

LEGAL LANGUAGE SERVICES

TRANSCRIPTION OF AUDIO

DESIGNATED AS: 806960

Session 2

Doug Slitor: Ok, if we could take your seat, we'll continue on this

[background conversation]

Doug Slitor: Appreciate if you could find your seats again.

[background conversation]

Doug Slitor: During the break, we had a number of questions brought up to us and a lot of them were about the slides, and let me reaffirm that the slides and the responses are going to be available on our website. Also the transcript in, I don't know, a week or so. Also, the questions that you folks will ask and the answers that we give will also be available. I know it's just a ton of information, and I also understand that it's not easy to see the screen from every seat, but this is our first attempt into responding to these, and a lot of your questions will probably help reshape a few of these responses. This is how we are approaching it. This is a mixture of our philosophical outlook on this for compliance as well as our general policy and what have you. But the point of this is to more fully understand all the concerns that you have, and some of those may help redefine a few of these things. But in general, I think you're probably picking up on our approach to this. I think we have about 70 slides; we're well over half way. We're going to continue to go through those and again, if you have a question on our responses, raise your hand and we'll address those. But otherwise, we'll circle back and take them maybe even element by element in terms of questions so people can get a chance to bring up some additional thoughts and concerns and problems. Some of them, we may not be able to answer

right now to be frank with you. It took us a while to work our way through the questions here, and we don't want to say things off the cuff that we are not confident in. But we'll let you know if we can answer them only partially or to a point and urge you to send... we'll have that question and we'll work on getting you a very comprehensive answer. Or if you don't get an opportunity to ask a question, please submit it to us and we'll respond and get those also on the web. All of this will be available. So with that we'll let Joe finish up on the balance of the elements and then we'll get to your questions. Thanks.

Joe Levine:

One housekeeping issue – I was told if you have a parking pass, we can validate them. If you see Debbie whose hand is up, purple shirt by the door in the back, she'll take care of the parking passes for you, so see Debbie on that. And we'll just continue to go through the rules. Safe work practices – that's where we left off. **Under 1914 written safety management system procedures as required, and SOLAS for MODUs of 500 gross tons on international voyages be accepted.** Basically MODU being in transit, international voyage, it's Coast Guard requirements; it's not BOEMRE requirements, so irregardless of the size of the MODU in transit, voyages doesn't fall within our jurisdiction. SEMS requires contractors to have safe work practices. **Does this include contractors who supply operations and maintenance personnel to operators as these contracts use the Operators Safe Work Practices?** Our response in the subpart S 1914A - we define contractors as being any

group excluding the janitorial and domestic workers. So it applies to every contractor, sub-contractor, excluding those two groups that we specifically noted in the rule. **What are BOEMRE's expectations with regards to the operators' demonstrating the contractors' policies and procedures meet the requirements of SEMS?** Operators need the SEMS; the contractors don't need the SEMS – 1914 B and C. The operator SEMS need to define how they will evaluate and verify that their contractors are knowledgeable and experienced in their jobs. It is the operators' responsibility to check on their contractors and though it's not written in the rule, we included a couple of examples of operator validation or verification techniques: looking at records; documentations; perhaps on a contractor's work record, their safety record; doing some kind of on-the-job evaluation of individual skills – can they actually operate a certain piece of equipment on the rig or platform they'll be working on; interviewing with them; discussing the job with them and the safety data which I already mentioned for the contractor. So there's a variety of techniques available to an operator to determine the knowledge and qualifications of their contractors. **Does BOEMRE expect operators to audit each contractor?** Yes. As stated in the subpart S, an operator needs to periodically evaluate the performance of each contractor. As we just looked at in the last question, we don't specify how; that'll be up for the operator to decide. But yes, they need to evaluate, audit each contractor. **Contractors currently working on a loop system will visit**

facilities owned by different operators so there's different SEMS plans. What are BOEMRE's expectations on this? Yeah, our expectation is, as you'd think - the contractors may need to modify their protocols, their safe work practices, etc. to meet the expectations of the operators. One operator has a different expectation of the contractors than the next, then the contractor will have to modify their programs, procedures to work for that operator. **Will all contractors' safety reviews need to be done by November 15, - that's November 15, 2011, the day the rule needs to be implemented - or can these reviews go past the deadline for existing contractors as long as their SEMS are in place?** The safety reviews, like everything else leading up to developing and implementing the SEMS needs to be completed. I don't see how you can do a SEMS if this is not done first. I don't see how you can do a SEMS if you don't have a hazard analysis done first. So all this preliminary work needs to be done before the rule is implemented. This is a big one. **We've been hearing a lot about competency personnel. While it's a good goal, it's difficult to define competency and then more importantly, assess it. As an example, will individuals perform appropriately in an emergency? We have subpart O; the 1500 regulations; we have SEMS; we have API RP 75. None of these documents or rules use the term competency. What's our view in regards to determining and documenting competency of personnel under SEMS?** And, yeah, we're agreeing with the commenter that

subpart S, the Safe Work Practices 1914 Section and the training does not use the word competence or competency; but excluding that term, it's still... the operator needs to obtain and evaluate information regarding the contractor's performance, how well they're performing. It's the responsibility of the operator to make certain their contractors have the skills and knowledge to do their jobs in a safe and environmentally friendly manner and it's the responsibility of the operator to implement a training program for all personnel and we define that as direct employees of the operator and contractors to insure they're trained. So, yeah, we don't use the word competency, but we do focus on proper skills and abilities to perform the job. **We insure contractors have programs in place to verify knowledge and skills for critical safety and operating procedures and emergency response and control measures. We do this by reviewing programs, auditing, records, observing contractors while they're doing these tasks. Does this meet SEMS' requirement to verify the contractor's training and knowledge and skills?** And, yes, in the training section of RP 75, Section 7, it addresses – that's the training section – the section goes on to state that the operator must establish these programs; needs to establish and implement the training programs so all personnel can safely do their job. **How does SEMS apply to incidental contractors and other temporary workers that don't have involvement in production operations?** The commenter really didn't tell us what they meant by incidental, but we went back to what the rule

says – the contractor is anyone performing work for the lessee excluding the galley workers and the housekeeping, so that does not apply to those people. We really don't know how that commenter defined incidental. It's a contractor or they're not a contractor; they're housekeeping personnel or their not. So they fall under the role or they don't, whether they're incidental to something or temporary, meaning they're there for a short amount of time then they leave, it has nothing to do with the time frame. They're contractors or not. Section 7, I think it is, 1915 training.

