

DEPARTMENT OF THE INTERIOR**Minerals Management Service****30 CFR Part 250**

RIN 1010-AC85

Oil and Gas and Sulphur Operations in the Outer Continental Shelf (OCS) Fixed and Floating Platforms and Documents Incorporated by Reference**AGENCY:** Minerals Management Service (MMS), Interior.**ACTION:** Notice of proposed rulemaking.

SUMMARY: We are proposing to amend our regulations to address floating offshore platforms that, until now, have not been expressly covered. These floating production systems (FPSs) are variously described as column-stabilized units (CSUs); floating production, storage and offloading facilities (referred to by industry as "FPSOs"); tension-leg platforms (TLPs); spars, etc. We are also incorporating into our regulations a body of industry standards pertaining to FPSs, and this will save the public the costs of developing separate, and in many cases unnecessarily duplicative, government standards. However, it will increase costs to industry by making certain independent third-party reviews mandatory, particularly by requiring hazards analyses for all new FPSs.

DATES: We will consider all comments we receive by February 25, 2002. We will begin reviewing comments then and may not fully consider comments we receive after February 25, 2002.

ADDRESSES: If you wish to comment, you may submit your comments by any one of several methods. You may mail or hand-carry comments (three copies) to the Department of the Interior; Minerals Management Service; Mail Stop 4024; 381 Elden Street; Herndon, Virginia 20170-4817; Attention: Rules Processing Team. You may also comment via e-mail to rules.comments@mms.gov. Please submit e-mail comments as an ASCII file (MS Word) avoiding the use of special characters and any form of encryption. Include your name and return address in your e-mail message and mark your message for return receipt. Show the Rule Identification Number (RIN 1010-AC-85) in your subject line.

Mail or hand-carry comments with respect to the information collection burden of the proposed rule to the Office of Information and Regulatory Affairs; Office of Management and Budget; Attention: Desk Officer for the

Department of the Interior (OMB control number 1010-XXXX); 725 17th Street, NW., Washington, DC 20503.

FOR FURTHER INFORMATION CONTACT: Carl Anderson, Physical Scientist, at (703) 787-1608; or Joseph Levine, Chief, Operations Analysis Branch, at (703) 787-1033 or FAX (703) 787-1555.

SUPPLEMENTARY INFORMATION: We propose incorporating into our regulations a body of industry standards pertaining to FPSs, and this will save the public the costs of developing Government standards. It will also enhance the efficient exploration and development of the most promising new sources of United States oil and gas supplies in the deepwater areas of the Gulf of Mexico (GOM).

Incorporating the now-voluntary industry standards into our regulations would dictate that respondents comply with the requirements in the incorporated documents. This includes certified verification agent (CVA) reviews and hazards analyses for some areas that current regulations do not require, but the voluntary standards recommend. Thus, the now-voluntary CVA reviews and hazards analyses would become mandatory. This would increase the number of CVA nominations and reports associated with the facilities and require hazards analysis documentation for new floating platforms. (In some of the industry standards, the CVA is referred to as an independent verification agent (IVA)). Also, industry sources estimate that it will cost an average of \$1.2 million to apply hazards analysis to each new floating production facility. Requiring the industry hazards analysis standard for all new deepwater floating production platforms will be the most costly element of the proposed rule.

Deepwater areas of the GOM have shown a remarkable increase in oil and gas exploration, development, and production. In part this is due to the development of new technologies that (1) enable drilling and production in deeper waters; and (2) reduce operational costs and risks, such as new geophysical software used to identify highly productive reservoirs. In 1993, deepwater areas of the GOM (water depths greater than 1,000 feet, or 305 meters) accounted for only 12 percent and 2 percent, respectively, of total GOM oil and gas production. Discovery and development of deepwater fields began accelerating in 1994, so that by the end of 1999, deepwater areas of the GOM accounted for 45 percent and 17 percent, respectively, of total GOM oil and gas production. (From 1994 through

1998, deepwater production of oil rose 260 percent.)

To realize just how important the new deepwater areas of the GOM are to United States energy supplies, it is helpful to compare the productivity of deepwater wells to past wells in more shallow waters. Historically, GOM wells generally have produced between 200 and 300 barrels (bbls.) per day. However, at least one existing deepwater well is producing over 30,000 bbls. of oil per day, and several are producing over 20,000 bbls. per day. An existing deepwater platform in the GOM is producing 140,000 bbls. of oil and 140 million cubic feet of gas per day. Success in deepwater is evident in both the high production rates and sustained drilling for new discoveries announced each year. Drilling is expected to move into water depths of 10,000 feet (3,048 meters).

The following discussion is intended to give the reviewer an idea of how fast technological changes are occurring in deepwater oil and gas operations. It is also meant to establish the urgency for MMS to adopt common industry standards so that system designers will know what is acceptable when they plan for floating deepwater platforms. Any of the drilling or production "records" discussed below will likely be exceeded by the time this Notice is published. Several notable examples show how new deepwater exploration and production systems are "leap-frogging" the technical achievements of their recent predecessors.

As of December 2000, there were 40 rigs drilling in water depths greater than 305 meters (1,000 feet), versus 32 for December 1999. This represents a record number of rigs drilling in deepwater. Until now, about 100 deepwater discoveries have been announced for the GOM.

Concerning exploratory drilling in August 1998, Chevron U.S.A. set a GOM water-depth record in 7,718 feet of water (2,352 meters) on Atwater Valley Block 118, 175 miles southeast of New Orleans. But Chevron's record was recently exceeded, (1) in the GOM by Broken Hill Proprietary Petroleum, which drilled an exploratory well in 8,835 feet (2,693 meters) of water in the Walker Ridge area; and (2) offshore Brazil, where Petrobras set a new 9,111-foot (2,777-meter) world record.

Concerning production water-depth records, Petrobras holds the water-depth record for sustained production at their Roncador field in the Campos Basin with the Petrobras 36 column stabilized floating production system installed in 6,079 feet (1,853 meters) of water. Subsea wells tie back to Petrobras 36 in