



INTERNATIONAL ASSOCIATION OF DRILLING CONTRACTORS

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May 13, 2010

Honorable Ken Salazar
Secretary of the Interior
1849 C Street NW
Room 6156
Washington, DC 20240

Dear Mr. Secretary,

Thank you for your cooperation and for considering the recommendations of the joint industry task group on improving deep-water safety following the blowout at the Macando prospect.

The International Association of Drilling Contractors understands the necessity to delay new deep-water ventures while improved procedures are established. However, the order issued last week prohibiting the Minerals Management Service from issuing any new drilling permits pending delivery of the Department of Interior's report to the President on May 28, 2010, is creating unintended economic hardships for other companies and individuals engaged in offshore drilling operations in the Gulf of Mexico. These are drilling rigs operating in less than 1,000 feet of water and utilizing blowout preventers located above the surface of the sea ("surface stacks").

These operations have posed a low risk for more than 60 years, and are quite different from deep-water drilling for the following reasons:

- The resource in shallow waters is primarily natural gas;
- Oil remaining in shallow-reservoirs has been largely produced and is under-pressured, limiting loss of control;
- The sea bed is more easily accessed for intervention by remotely operated vehicles and even divers;
- Blowout preventers are located above the sea surface, not on the sea floor;
- Temperatures in shallow water are warmer than in deep water, forestalling the formation of crystallized gas hydrates;
- Relief wells are more expediently drilled.

Wells drilled in shallow water typically take 15-45 days. Due to the Department's order, rigs completing wells in the next weeks will be

unable to take on new work. Over the next six weeks, up to 50 drilling rigs will complete wells and be unable to accept new work. These rigs will be idled, and those employees working directly on the rig face the prospect of unemployment, even if only temporarily. Additionally, employees of supporting service companies will also face unemployment. These workers represent a significant portion of the 75,000 hard-working individuals employed in the offshore Gulf of Mexico. The ripple effects of this abeyance of all new drilling will adversely impact coastal communities across Louisiana, Texas, Mississippi and Alabama.

The resulting unemployment could possibly exceed that created by Hurricanes Katrina and Ike, and even that caused by the Macando oil spill itself.

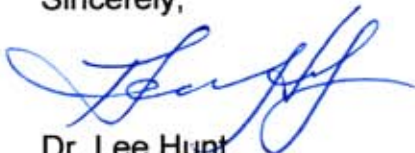
Unlike other coastal industries, which will be compensated by BP for lost jobs and business, the lost of contracts and jobs in shallow-water drilling will be declared *force majeure* action by the government. Consequently, there will be no recourse to reimbursement for the shallow-water industry.

At average rental rates in the shallow Gulf of Mexico, rig owners could face an aggregate impact of \$3 million per day in lost revenue for drilling contractors alone. If the drilling ban is applied to shallow-water operations through the end of June, this will soar to a total of \$135 million. Many companies will be hard pressed to survive under the pressure of such losses, rendering permanent the unnecessary unemployment of thousands.

Mr. Secretary, IADC appreciates the measured approach the Department of Interior has demonstrated in this crisis. We further understand the need for caution with regard to new deep-water drilling. We ask that the Department consider the implications of its order issued last week for drilling employees and companies that have proven their safety and reliability through more than six decades of operations in shallow water. We seek clarification of the order to allow resumption of permits to drilling operations in less than 1,000 feet water depth and utilizing surface stack blowout preventers. We believe that the Department did not intend to issue an order that would result in such a severe economic impact and penalty to hundreds of companies and thousands of individuals.

IADC respectfully requests clarification or amendment of the order to avoid potentially catastrophic economic consequences.

Sincerely,



Dr. Lee Hunt
President

International Association of Drilling Contractors