Do we have a formal list of courses – training courses – we can hand out to industry which reflect what we want out of subpart S? No, we do not. The rule at 1915 at Section 7 of RP 75 discussed training like we've just noted - the kind of course; when you do it; the frequency, etc. – need to be included in the operator SEMS. We will not define any of that information, but the key is the training courses for everybody need to be on target in regards to what someone's job is. That's the key. Get the right training so they improve their job skills. That was the only one on training specifically we received; several on mechanical integrity. In our final rule, the 1916 D Section states a documentation must include the name and position; the signature of the person who performed an inspection or test, just like with the JSA question. Is an electronic signature acceptable and we said yes, being consistent with JSA's. It is acceptable as long as the documentation is properly filled out, the time of the inspection or test, and it needs to be available on site, as if we do an

audit, it needs to be available as part of the records. **Is a signature required for each piece of equipment individually, or is a signature acceptable for multiple pieces of equipment that were tested by the same person, operator or technician?** And we said a signature is acceptable for multiple pieces of equipment that were tested as long as the required information identified in the standard and in the final subpart S rule is addressed. So a single signature can be used for multiple pieces of equipment. I assume that means like a list – “We tested this vessel, this vessel, this vessel.” **Is BOEMRE preparing guidance in producing a list of critical equipment?** We had the same question here with significant environmental issues and the same answer – no, we will not prepare a list of critical equipment for the SEMS program. It’s up to the operator to define that and just... The reason we decided not to do this is very consistent with our philosophy behind SEMS. We need to provide some flexibility for the operators; they have individual programs. We’re trying to allow the flexibility to tailor a program to the rule, so we feel this allows you to tailor it to where you decide and based on risk, what’s critical. **Does the term critical equipment only refer to those items used to manage significant safety and environmental impacts?** No. An operator will need to define, like I just said, critical equipment as part of their SEMS based on their facility; based on their operation; based on their risk tolerance. The decision to identify a piece of equipment is critical; should take into account the goal of SEMS which we all know is

to minimize environmental and safety risk. These are the kind of questions that I don't know, it's – I'm not quite sure that should be asked, if you know what I mean. It may be better not to ask those kinds of questions of us. This is my personal opinion. **Is equipment defined as not being critical excluded from SEMS?** No. And we were asked the question so the answer is all equipment and systems, however you define it, is critical, non-critical, significant, big, small, whatever it is - all need to be covered like the document and the regulation says – all equipment. And like I think Doug mentioned at the beginning, if there's a difference between our rule and the standard, then the rule trumps the standard. That's what that bullet at the bottom means. **What are BOEMRE's expectations in regards to an acceptable MI program?** An operator's MI program needs to contribute to safe operation of equipment and insure that equipment is fit for service and back to the flexibility key here, it's up to the operator to tailor their MI program within the broad strokes of the rule and the standard to fit their application and their philosophy in regards to this element of SEMS. **The design and fabrication of process equipment is covered by ASME, but the reliability, integrity, erosion and corrosion aspects of mechanical integrity has no reference in standards, compels operators to default to the best sound professional judgment and good business sense.** What I got from this was there are standards out there that define the ASME for the boiler and pressure vessel code; for the new, it's new; there's a standard, it's in our regs but we don't

have many standards dealing with inspection maintenance of this vessel down the road as it ages. We do have this 510 document. But what we're saying here is the mechanical integrity program needs to address not only the design, but you need to monitor the vessel as it ages and make sure you've modified it in a proper fashion. There are some documents available. Production Piping the 510 1 talks about the piping side of things. So if there are no other standards available, then there's the manufacturer's recommendations and the service requirements an operator can go to to develop their mechanical integrity program. **Does BOEMRE expect operators to implement MI plans for MODUS owned by drilling contractors?** Yes. An operator needs to adopt the Contractor's Mechanical Integrity Plan for the MODU in their SEMS. This would be a place somewhere in the rule it says to have a letter between the operator and the contractor. If an operator is going to use the contractor's safe work practices or operating procedures on a MODU or mechanical integrity plan on a MODU, we would ask for and be looking for some kind of letter showing the two parties agreed. So an operator can use the MI program of the MODU owner as part of their SEMS as long as they document that they've looked at it; they agree with it. **Will BOEMRE accept a risk-based methodology for implementation of an MI program?** Yes. Consistent with everything else we've said, back to flexibility. You decide, you look at the risks, look at what you're trying to accomplish. You can decide how to design this. We are not dictating how

it needs to be done, just that it needs to be done and you need to do it and have it available. **If an operator had all the MI procedures already in place, would BOEMRE accept them as they are or does BOEMRE expect a new comprehensive document?** You can use what you have in place. You don't have to redo it as long as the MI program accurately addresses what you have out there today – the risks, the current facilities, the current equipment. You can see this is the same philosophy we like with hazard analysis. We don't specify you have to use document A, B, C or D or a certain technique; we're giving you the flexibility - the same thing here – to use what you think is best for your company and your facilities. **What does BOEMRE perceive the difference is between documenting inspection and tests that have been performed in verification that inspections and tests are being performed?** We approach this from our view of if we're doing an audit, documentation we'd be looking for - you have a way of a system in place to record and do your recordkeeping of the item. You have something in place and you're doing it, you're writing down JSAs; you're writing down various things. Verification – that is basically you're verifying that the program you put in place on records and documentation is working. You've done that through an audit; you've done an internal audit. We have requirements that you need to do an audit. You can do an audit any time you like in addition to the BOEMRE required one, but that's the verification. It's working the system you put in place; you verified that you're doing it. **Many OEMs**

