned disconnection of the riser from the BOP stack, or experience another emergency situation. You must have both a deadman system and an autoshear system. In addition to these requirements, you may use an acoustic system to activate your BOP stack in case of an emergency. Your emergency shut down system must be powered by a separate and independent rechargeable subsea accumulator bank with sufficient capacity to close as a minimum one set of blind shear rams.

For purposes of this NTL, the definitions of “deadman system” and “autoshear system” are defined by American Petroleum Institute Spec 16D – Specification for Control Systems for Drilling Well Control Equipment and Control Systems for Diverter Equipment.

Deadman system means a safety system that is designed to automatically close the wellbore in the event of a simultaneous absence of hydraulic supply and signal transmission capacity in both subsea control pods. This is considered a rapid discharge system.

Autoshear system means a safety system that is designed to automatically shut in the wellbore in the event of a disconnect of the lower marine riser package (LMRP). When the autoshear is armed, a disconnect of the LMRP closes the shear rams. This is considered a rapid discharge system.

Dynamically positioned rigs must comply with these secondary control system requirements immediately. New secondary control system requirements for moored rigs will be established by rulemaking.

ROV Hot Stab Function Testing of the ROV Intervention Panel

Recommendation 6 of section I.B. of the Safety Measures Report states that the Department will develop requirements for ROV operating capabilities. You must function test the hot stabs that would be used to interface with the ROV intervention panel during the stump test. You must test the hot stabs at the same rate (gallons per minute) and pressure of the ROV pump with the ROV intervention panel during your stump test for subsea BOP stacks. At a minimum, these hot stabs must be capable of closing one set of blind-shear rams and one set of pipe rams, and unlatch from the LMRP. You must inform the appropriate District Manager (Regional Supervisor for Field Operations in Alaska OCS Region) at least 48 hours before you begin testing the BOP system so that MMS may observe or participate in the test. You must record and submit the results of the performance and function tests to the appropriate District Manager (Regional Supervisor for Field Operations in the Alaska OCS Region) within 14 days following completion of the tests.

Verification that Blind-shear Rams will Shear Pipe in the Hole

Recommendation 7 of section I.C. of the Safety Measures Report states that the Department will develop testing requirements for surface and subsea BOP stacks. The regulations at § 250.416(e) require the operator to provide information that shows the blind-shears rams installed in the BOP stack are capable of shearing the drill pipe in the hole under maximum anticipated surface pressure. You must obtain an independent third-party verification that provides sufficient information showing that the blind-shear rams installed in the BOP stack are capable of shearing the drill pipe in the hole under maximum anticipated surface pressures. A description of the qualifications of the independent third party should be attached to the certification.

BOP Inspection and Testing after Well Control Event for All Wells

Recommendation 7 of section I.C. of the Safety Measures Report states that the Department will develop testing requirements for surface and subsea BOP stacks. If you activate your blind-shear rams or casing shear rams in a well control situation in which pipe or casing was sheared, you must inspect and test the BOP stack and its components after the situation is fully controlled. You must physically inspect the BOP stack (retrieve a subsea BOP stack) to ensure that the stack and affected components will operate properly. You must conduct a full pressure test of the BOP stack before resuming operations. This inspection and testing must be documented as to the date, time, and description of the situation and the results of the inspection and testing.

Well Design and Construction for All Wells

Recommendation 3 of section II.B. of the Safety Measures Report establishes new casing and cementing design requirements and Recommendation 5 of section II.B. of the Safety Measures Report establishes new casing installation procedures. Thus, before you begin any new drilling operations using either a surface or subsea BOP stack or resume drilling operations that were suspended under NTL No. 2010 N04, you must have all well casing designs and cementing program/procedures certified by a Professional Engineer, verifying the casing design is appropriate for the purpose for which it is intended under expected wellbore conditions. Also, while installing casing you must:

- (a) Ensure casing hanger latching mechanisms or lock down mechanisms are engaged at the time the casing is installed in the subsea wellhead; and
- (b) Verify the installation of dual mechanical barriers (*e.g.*, dual floats or one float and a mechanical plug) in addition to cement to prevent flow in the event of a failure in the cement. This must be done for the final casing string. You must submit this verification to the appropriate District Manager (Regional Supervisor for Field Operations in Alaska OCS Region) no later than 30 days after installation of the dual mechanical barriers.

