

INTERNATIONAL ASSOCIATION OF DRILLING CONTRACTORS



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IADC files amicus brief supporting resumption of deepwater drilling

(Washington, 6 July, 2010) – The International Association of Drilling Contractors (IADC) has filed an amicus brief supporting resumption of deepwater drilling. The brief, filed before the U.S. Fifth Circuit Court of Appeals, supports plaintiffs **Hornbeck Offshore Services L.L.C.**, *et al*, who on 22 June won a court ruling from U.S. District Judge Martin Feldman lifting the six-month deepwater drilling moratorium imposed by Secretary of the Interior **Ken Salazar**. The moratorium applied to all drilling in water depths exceeding 500 feet.

Following Judge Feldman's ruling, Secretary Salazar announced the Department of Interior's (DOI) intention to appeal. The Fifth Circuit Court of Appeals indicated that it would hear the appeal on 8 July.

IADC members have a strong interest in opposing the economically devastating moratorium. A lengthy ban on this robust economic sector will devastate Gulf Coast communities.

"The question is not whether the drilling moratorium will have a severe effect on the economy of the Gulf Coast," the amicus brief reads. "No one doubts that. The question is more basic: whether the local economy can even survive the moratorium." The brief cites news reports and comments from public figures and concerned citizen groups warning of dire economic consequences, including a "catastrophic" loss of jobs. One respected analyst firm cited in the report, **Raymond James & Associates**, said that the number of jobs at risk approaches 50,000.

Further, a sustained moratorium will drive mobile rigs to depart the Gulf of Mexico. "Due to their high daily operating costs, the moratorium will force the mobile rigs to relocate, taking thousands of jobs with them," the brief warns. These highly specialized deep-water drilling units can realize earnings of \$500,000 per day in several markets outside the U.S., such as Brazil, West Africa and Indonesia.

Further, the moratorium will severely cut oil production in the Gulf. "It will necessarily decrease U.S. oil production and thus increase America's dependence on foreign oil," the brief states. The brief refers to a study by noted industry analysts **Wood MacKenzie** which found that deep-water Gulf of Mexico production will fall by 93,000 barrels of oil equivalent per day during 2011 as a direct result of the six-month moratorium.

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An unintended and ironic consequence of the moratorium, therefore, will be increased risk of oil spillage. “The foreign oil will arrive here in tanker ships, which are more prone to spills than rigs are to blowouts,” the brief states.

The brief also exposes the arbitrary and capricious nature of the moratorium. “One of the glaring flaws of the moratorium that renders it arbitrary and capricious is its blanket application to all drilling at depths greater than 500 feet,” it says. 500 feet is not a reasoned dividing line between shallow and deep water. “The [28 May] DOI report itself – the foundation for the moratorium – accepts 1,000 feet as the definition of deepwater.”

The complete amicus brief is available at http://www.IADC.org/Offshore_GOM_Reform.

IADC is dedicated to enhancing the interests of oil-and-gas and geothermal drilling contractors worldwide. IADC’s contract-drilling members own most of the world’s land and offshore drilling units and drill the vast majority of the wells that produce the planet’s oil and gas. IADC’s membership also includes oil-and-gas producers, and manufacturers and suppliers of oilfield equipment and services. Founded in 1940, IADC’s mission is to improve industry health, safety and environmental practices; advance drilling and completion technology; and champion responsible standards, practices, legislation and regulations that provide for safe, efficient and environmentally sound drilling operations worldwide. IADC holds Accredited Observer status at the International Maritime Organization and the International Seabed Authority, specialized agencies of the United Nations. The Association is a leader in developing standards for industry training, notably its Well Control Accreditation Program (WellCAP)[®] and rig-floor orientation program, RIG PASS[®]. IADC is headquartered in Houston and has offices in Washington D.C., the Netherlands, Thailand, and the United Arab Emirates, as well as chapters in the UK, Venezuela, Brazil, Australasia, South Central Asia, Southeast Asia, the Middle East and across the United States. For more information, visit the IADC website at www.IADC.org.

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