are no longer in business since many operators have years of experience in maintaining equipment. What documentation is needed when it's determined that enhanced safety and performance can be achieved when deviating from OEM's recommendations? We scratched our heads on this one and I think we came up with the answer that works. Basically if you're not following the OEM recommendation because they're out of business or probably for any other reason, you have to fall back to our regulations, 250.141. We have a procedure in place for alternative procedures. You're doing something outside the regulations, it basically says you have to come in to BOEMRE with a discussion explaining why you want to do something other than what's in the regulations; you have to show to us that whatever it is you're proposing is equivalent in regards to safety environmental protection as what's in the regulations. So in this case, you'd have to show us that what you're proposing is equivalent to the original OEM's recommendations. That's what we were able to come up with on that one. Emergency response and control – 1918 in our subpart S rule in emergency response refers to qualified persons. Unlike 1926, that's the third-party auditor and DQP criteria. Unlike 1926, 1918 doesn't specify criteria for qualification. Other specific criteria BOEMRE will apply to determine if a person is qualified in emergency operations. If so, training, knowledge, demonstration of abilities – these meet the intent. And, no, we're not specifying that. We specified it in 1926 for the third independent third

party and designated and qualified personnel because they are key in the successful implementation of SEMS. We felt real strong that those people doing the audit need the experience, education, understanding of the regs, understanding of management systems. That's why we specified the criteria, not saying that emergency response is not important, but we just felt we'd fall back on this idea of flexibility, leave it up to the operating company to determine what people are best suited to carry out this part of the rule. So it's up to the operators. We won't define criteria. Are evacuation procedures that place people in lifeboats sufficient, or must the plan address getting personnel to a place of safety? We scratched our heads on this one. I guess what it meant was place of safety I guess was off the facility to a neighboring facility or the beach; one or the other, the way [UI]. Operator must develop criteria near SEMS on evacuation. We're not going to define how far out you carry that emergency response. It's up to the company to define that. Once the lifeboats are not under our regulation, the Whittaker capsules are not under our regulation; it's Coast Guard. So I guess every individual operator will decide for themselves. If you just get the people to the boat, to the capsule or do you get them off into the gulf and get them to another facility, that will be up to you, at least at this time that's our thinking on this one. Investigation of incidents –

What's the length of time for maintaining findings of investigation information regarding serious safety and environmental incidents?

RP 75 Section 1131 states, if you remember, that you may need to use this

information and feed it into your hazards analysis to update it if you have a lesson learned from an incident you may have to modify your hazard analysis. And it says in there two years, keep this for two years – the incident data – because that’s after the first three-year hazard that the cycle is two years. So that’s where two years came from so two years to hold onto the incident data. I would imagine a lot of you keep it for longer than that if it’s a serious incident. Auditing – **When does BOEMRE consider the audit to be completed?** We consider the audit to be completed when the final audit report is issued. Our view – it’s completed when all deficiencies are identified and documented. The way the rule’s written, the operator has 30 days from completing the audit that you did a three-day records check at an office in Houston, as an example, or you went to all 20 facilities and looked at things. When you’re done with that, 30 days from that time to get a report together, either whoever did the audit for you – your I3P or your DQP – they have to put it together. In the report, the deficiencies need to be noted and then submitted, along with what I’ll refer to as a CAP – Corrective Action Plan. Here’s my deficiency; this is what I will do to mitigate that deficiency. The plan must address our regulations – 1920 (D1 and 2). So it’s complete when the deficiencies are identified and documented – that’s how we see it. **We’ve had this question – Are we developing audit protocols? Will it be available?** We looked at this one hard and we decided, like Doug and David mentioned, we’ll release the PINCs by November 15, but we won’t release

the audit protocols. I think though the oil patch is pretty small and when we do an audit on one company, you may be discussing the results and your experiences with your buddies so what we focused on will probably go out and about pretty quick. And to be honest, that's one of the reasons we decided not to put out an audit protocol cause then I think companies may have a tendency then to really just focus in on what we put into the audit protocols. This is what we're going to look at so that's what you're going to comply with. So we decided not to do it and you'll just have to gauge what's important to us based on your experience with us when we do an audit and deficiencies we uncover. **How does BOEMRE define I3P in the audit process?** That's the 1926 rule – experience, education, experience with SEMS, regs, offshore operations, etc. **Will we have an accreditation process for auditors?** No. We have the criteria they have to meet; your responsibility to pick them. If we have an issue with who you picked, we'll let you know during our audit. I think it's real consistent where once again it's very flexible here. We're letting you decide. It's up to you to determine who's best suited to do an audit for you. It's your job to do that; it's not our job to tell you who to pick, but we'll give you feedback if we don't like it. **What is our process for evaluation of audits performed?** Doug mentioned that we can always elect to observe in one of your audits. You have to let us know – I think it's 30 days ahead of time. For the ones we do not participate in person in, we will look through the documentation on how the audit addressed any

previous INCs or incidents you had to make sure they were addressed in a satisfactory manner. **What criteria has the agency developed for qualifying independent third-party auditors?** And, like we already said, we have the qualification requirements in the 1926 regulations. **Will auditors with experience in other sectors be allowed as long as they meet the regulatory requirements?** And you know, they can as long as they meet the 1926 regulations – experience, education, etc., etc. PINCs available November 15; protocols we will not make available. For some reason that question kept coming up; I thought we got out a lot of the duplicates, but they keep coming up. Auditing requirements – **If you are ISO 14001 and OHSAS 18001 certified, can you use the certified auditor for the SEMS audit?** Sure, as long as they meet the qualifications in 1926. So, the answer is yes; it's up to the operator to decide if this ISO-approved certified auditor meets the 1926 expectations. **Can you use a three-year certification for the SEMS audit requirement?** BOEMRE does not require certification for auditors but they must meet the 1926 regulations, the requirements. 1920 SEMS Audit Plan – A written SEMS Audit Plan must be submitted to us at least 30 days before the audit. BOEMRE reserves the right to modify the list of facilities you've included in there that you're proposing to audit. **What is a mechanism for challenging BOEMRE's decision?** This came from the... Well, it's also in the RP 75. You have to do 15% of your facilities in a given audit cycle, so if you propose it and we say change it, can we

challenge? If you have a legitimate reason, you can call us in headquarters to discuss this. If you don't like the answer, look at Subchapter C – that's our appeal process, not just for SEMS but for any of the regulations - the procedures on appealing a decision that BOEMRE has made or MMS has made. So that's written up; it's a formal process. We'll work with you if there's a really good reason. Our expectation here is that you will not audit – I think somebody already mentioned this – the jewels of your fleet every time. We're looking to see that you've audited the whole range of properties under your ownership. The jewels and the problem child; the old and the new; the deep and the shallow; the oil and the gas; the manned and the unmanned. So we're looking so see that whole range, and if we have an issue that you keep coming in with a certain class of those properties that you want to continue to audit, that's when we'll verbalize our concern that we don't think you've looked at the whole range of your operations. If an operator decides to change the audit plan revising the facilities due to weather – you've submitted a plan ahead of time, 30 days ahead of time, for A through Z facilities. Weather issues come up, can you notify us and change it and yes, we do have a heart. If the weather issues – to a certain degree – if a weather issue is a problem, we'll talk to you about it. We realize things offshore get kind of hard to deal with.

