

Office of the Governor
State of Louisiana

JOHN BEL EDWARDS
GOVERNOR



P.O. Box 94004
BATON ROUGE, LOUISIANA 70804-9004
(225) 342-7015
GOV.LA.GOV

March 18, 2016

The Honorable Howard A. Shelanski
Administrator - OIRA/OMB
Executive Office of the President
Eisenhower Executive Office Building
1650 Pennsylvania Ave, NW
Washington, DC 20503

RE: Bureau of Safety and Environmental Enforcement proposed Well Control Rule

Dear Administrator Shelanski:

I write today to share my concerns regarding the Bureau of Safety and Environmental Enforcement's (BSEE) proposed Well Control Rule (WCR), which will be the subject of a meeting between representatives of your agency and my office on March 23, 2016. In advance of that meeting, I wanted to take the opportunity to highlight a few important points regarding the likely impact of the WCR itself. I am also enclosing a letter I wrote to Secretary Jewell on December 8, 2015 regarding this same subject.

As Governor of the State of Louisiana, I am keenly aware of the devastating effects caused by the Deepwater Horizon incident that occurred in 2010. In the aftermath of that tragic event, I was inspired by the efforts of individuals and communities in Louisiana and elsewhere in our region to get back on their feet and once again make the Gulf economy a vibrant source of opportunity for all.

A big part of that effort included BSEE and the energy industry working collaboratively to update and improve upon numerous regulations and standards governing offshore oil and gas development. However, I do not believe that the draft WSR accomplishes that goal. Instead, BSEE has opted for highly prescriptive technical mandates that experts believe could fall short in practice in the offshore environment.

According to an economic impact study by independent consultant Wood Mackenzie sponsored by the Gulf Economic Survival Team, implementation of the rule as drafted would:

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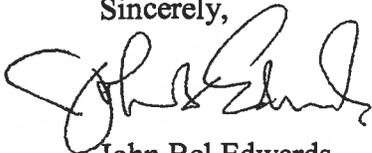
- Decrease exploration drilling by up to 55% or 10 wells annually
- Reduce Gulf of Mexico production by as much as 35% by year 2030
- Result in 105,000—190,000 jobs at risk by 2030; this may include jobs beyond the energy sector
- Cause an estimated 35,000 job losses in Louisiana alone by 2030
- Reduce government tax revenues up to \$5 billion annually through 2030, with Louisiana impacted by as much as \$1.1 billion over the next 15 years.

As you know, Louisiana is a significant supporter of OCS activity in the Gulf of Mexico, which currently accounts for more than 16 percent of the nation's oil production and about 5 percent of domestic natural gas production, resulting in annual federal revenues between \$5-8 billion per year. This accounts for the second largest revenue stream to the United States Treasury. Louisiana's oil and gas industry has a total economic impact to the state of over \$70 billion per year.

No state was hit harder by the 2010 Deepwater Horizon tragedy than Louisiana, and we are all deeply committed to preventing a similar disaster from happening again. It is essential today that regulators and industry participants alike take the most constructive path possible to improving the safety of offshore operations. I do not believe that the current draft of the WCR is the best path forward.

Louisiana can ill afford yet another blow to an industry that constitutes such an important part of our state's economy. We strongly believe that the Well Control Rule as drafted is simply not yet ready for implementation. We thank you in advance for the opportunity to meet on March 23, 2016, and look forward to discussing these issues further at that time.

Sincerely,



John Bel Edwards
Governor

enclosure

John Bel
EDWARDS

GOVERNOR-ELECT

December 8, 2015

The Honorable Sally Jewell
Secretary
U.S. Department of the Interior
1849 C Street, N.W.
Washington, DC 20240

Dear Secretary Jewell:

As Governor-elect of the State of Louisiana, I wish to express my concerns with the proposed Well Control Rule announced by the Bureau of Safety and Environmental Enforcement earlier this year. I strongly agree that ensuring the safety of offshore operations is paramount; however, I have grave concerns that this proposal may actually have an adverse effect - increasing risk and decreasing safety in the Gulf of Mexico.

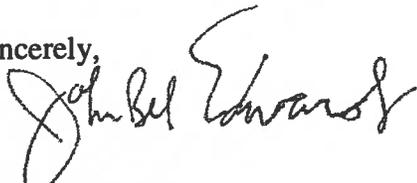
As you know, offshore wells vary drastically. A one-sized-fits-all model that does not take into consideration the various differences in well characteristics could actually increase risks in certain cases. This proposal would also hamper innovation, therefore delaying implementation of new technologies that could further improve safety.

Since the devastating 2010 Macondo tragedy, numerous new regulations and industry standards have been updated, improved upon, and implemented in the Gulf. Louisiana was hit hardest by this disaster, and we are committed to preventing a similar disaster from happening in the future. We have taken great strides to improve safety of offshore operations, but I fear this proposal, if adopted in its current form, could effectively renew the moratorium on offshore drilling. In the Louisiana House of Representatives, I fought to end the moratorium imposed by the administration. As the incoming governor, I am committed to preventing another moratorium in the future.

A de facto drilling moratorium in the Gulf could weaken an economy that continues to rebuild and devastate Louisiana families and communities that depend on a robust offshore energy industry. Furthermore, this will hinder collective coastal restoration and hurricane protection efforts that are funded through offshore oil and gas revenues.

I strongly urge you to reassess this proposal and engage in further dialogue with industry experts to consider potential changes. Thank you for your consideration. I look forward to your response.

Sincerely,



John Bel Edwards