

# INTERNATIONAL ASSOCIATION OF DRILLING CONTRACTORS



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## IADC letter to Secretary of Interior Salazar urges lifting ban on new shallow-water drilling

(Houston, 14 May, 2010) – In a letter to Secretary of the Interior **Ken Salazar**, International Association of Drilling Contractors (IADC) President **Dr. Lee Hunt** presented a solid case for moving forward with new drilling in less than 1,000 feet of water and using blowout preventers placed above the sea surface (“surface-stack BOPs”).

Dr. Hunt explained that shallow-water drilling differs significantly from deep-water drilling, and poses virtually no threat to the environment. However, the ban, which applies to all new Gulf of Mexico drilling, unfairly threatens the livelihood of thousands of workers, the economic well being of coastal Gulf of Mexico communities and the financial health of dozens of companies.

“The International Association of Drilling Contractors understands the necessity to delay new deep-water ventures while improved procedures are established,” Dr. Hunt said. “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.”

At the same time, the letter pointed out several reasons why shallow-water drilling poses a low risk:

- The resource in shallow waters is primarily natural gas;
- Oil remaining in shallow- water 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.

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“Due to the Department’s order, rigs completing wells in the next weeks will be unable to take on new work,” Dr. Hunt wrote. “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 Macondo oil spill itself,” he said.

IADC believes that including shallow-water drilling units in the new-drilling ban was unintentional.

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,” Dr. Hunt said. “Unlike other coastal industries, which will be compensated by BP for lost jobs and business, the loss 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.”

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 Federation, branches of the United Nations. The Association is a leader in developing standards for industry training, notably its Well Control Accreditation Program (WellCAP)<sup>®</sup> and rig-floor orientation program, RIG PASS<sup>®</sup>. 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](http://www.iadc.org).

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