Does my I3P auditor have to be from a different contractor than my corporate compliance manager if that manager is a contract employee? We think so. There's an inherent conflict of interest in there

and somewhere in the rule it says you have to avoid – in the auditing section I think – conflicts of interest or perceived conflicts of interest. So basically here I have an operator that has a contractor who's a compliance manager and the question was, "Can I use that same company that my compliance manager – who's a contractor – works for to do an audit on my company?" and no, cause basically I think what you do then, you're having the same contract company audit itself – both working for the operator. So they would need to be different companies - the compliance officer and the internal in the I3P. Conflict of interest. **What does BOEMRE envision their role as participants in an audit?** This is when if we decide to observe. You call us; you're doing your two-year or three-year audit letting us know, we decide to participate. "What is our role" was the question. We observe, we can participate. If we see something, a discrepancy, an issue, during the audit, we may direct you to do another audit if you don't address it successfully. Maybe the questioner was asking are we going to write an INC if we see something you've missed or something on an audit that we're observing on. I don't know if we agreed on this. I would think we probably would. It's possible. I would think we probably would, it depends on the infraction, but... So we'll observe, we'll participate, we may use our experience there to conduct another audit and we may issue in ink. We haven't figured everything out yet. What does BOEMRE envision as a difference between verifying corrective actions from an audit plan in 1920(e) and 1924? 1920(e)

addresses the Corrective Action Plan that you submit; you submit your Audit Plan within 30 days of completion of an audit; you identify your deficiencies; then you send us your Corrective Action Plan; how you're going to mitigate those deficiencies, so 1920(e) is talking about the operator submitting their CAP, while the 1924 Rule addresses BOEMRE verifying that the operator made the corrections that they said they were going to do in their Corrective Action Plan. Shortcomings – **What happens if BOEMRE finds shortcomings in my SEMS?** Under Section 1927 will BOEMRE only take action if it determines that a SEMS program is not in compliance with the operations and activities under the jurisdiction of BOEMRE? Yes, we'd only initiate an enforcement action as detailed in 1927 if the operation under our jurisdiction is not addressed in the SEMS or is out of compliance with the 30 CFR regulatory requirements. Oh boy – performance measures. There's a couple of winner questions on this one. Maybe you should just read this one yourself. It basically had to do if I have... **How do I tally my production operations? I have people go from one unmanned platform to another for X amount of days per week and I'm spending two hours a day on each of those visits. How do I do the math basically on this?** And you may have to sit down and read this and see if you agree. It looked pretty straightforward to us. You just allocate the number of hours, the time the individual is on a platform. If you got three people on a platform, it's three times whatever hours they each spent on

there for purposes of the 131 form. Here's another one of those questions dealing with contractors on a loop. **How do I allocate my hours to the different operators on the loop cause different platforms are under different ownership.** So I got contractors going from platform A to B to C and they're all owned by different operators on the loop. How do I allocate those kinds of hours. It just goes back to the operator of the facility that they're on. I didn't think that one was complicated, but... Our 131 form, as you know, just deals with the liquid pollutants – oil condensate. No, we're not thinking of emissions, adding emissions to that. That was a question – are we going to modify it to add emissions? No. No plans at this time. Where can I find correct instructions for the 131? Yeah, I know there were problems on this going into this exercise but whoever asked that one, you should have no trouble on our website. Hopefully, you can find it because I found it and I'm not that good with searching websites, but it's there. It is there. **The rule's effective November 15, 2010, that's when it went into effect; doesn't have to be implemented till November of this year. But for performance measures reporting, operators have not collected a lot of the data yet. Please confirm supplying the data for November 15 through December 31 last year meets the requirements for this year.** So the 131 due in March reflects all the data from the previous year is how it's set up. **So the commenter said that form I submit March now, this year, '11, can I just do November-December of '10 data cause there**

was no reg in place really that I had to capture January through December? No. You have to meet the reporting requirements, but down at the bottom, you know, like I said, we have a heart. We know you may not have the best data; the quality may be questionable, so no INCs will be issued. Just do your best on the data but give us the year. Don't just do November-December. Give us a full year and we'll understand about the quality. **Since all elements of SEMS are not applicable to certain contractor functions, we only plan to make the contractors familiar with those elements that are applicable to their work. Is this consistent with the intent of the regulation?** It's the operator's responsibility to ensure his contractors adhere to SEMS for the work they conduct. There are elements in SEMS that don't speak directly to contractors' work that may be important for the contractor to know, so the operator should focus in on what the contractors need for the job – that's the answer. But, there may be other elements that on first blush don't look like they apply to the contractor, but within the grand scope of things, trying to provide for a safer and pollution-free environment, there may be other aspects of your SEMS program you may want to expose the contractor to, though they may not specifically need it, it may help them in some of the areas that they're working in. So once again, it's up to the operator to decide, this but keep in mind the overall expectation and goal of the rule is to improve safety and environmental protection. **How long does environmental information have to be kept?** For example,

number and size of spills as part of the 131 data submittal. And as you know, the 131 is separate from 75. We ask for the information annually. We only have the annual requirement, but there may be, like EPA as an example – there's MPDES data on there. There may be other agencies that want you to keep that for longer than a year but we're looking at it as a year. And any and all questions on this rule and the 75 and the presentation, there's his phone number. That's what we have on slides – specific questions by March 8 and I guess we're just gonna open it up for any questions, so... And I think Doug mentioned it before – we're recording this and it will all be available on our web. If you have a question, please state your name, your company affiliation and your position. I think if we know if you're like an office person, a platform person, operator, contractor, driller, producer, that'll kind of give us a better feel for where you're coming from on your questions.

