

**June 15, 2010**

## Resources

**JW Energy Practice Area**

**JW Energy Attorneys**

**JW Energy Publications**

**Contact JW**

**[www.jw.com](http://www.jw.com)**

## Offices

### Austin

100 Congress Avenue  
Suite 1100  
Austin, TX 78701

### Dallas

901 Main Street  
Suite 6000  
Dallas, TX 75202

### Fort Worth

777 Main Street  
Suite 2100  
Fort Worth, TX 76102

### Houston

1401 McKinney Street  
Suite 1900  
Houston, TX 77010

### San Angelo

301 W. Beauregard  
Avenue  
Suite 200  
San Angelo, TX 76903

### San Antonio

112 E. Pecan Street  
Suite 2400  
San Antonio, TX 78205

## CEOs and Operators Beware - Post BP MMS Safety Guideline Hurdles

By **Michael P. Pearson** and **Amanda L. Shaw**

In response to the tragic explosion of the Deepwater Horizon and its ongoing environmental impact, President Obama directed the Secretary of the Interior to conduct an investigation and submit a report on ways to improve the safety of oil and gas operations on the Outer Continental Shelf ("OCS"). Drilling operations in both shallow water (less than 500 feet in depth) and deepwater (greater than 500 feet in depth) areas on the OCS were suspended pending the completion of the Secretary's investigation and the issuance of his safety report. On May 27, 2010, the Department of the Interior ("DOI") released an extensive report that gave specific recommendations addressing both short-term and long-term ways to enhance safety measures and reduce the risk of potential environmental disasters in connection with OCS drilling operations ("Safety Measures Report").<sup>1</sup> Three days later, on May 30, 2010, the Minerals Management Service ("MMS") issued NTL No. 2010-N04, which placed a six-month moratorium on drilling new deepwater wells on the OCS ("Moratorium NTL").<sup>2</sup>

On June 8, 2010, the MMS issued NTL No. 2010-N05 titled "Increased Safety Measures for Energy Development on the OCS" ("NTL No. 2010-N05").<sup>3</sup> NTL No. 2010-N05 directly implements a number of recommendations from the Safety Measures Report. Unlike the Moratorium NTL, which suspended deepwater operations for a six-month period, NTL No. 2010-N05 applies to *all* activities on the OCS. NTL No. 2010-N05 is particularly important for Operators conducting shallow water drilling operations on the OCS because specific requirements must be met before resuming drilling operations.

NTL No. 2010-N05 imposes, in part, the following obligations:

- No later than 5:00 p.m., EDT, on June 28, 2010, Operators must submit:
  - i) a statement to the MMS by the Operator's CEO certifying the Operator's general compliance with all existing MMS operating regulations; and
  - ii) a separate statement to the MMS by the Operator certifying that the Operator has:
    - a) examined all well control system equipment to ensure the equipment has been properly maintained and is capable of shutting in a well during emergency operations and examined whether blowout preventers (BOP) and the

remote operating vehicles (ROV) hot -stabs are properly functioning;

b) reviewed all drilling, completion, and workover practices to ensure safety is not being compromised during the installation of the BOP; and

c) reviewed all emergency shutdown procedures and ensured that all personnel are properly trained to handle normal drilling and emergency well control operations.

- No later than 5:00 p.m., EDT, on June 17, 2010, Operators that were, on May 27, 2010, conducting operations using either a subsea BOP system or a surface BOP stack on a floating platform must submit the following data to the MMS:

i) BOP and well control system configuration, including the piping diagram of the stack and control system and the BOP stations and accumulator system;

ii) BOP and well control test results, including data on any failed test attempts and the action taken to obtain a successful test;

iii) documentation relating to any loss of well control event and the cause of such event; and

iv) documentation showing BOP and well control system downtime, including downtime relating to BOP and well control system failures.

- An independent third party inspection must be conducted on all BOP equipment used in floating drilling operations, whether subsea or surface, before beginning a *new* floating drilling operation or *resuming* floating drilling operations that were suspended under the Moratorium NTL. Operators also must have documentation showing that the BOP has been properly maintained, maintain records of all repairs to the BOP system, and make such records available to the MMS upon request.
- Prior to beginning any *new* operations or *resuming* operations that were suspended under the Moratorium NTL, Operators must submit independent third party verification that the BOP stack is specifically designed for the well equipment on the rig and compatible with the well location, design, and well execution plan.
- All subsea BOP stacks must have a secondary control system equipped with ROV intervention capabilities, including an emergency shut-in system, a "deadman system," and an "autoshear system."
- Prior to commencing any *new* drilling operations or *resuming* drilling operations suspended under the Moratorium NTL, all well casing designs must be inspected and certified by a professional engineer and verification of the proper and safe subsea installation of the well casing must be submitted to the MMS no later than 30 days after installation of the dual mechanical barriers for the final casing string.

The deadlines to comply with the requirements under NTL No. 2010-N05 are short. Failure to timely meet certain requirements may result in the issuance of an incident of non-compliance or a shut-in order.

If you have any questions or would like further information on this

topic, please contact one of our Jackson Walker attorneys below for additional assistance.

**Michael P. Pearson** – 713.752.4311 – [mpearson@jw.com](mailto:mpearson@jw.com)

**Amanda L. Shaw** – 713.752.4528 – [ashaw@jw.com](mailto:ashaw@jw.com)

---

<sup>1</sup>See full report at <http://www.doi.gov/deepwaterhorizon/loader.cfm?csModule=security/getfile&PageID=33598>

<sup>2</sup>See full notice at <http://www.doi.gov/news/pressreleases/loader.cfm?csModule=security/getfile&PageID=33716>

<sup>3</sup>See full notice at <http://www.doi.gov/deepwaterhorizon/loader.cfm?csModule=security/getfile&PageID=34536>

---

*If you wish to be added to this e-Alert listing, please **SIGN UP HERE**.  
If you wish to follow the JW Energy group on Twitter, please **CLICK HERE**.*

[Austin](#)

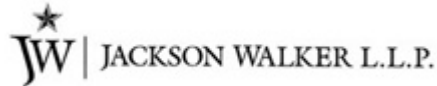
[Dallas](#)

[Fort Worth](#)

[Houston](#)

[San Angelo](#)

[San Antonio](#)



*Energy e-Alert* is published by the law firm of Jackson Walker L.L.P. to inform readers of relevant information in energy law and related areas. It is not intended nor should it be used as a substitute for legal advice or opinion which can be rendered only when related to specific fact situations. For more information, please call 1.866.922.5559 or visit us at [www.jw.com](http://www.jw.com).

©2010 Jackson Walker L.L.P.

[Click here to unsubscribe your e-mail address](#)

901 Main Street, Suite 6000 | Dallas, Texas 75202