

Comments on Benefit-Cost Analysis for RIN 1010 AD48

Page 9, at the bottom states: Moreover, a blowout may pose more problems in deepwater where drilling a relief well is likely to take longer.

I find this statement troubling. It could be considered to imply, that it takes longer to penetrate seawater than hard rock. As an example, two drilling targets are at 20,000 feet total vertical depth (TVD). One is in 500 feet of water and the other is in 5,000 feet of water. For a well drill in 500 feet of water an additional 4,500 feet of hard rock drilling must be completed to reach the target. From public well data on the BOEMRE website, I found the following pair of wells:

API Number	TVD	Water Depth	Time to Reach Total Depth
608124001700	28497	6959 ft	200 days
427084062600	28382	100 ft	390 days

It is possible that the statement is true, that is due to a different distribution of TVD in shallow and deep water drilling targets. BOEMRE needs to be rigorous to see if it's conjectures are supported by the data.

This is part of a pattern of the claim that deep water activities are more risky than shallow water. This assumption is being made by BOEMR as result of the Deepwater Horizon incident. I suggest BOEMRE do a rigorous assessment of the comparative risks presented by shallow and deepwater operations.

Page 21 gives the agency estimate of 160 deepwater wells annually for the next 20 years.

This is a very important estimate, since it drives the estimates of both the costs and benefits. Granted projections of the future in the oil and gas industry have been notoriously wrong. I recall a cover story of *Scientific American* proclaiming the end of cheap oil and the price of crude oil collapsing in the following months. I see that 160 wells annually as overly optimistic. My reasons are:

- Historical data in Figure 1 show a declining trend of the most recent years with all observations below 160.
- Deepwater Horizon incident will lead to a less favorable conditions for drilling in the Gulf.
- Natural Gas from shale is a major disruption coming to North American energy markets. This analogous to the cellar phone technology replacing land line phones in the last 20 years.

A better way of presenting the future benefits and costs is with a range of scenarios such as 160, 120 and 80 wells a year.

Page 30 indicates an equally likely hood of a damage or sinking of the rig.

Press reports indicates the sinking of Deepwater Horizon was due to bad fire fighting procedures. That is pouring seawater on the floating vessel causing it to sink. When the accident report is completed, new standard practices show emerge for fire fighting with the by product of great reduction in the probability of sinking.

Page 67 in the first paragraph states: Thus the reservoirs at depths of 3000 feet are generally more prolific than their shallow water counterparts.

That statement is contradicted by most recent Reserves Report (<http://www.gomr.boemre.gov/homepg/offshore/fldresv/2006-Table4.pdf>) which shows of the 20 largest fields in the Gulf of Mexico only five are located in depth greater than 3000 feet.

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