Daniel Lemanczyk: My name is Daniel Lemanczyk; I'm with Wood Group and I'm in the Compliance Department. The question I have is if you have a contract company that is providing personnel to the lessee to operate their fields, can that same contract company provide the audit personnel? And that's the first part. I have a second part today. This is in 1920.

Joe Levine: What's the second part? Maybe it'll...

Daniel Lemanczyk: Well, the second part depended on the first part. Well, let's put it this way – if that's a negative answer, then reading 1920 – let me get it out here so I can read it. It says, "You must have your SEMS program audited by

either an independent third party or your designated and qualified personnel.” If your personnel are operating the platform, what’s the difference between the lessee’s personnel auditing the lessee’s personnel and a contract operator’s personnel auditing contract personnel?

Joe Levine: I think the answer to the first question, if you’re an operator, you have contractors out there doing work in AB and I3P – that was the question, right? No, we believe that at least a perception of conflict of interest.

Daniel Lemanczyk: Okay, well how does that differ then from me, the lessee, having my own employees operating my platform, providing my own employees, different group, to do the audit which is allowed in 1920?

Doug Slitor: You’re talking about... Well, I’m not sure why it’s different, but I would think the lessees working on the platform are not going to be the ones doing the audit.

Daniel Lemanczyk: No, no. I don’t mean that. What I’m saying is that in either case, whether it be lessee employees or whether it be contract operator employees, another group from either organization auditing them.

Doug Slitor: As long as that other group meets the 1026 regulations, the criteria for the I3P or the designated qualified people, then they can do the audit.

Daniel Lemanczyk: Good. Thank you.

Ken Smith: Hello, my name is Ken Smith and I’m with J. Connor Consulting. I’m Vice President of SEMS Services and we’re obviously a consulting company. My question is the consistency of auditing or observance of auditing by BOEMRE. What is BOEMRE going to do to insure that the

auditing or the observance of the audits being performed by BOEMRE is consistent? And also, what is the criteria for training those observers or auditors from BOEMRE?

Joe Levine: As you probably read, we're in the midst of a significant reorganization. We're in the middle of hiring various people. Our idea, we're going to have audits conducted with our people. District, Region, and Headquarters people will do audits. We are going to provide various training to these people – auditing training, risk type training to try and reach some kind of consistency. I think, like the industry, BOEMRE will have to learn on what it takes to conduct a good audit over and over, a consistent kind of audit. I think at this time that's all I have to say on that.

David Nedorostek: Probably another element of that would be in terms of consistency is that we are auditing against your plan. So plans will be different, so I imagine that the audits to a degree might be extremely detailed in some sense, depending upon how you have developed your plan. Because the audit is to see that you are complying with what you say you are going to do, and that it meets the requirements and provisions of the rule. So there's the element of consistency in terms of skill set and then there's the elements of consistency in really various plans that will differ in some regard and that that will be the vehicle for conducting the audit. Is that answering? Okay.

Ken Smith: Yeah, thank you.

Russ Davis: Yes, I'm Russ Davis with Aeon Energy, Risk Engineering. I'm a Senior Consultant Process Safety and I've got four questions - I hope they go pretty quick – the first one being in documentation that equipment is manufactured to applicable codes and standards. Will a company then be required to keep this documentation such as ASME 8 Division 1; ASME NC 31.3, 31.1 for piping; National Electric Code – will they be required to keep this documentation as to validate the fact that equipment was built to recognize an accepted [UI] practice as part of their SEMS?

David Nedorostek: We have to look at each other. Yes, I believe the answer is yes, the documentation that verifies compliance with a standard with a manufacturer is something that you would need to keep on hand because eventually through an audit, it will become important.

Russ Davis: Okay, thanks. My next one is a definition of a high priority versus a low priority facility. That seems to be open to interpretation and, of course, with the requirements of when to do an audit, it could make a big difference.

Doug Slitor: David was saying that he believes that it is defined in RP 75, well, in terms of obviously the frequency.

Joe Levine: The Section 3.3.1, I don't think it defines it, but it gives examples. Talks about this five-year and 10-year frequency of auditing – five year for high priority; 10-year for, I think, it says low priority. And it talks about high priority facility is something like doing simultaneous operations – that's what API RP 75 the industry has said is a high priority and would have a

more frequent audit cycle. And then manned facilities – it talks about that – well, I don't want to use critical, but that's a high priority. Unmanned would be lesser priority, so it has a bunch of examples in 3.3.1, like six different examples to go by.

Russ Davis: It kind of leads back into the next question on hazard assessments and hazard assessment being adequate for the complexity of the process. Are we going to use that same type of determination as far as whether it's just a checklist; what if checklist; full haz op, etc. that we can address as far as priorities?

Joe Levine: We tried to get that point across. We're trying to give you as much flexibility as possible. We say you need to do a hazard analysis at a certain time, but we don't define the type of hazard analysis you need to do. APIRP 75 has several examples of hazard analyses – 14C for production, and it talks about 14J and the checklist and the haz op and the what if. So the company will need to gauge their operations, take a look at what they're doing an analysis on and gauge the risk, and decide what kind of analysis to do. BOEMRE would probably only get involved in that decision upon an audit. We may ask you, "Why did you decide to do this real modified kind of analysis and not something more comprehensive when you're talking about new technology?" as an example. So it's up to the operator to decide and define what kind of hazard analysis to use.

Russ Davis: Good point, Joe. The very last one I have, Joe, is will BOEMRE look at independent third-party auditors' qualifications and comments? I'm not

asking for any kind of an “Okay, you’re a good contractor,” or anything like that. But will they look at comments should the third-party come to BOEMRE and say, “Hey, we have clients that we want to supply services for. Can you look at our qualifications and determine that we are an acceptable auditor?”

Joe Levine: We may look at – not always. We reserve the right. We may during our audit ask to see, cause 1926 specifies I3P or DQP criteria, so we may ask, “Show us the proper documentation operator that you picked the right people in accordance with the regulations.” So we may. So that is an example of information that should be kept as part of your SEMS recordkeeping and have it available if BOEMRE asks that question during an audit.