Submittal of Revised Application for Permit to Drill (APD)s or Application for Permit to Modify (APM)s

If you have an APD or APM that was previously approved but drilling has not commenced as of May 27, 2010, and you intend to conduct those operations, you must submit the relevant information discussed in this NTL prior to commencing those operations, and you may not commence drilling without MMS approval. The MMS will notify you within 10 days of receiving that information whether you must submit a revised APD or APM for approval before you may conduct those operations.

Authority

This NTL provides guidance and notifies lessees and operators that they must meet the specified requirements. The authority for these actions are found in the OCSLA, 43 U.S.C. 1331 et seq., and 30 CFR 250, specifically §§ 250.106(b) and (c), 250.107(d), 250.132(b)(3), 250.186(a), 250.401, 250.418(h), 250.421, 250.446(a), 250.447 (b), 250.469(d), 250.516(h) and (j), and 250.616(h). Specifically:

In § 250.106(b) and (c), the Director will regulate operations to prevent injury or loss of life and damage to or waste of any natural resource, property, or the environment.

In § 250.107(d), the Director may require additional measures to ensure the use of best available and safety technology (BAST): (1) To avoid the failure of equipment that would have a significant effect on safety, health, or the environment; (2) If it is economically feasible; and (3) If the benefits outweigh the costs.

In § 250.132(b)(3), you must make available to MMS to inspect all records of design, construction, operations, maintenance, repairs, or investigations on or related to the area.

In § 250.186(a), you must submit information and reports as MMS requires.

In § 250.401, you must take necessary precautions to keep wells under control at all times and you must use and maintain equipment and materials necessary to ensure the safety and protection of personnel, equipment, natural resources, and the environment.

In § 250.418(h), you must include with the APD such other information as the District Manager may require.

In § 250.421, the District Manager may approve or prescribe other casing and cementing requirements where appropriate.

In §§ 250.446(a), 250.516(h), and 250.616 you must maintain your BOP system to ensure that the equipment functions properly.

In §§ 250.447(b) and 250.516(j), the District Manager may require more frequent testing, as well as different test pressures and inspection methods, or other practices for BOP systems.

In § 250.469(d), you must submit other reports and records of operations.

Guidance Document Statement

The MMS issues NTLs as guidance documents in accordance with § 250.103 to clarify, supplement, or provide more detail about certain MMS requirements and to outline the information you must provide in your various submittals.

Paperwork Reduction Act of 1995 Statement

The Paperwork Reduction Act of 1995 (PRA) (44 U.S.C. 3501 *et seq.*) requires us to inform you that the MMS collects this information to carry out its responsibilities under the OCS Lands Act, as amended. The MMS will use the information to ensure safety and environmental protection on the OCS. No proprietary data are collected. This NTL references requirements already approved for 30 CFR part 250 under the following OMB control numbers: Subpart A – 1010-0114; Subpart D – 1010-0141; Subpart E – 1010-0067; and Subpart F – 1010-0043. This NTL requires new hour burdens; therefore, we have submitted to the Office of Management Budget (OMB) an emergency information collection for approval of these new burden hours. Once OMB has approved this collection of information, we will reissue this NTL with the OMB control number and expiration date. We estimate the public reporting burden specifically pertaining to the new requirements in this NTL to average 1.5 burden hours and \$1,800 non-hour cost burdens (rounded) per response. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number. The OMB has approved the collection of information and assigned OMB Control Number 1010-0182. Direct any comments regarding the burden estimate or any other aspect of this collection of information to the Information Collection Clearance Officer, Mail Stop 5438, Minerals Management Service, Department of the Interior, 1849 C Street, NW, Washington, DC 20240.

Contact

If you have any questions regarding this NTL, please contact the Gulf of Mexico Region by e-mail at MMS.FO.NTL@mms.gov or the Pacific Region's Rishi Tyagi by email at Rishi.Tyagi@mms.gov.

[ORIGINAL SIGNED BY]

06/08/2010
Dated

James Kendall, Acting Associate Director
Offshore Energy and Minerals Management
Minerals Management Service