Russ Davis: Thanks.

Scott Randall: I’m Scott Randall with Plus Alpha Risk, Risk Management Consultancy. I guess my first question has to do with the distinction between hazards and hazard analysis and risk management. And it doesn’t seem to be clear what the distinction is in your minds, I guess, and maybe you can clarify that a little bit. The second has to do in a more general sense and that is how is it that the management system that you’re proposing actually addresses the reduction of risks of major accidents and events? What is the specific link between the elements and the management system, each one, and the potential barrier to an event occurring? Have you made that link and can you elaborate on that a little bit?

Joe Levine: I'll try to answer the second question first. We're beyond proposing the system. This is a system that needs to be implemented November 15. It's beyond proposing discussion really. Yeah, the tie-in, I think to where we've been and where we're going and SEMS, it's the human element behavior of people. If you look at our regulations, the 30CFR 250 regs and the hundred or so of standards we incorporate by reference, they're all about equipment and operations, how to design, how to operate tests; it's all on equipment and operations. The thing we really don't have in the regulations is the human side of things, excluding subpart out training. So SEMS is the way we see it, is a management system designed to get the people more involved in carrying out their operation, be more cognizant of what they're doing and that's the tie-in is the behavior of people trying to document things and trying to pay attention to things before they work. Trying, Doug mentioned early on, slowing down and looking at what you're doing; documenting JSAs; doing hazard analyses. The tie-in is humans and behavior safety. The first question – what was it? I forget.

Scott Randall: There seems to be a little bit of confusion between hazards and risks. Are you using those terms interchangeably generally, or do you see a specific delineation between risk identification, risk management and hazard analysis?

Joe Levine: I think they're two different things. Maybe our terminology slides occasionally but I'm not a risk engineer – that's not my background really at all. You look at the operation. You would assign it a level of risk and

from that assignment you decide what kind of hazard analysis to perform. Someone in the back mentioned a checklist. I would think that it would be done for something less risky than a full-blown haz op as an example, or a what if analysis of what are the outcomes if this valve fails or leaks. So risk would dictate the hazard analysis. And they are two things in our thinking, though our terminology may not show that at times.

Joan Eischen: Good morning. My name is Joan Eischen. I'm with Logica. We're an IT services and business technology company, and I'm the Director for their Health, Safety and Environment Program. My question is one, and I think you'll be able to answer it with a yes or no cause it looks like everybody's getting a little anxious around here. I'd like to verify a statement that you made with regards to pipeline that comes aboard the DOT platform, and that was for lifeboats as well. The operator needs to address this in their SEMS program. My question is, if the pipeline or other marine equipment is not attached or aboard the platform, does it need to be in the SEMS program?

Joe Levine: What do you mean "pipeline for other marine equipment?"

Joan Eischen: Pipeline "or" other marine equipment – ships, pipeline that might not be aboard the platform?

Joe Levine: Well, I think we said you had a DOT platform and if a DOI pipeline came...

Joan Eischen: That is correct.

Joe Levine: And the DOI line needs to be covered in the SEMS. That's I believe what we said. The DOI platform would not need to be covered in the SEMS. But I guess there's a fine line there. None of this is black and white cause you have the DOI line, but what if the shut-down valve fails and there's a leak. Then that is the DOI pipeline operator. They're responsible for that and what if there's a leak on that DOT platform? I don't know what's involved, but I don't see the downside of adding a DOT platform just to cover all my bases in a situation like that to my SEMS plan.

Joan Eischen: Thank you.

Joe Levine: Okay, now I don't know what the second part was. Marine...?

Joan Eischen: Other marine equipment or ships?

Joe Levine: It's not under BOEMRE. The vessels, Coast Guard and transit – all Coast Guard.

Joan Eischen: Okay. Thank you.

Arnie Thibodeau: I'm Arnie Thibodeau with Ankor Energy. I'm in the Operations Department. I was wondering how the inks that's going to be wrote from your SEMS – is it going to be part of your inked component ratio?

David Nedorostek: Yes. The answer would be yes. I know that you're kind of looking at how office inks are and they aren't really related to a component. And to be honest with you, I don't think we've really teased that one out to the degree that you may be envisioning in terms of if this will become part of a metric that you're used to. I think we'll have to examine that more closely and see if we can delineate that better for you. But my sense is

that, yeah, there will be some accountability for that as a measure of non-compliance.

Arnie Thibodeau: Okay, so you're going to link it to where it's going to be part of the offshore operation components and then keep it separate from the office? You haven't determined that yet.

David Nedorostek: Have not determined it yet.

Arnie Thibodeau: Okay. Thank you.

Don McClelland: Good morning. Don McClelland, CEO, Offshore Inspection Group. You state with audit complete you have 30 days to get your report in with all the deficiencies noted. Do you have any time requirement that the serious deficiencies that are noted get repaired or is that up to the operators?

David Nedorostek: Well, I think that the way we're looking at that is something that makes sense. We know there's some practical limitations to rectifying deficiencies so when we receive an audit report, if we see something that is out of align and curious, then I think we would have a discussion about your timing of correcting such a deficiency. Some things can be couched for business reasons that you want to push it out a ways. That probably is not an acceptable reason cause what we're trying to do is correct things, make them safe, make people safe, and so our inclination would be to work towards that being something that happens sooner rather than later.

Kevin Hurst: Hi, Doug. Kevin Hurst with Stone Energy. I'm Operations Manager. I have kind of a general question regarding contractors offshore. It's regarding another operator, not us. We needed a little levity on that.

There seems to be a clear scene running through your presentation that talks about the requirement for SEMS program is on the lessee, although you mentioned a couple of times that it is possible that we can use programs that the contractors may have that are compliant with ours as long as we're clear in our SEMS program that that's what we're going to do and we have a letter agreement and we do do some work to confirm that that program actually does meet our requirements. And I'm talking in terms of operator qualification, training and those types of things where we may have a contract worker; their company provides training. That's fine as long as it complies with our SEMS requirement and we do some type of confirmation that that training does in fact meet our requirement. Is that correct?

Doug Slitor: That is correct.

Kevin Hurst: Okay. Thank you very much. I'll let the other operator know that.

Colin Leach: Colin Leach. I'm with Argonauta in Houston – we're a consultancy company and very much interested in deep water drilling as well. Obviously, BOEMRE is going to gain quite a lot of understanding of what's going on when these plans and all are submitted. Is there going to be an ongoing way that there can be an informal, perhaps, feedback of some of this, say at conferences such that folks in the industry can understand what BOEMRE perceives as being the strengths and weaknesses of some of these SEMS? It might be very useful with the goal of trying to bring to people what is actually going on in other parts of the

industry as a learning experience so that we don't repeat someone else's mistake and then have the major problem.

Doug Slitor: Yes. Probably one point of clarification – we're not asking companies to submit plans to us. Available upon request is how we're approaching that. So it's not a formal submittal of a plan and we approve it and acknowledge it and what have you. The other part of what you're suggesting, we've talked about and agree wholeheartedly. In fact we've had several overtures from folks in this crowd that wanted to talk about SEMS plans, SEMS approaches and we've talked to individuals who've come to us over the past several months. And we believe there's some very good approaches out there – really comprehensive, taking a look at all the facets. They have great software programs available to manage the safety and so we're very encouraged by that and indeed we want to help promote approaches as well, not specifically endorse anything for sure. But I think we will probably work towards a conference; I'm not sure of the format, but it would be something where companies that have SEMS programs, contractors that conduct SEMS audits and what have you, are given an opportunity to share their approaches and their experiences. So it's a good suggestion and we support that but don't know quite when it will occur, I'm not sure, but we wanted to get through this first barrage of understanding and then build upon that, but we appreciate the comment.

Daniel Lemanczyk: I'm back again. Dan Lemanczyk with Wood Group. On the JSAs – we have a requirement in 1911 to keep a copy of the JSA for 30 days on the

worksite. The question I have is concerning satellites, caissons, small facilities that are not normally manned and don't usually have facilities to keep documentation. Is this interpretable as on the worksite or the nearest field office, as it is with other regs?

Doug Slitor: Clearly, we have a difference of opinion here and I appreciate both sides of this. I think we will, to be fair and make sure that everybody's getting the proper impression on this, we'll just defer this one. We'll talk about it and we'll put it up with the rest of the responses. I understand what you're saying – there's perhaps limitations on certain facilities for having document storage and what have you, but we will get back with you on that.

Daniel Lemanczyk: Thank you.

Frank Ford: I'm Frank Ford. I'm Operations Manager for Williams Field Services. I have two questions. The first one is what if you have multiple tie-backs and you have different lessees in those tie-backs? Do you have to get a letter from each of those lessees relative to your operatorship of the platform?

Joe Levine: You're saying the host operator is operator A and the tie-back is operator B, right?

Frank Ford: Actually it would be we own neither of the leases and we operate contract for the others and essentially they maintain production operations, but we maintain the actual operation of the platform.

Joe Levine: You're a contractor for the platform but you have a sub-sea tie-back coming in that's owned by another operator? Is that the question?

Frank Ford: It's owned by another lessee.

Joe Levine: Okay, right. Someone asked me that before and I guess the difference – the delineation point from one operator to the other – would probably be the boarding valve on the platform for the tie-back, I would think. So you'd have two operators, and if you're working for, you said on the facility, so you have to deal with the operator that has ownership on that facility then. I'm not sure if I answered your question. I thought I understood it, but maybe I didn't.

Frank Ford: Well, basically what we have is is we're a contract operator for the platform and we have two producers bringing tie-backs to the facility, and they operate their sub-sea equipment.

Joe Levine: So there's three operators there you're talking about.

Frank Ford: Yes, but we don't control the sub-sea production or the leases. And the question was do we have to get a letter of compliance or acceptance from each of those producers?

Joe Levine: Right. I think we're going to write that one down as well. There's three SEMS there. There's two pipeline SEMS and a facility SEMS. That much we know. I think we'll get back to you on that. That's a good question.

Frank Ford: Okay. Then I had another question that was related to the fact that Williams currently has a system integrity plan that is very, very similar to

the current implementation rule and we are making a translation document for it. Question I have is we're on a three-year audit cycle right now and you're saying that we need to do a two-year audit cycle after implementation. I guess the question is when are audits first to be recognized? Is that after November 15?

Joe Levine: Right, from November 15, 2011, operator has two years to do an audit, so to 2013 and then from there on, it's a three-year cycle.

Frank Ford: So if we ended up doing our audit this year after November 15, we can go ahead and start our two-year cycle at that point and audit at that point?

Joe Levine: Yes, that audit on December 10, 2011 would count as your two year.

Frank Ford: Alright. Thank you.

UM: [UI name] with Apache in Lafayette. I'm the SEMS Coordinator. I have a question on confirmation on the JSA and the supervisor in charge having to be on the facility. How can you clarify slide 116? On a small platform where you have the PIC leading work, can he sign the JSA or not?

Joe Levine: 116 you said? Now, exactly what's your question on that one?

UM: On a smaller facility, when the person in charge is going to participate in the job at hand, can he sign off as a supervisor, or does someone have to be flown to that facility to approve that JSA?

Joe Levine: It's a good question. I'll say we don't have a definitive answer right at this time. I realize you're talking about the expense of getting the supervisor in charge out there; he or she may not be there all the time. There's a fine line, I think, between that situation and how that can apply

to other operations. I mean, if we say it's okay, then things have a way of leading on to, you know, it's alright on all my facilities and such. We don't have a real definitive answer.

UM: The question is not based on financials; it's on logistics.

Joe Levine: Logistics? Okay. You have something? Please? Feel free.

David Nedorostek: For this rule we don't say on site, so you could send it into your office and have somebody there sign it.

UM: Well, the slide says on site.

David Nedorostek: Yeah, that's a typo.

UM: Okay.

David Nedorostek: That was a thought based on the SEMS II proposed rule. We modified the JSAs to say something like that. When I was writing the answers I got messed up with the SEMS I to SEMS II. That's my fault. Sorry about that.

Richard Grayson: Hi, I'm Richard Grayson with Nabors Offshore, Manager HSE & Training. While you're on this slide, as a drilling contractor, there will be times when we're working on offshore on various facilities and we'll be doing a JSA the contractor personnel, and so that supervisor belonging to the contractor would be the supervisor of the PIC but the SEMS rule here, and what we're discussing is applicable directly to the lessee. But is it okay, though, that the person who's signing off is a contractor person?

Doug Slitor: Yes, Richard. Um-hm. Makes sense. We appreciate all these what if scenarios because it's helpful. Obviously we haven't thought of all the

variations that exist out there. So if you think of these in the coming weeks and you want to submit various permutations of this to see how it would come out in the wash, please do so. It'll help all of us and it'll help us shape policies and approaches that aren't in conflict with one another. So the more we know, the better off we are as well.

Henry: Good morning. My name is Henry [UI name]; I am with ABS Consulting from Houston. I would like to ask a question that probably pertains more to the future. Do you have plans under SEMS II to have a safety case type of approach, maybe for during the future?

Joe Levine: No, it's in a draft stage and being reviewed, but that is not a provision in there. A safety case approach is not a provision. Any other questions? Well, in that case, we thank you very much. Whoa, we got one. Alan's coming.

Alan Spackman: Alan Spackman, International Association of Drilling Contractors. That last one sort of got me. What would you envision is the difference between what you have in your regulations plus RP 75, and what would constitute a safety case? What's missing?

Joe Levine: The way we look at it, Alan, the SEMS rule is in addition to our 30 CFR Regulations, the prescriptive regs plus the 100 standards. It's in addition to my understanding of an HSC type safety case that is the majority of the regulatory program. I don't care what people call it – safety case or what – that's not in our... I should take that back. Our view is RP 75 plus our existing regulations. If you want to call that safety case, I don't see really

how you would, it's not our view as being a safety case though. I don't know if that helped you, but... The safety case idea came in with the IDC MODU HSE document. I think we made a mistake by calling it a safety case in there cause people are confusing it with safety case that the HSE implements. Our regs don't use the certain term safety case. So I guess if your concern is are we going to add another regulation on RP 75 plus what we have in the regs and are we going to add a safety case requirement to that, I would say pretty confidently the answer is no. We will not be adding a safety case per se.

Alan Spackman: Well, I think the point I would make is that if you have a complete facility level hazards analysis that defines what those hazards are and how the risks are mitigated, and you have in place a safety management system to assure that the mitigation takes place, you have a safety case.

Joe Levine: Okay. And I'll say it's a safety management system, so same thing.

Alan Spackman: The only difference is that you haven't removed the prescription where most of the other regimes do.

Joe Levine: Yeah, and we don't intend to. So that was the point I was trying to make. This is in RP 75 and the sub S is in addition to sub A through sub Q plus the hundred standards. It's in addition in our understanding on HSE's safety case that encompasses all that and we're not going to add yet another layer on to sub S and SEMS plus 30 CFR prescriptive regs. It's in addition to. There's gotta be other questions. Can't let it go, huh?

Gary Harrington: No. Just one more. Gary Harrington with Newfield Exploration here in, well, in Houston, HS and E Manager. I've heard you say several times SEMS II. Can you give us an i... Are we going to be expecting a huge change cause a lot of people are putting a lot of effort into developing a program now. Are we going to see any significant changes?

Joe Levine: Significant, yes. Impacting what you're doing now? I don't think so. I think it'll be additional features to the SEMS program. The Presidential Report, if you look back at the Safety Board Report, they had a variety of things BOEMRE was instructed to develop regulations on. And now we have the SEMS rule out; we have the Drilling Safety rule out and now generally we're in the process of picking up all the other loose ends we have not addressed and will be releasing for comment additional rules. I don't think, I mean, I think they may be significant additions to SEMS but I don't think it will disturb what you already have in place or what you're putting in place.

Richard Raffield: Richard Raffield with Spartan Compliance. I had a quick question about, you kind of blurred the distinction between the person responsible for oversight of a job and the PIC of a facility. A lot of times you're in an unmanned location, you're doing work in inclement weather, you have a senior operator supervising the work that should be able to sign the JSA, but we keep referencing back to the PIC. Then you have multiple supervisors from other companies that can sign that JSA to permit the work. So we need to have a clear distinction of who can sign that JSA.

Can it be the lead operator that's supervising the work on the unmanned facility or is it the PIC on all JSAs? That needs to be a clear definition. I don't think we've accurately covered who can sign that JSA. It seems that you indicated earlier that the supervisor on site can do it, but then we go back and reference PIC for the facility, which is somewhat different. You may be three days in severe weather where you can't get a PIC over. Does that mean you stop the work on that unmanned facility that you have because you can't get a JSA signed and you don't have electronic transmission methods because you're using a little jack-up or something like that or maybe you're just doing work on the facility.

Doug Slitor: Appreciate the situation that you're bringing up. Again, I think what we'll do is look at your question in more depth and decide a more practical approach and define things a little more clearly. So we will speak to that. I stood up just to make an additional comment on SEMS II. and talking about significant. Significant is one of those words that you want us to define as it is and now it's kind of reflected back on us what is significant. I want to make it clear that the SEMS II is not going to fundamentally change SEMS 1. These are provisions that were thought to be good ideas, but could not be included in the final SEMS rule because they were not vetted in the proposed rule; they were items that spoke to various provisions like stop work authority – that type of thing. So it's not going to change how you're structured your SEMS program, but it will mean

you'll need to account for additional provisions and subscribe to that and make plans to incorporate that.

Scott Randall: Scott Randall from Plus Alpha Risk again. Joe, you mentioned and I'd like to compliment you, I guess, and the agency on looking at these commission reports, and in particular you mentioned the Presidential Commission Report. To what extent will you also be bringing in the findings from the National Academy of Engineering study; the Chemical Safety Board investigation; and other, I would say, officially sanctioned investigations in the SEMS II?

Doug Slitor: I'm not sure that we've taken all of those findings and perspectives in those reports and tried to incorporate them into SEMS II. The SEMS II, as stated, was picking up some of the provisions that we thought were good ideas to have in a safety management scheme that could not be incorporated. Those other commission efforts are finding their way into other regulatory initiatives, but I'm not sure to what extent I would say that they'd be incorporated into the SEMS. Any other questions? Again, on behalf of all of us in the Bureau, appreciate these comments. We want more; we want to understand better, and we will get this up onto the web as soon as we can. Thank you very much.

[End of recording]