



April 3, 2008

Letter sent electronically

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Re: Draft Drilling and Production Regulations

Gentlemen:

During the previous year, there has been significant progress made toward the completion of goal-based Drilling and Production Regulations (DPRs). CAPP acknowledges the substantial effort that was required to increase the pace of regulatory work in this period and commends the Frontier Offshore Regulatory Renewal Initiative (FORRI) co-chairs and team for this accomplishment. Moreover, CAPP has been pleased to 'step-up' and keep pace the regulatory work by contributing comments and input on the draft regulations.

While CAPP is strongly supportive of FORRI's efforts to expeditiously complete the DPRs, we have reservations regarding the presently planned completion schedule. In particular, we are concerned that there is a substantial amount of outstanding regulatory review work to be completed by CAPP and only a very limited amount of time is being allotted to conduct this work.

CAPP received FORRI's comments pertaining to CAPP's DPRs submission on December 4, 2007 for review. CAPP also received FORRI's proposed consequential amendments relating to the DPRs on February 14, 2008 for review. We understand that the first draft of the DPRs guidelines is scheduled for release and review in late April or early May. We also understand that CAPP will not have further opportunity to review or discuss the next version of DPRs before the official gazetting process as these regulations are presently being scheduled to appear in Gazette I in early June for a 30 day review period.

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It is of critical importance to CAPP that FORRI's comments, consequential amendments, DPREgs guidelines and DPREgs be reviewed concurrently and considered in a holistic manner to ensure that inter-connecting parts of the drilling and production regime are consistent and function in an effective way. With the shift from prescriptive to goal-oriented regulations, CAPP is particularly interested in understanding how the draft DPREgs guidelines will fit in the broader context of the drilling and production regime before we offer final support to the DPREgs. CAPP, therefore, has not proceeded in earnest to review FORRI's comments and consequential amendments. We are waiting to receive drafts of the DPREgs guidelines and DPREgs. However, having said this, in our preliminary review we have noted a number of inconsistencies and confusion with specific FORRI comments on the DPREgs provided to CAPP on December 4th. Our preliminary comments are attached for your consideration.

From a purely logistical perspective, please appreciate that significant time, effort and resources are required to marshal drilling and production expertise from a number of offshore and frontier companies at opposite ends of the country, jointly work through the regulatory instruments clause by clause, and reach consensus on each go-forward recommendation. It is important that the vast wealth of drilling and production knowledge and experience that resides within industry be used and applied in the development of the drilling and production regime.

CAPP finds itself in the untenable position of being pressed to conduct a thorough and detailed review of the next version of the DPREgs in an unusually short 'gazetting' period of 30 days. Given the technical complexity of the DPREgs, adoption of a new goal-oriented regulatory approach, industry review logistics, and the fact that CAPP's last substantive review of the DPREgs resulted in a submission totaling some 80 pages, it seems entirely implausible that FORRI and CAPP views on the DPREgs will align in a significant way.

Complex technical matters can easily be misinterpreted and misconstrued. As we have experienced, the FORRI workshops provide a very efficient and useful way to cooperatively work through difficult issues. CAPP believes that at least one additional workshop will be necessary to ensure that FORRI and CAPP views align to the greatest extent possible.

It is essential that the regulatory development process not only proceed in a timely manner, but that it will also be comprehensive in terms of a full review and airing of issues. A quantum step has been taken by the FORRI co-chairs and team to advance the FORRI initiative; however, CAPP has not been privy to these advancements. CAPP requires adequate time to fully assess the DPREgs and engage in at least one FORRI workshop to complete its review.

CAPP strongly recommends that a second iterative round of consultations be conducted before proceeding to 'gazette' the DPREgs. We expect that there may be many amendments to the draft DPREgs in the next round, and that the amendments would be more readily accommodated if the DPREgs were not 'gazetted'.

Should the FORRI co-chairs decide to persist with the ‘gazetting’ of the DPRregs in June, CAPP will require incremental time and further opportunities to engage the FORRI co-chairs and their team in dialogue and a workshop on the draft DPRregs. Due to the summer holiday season, we strongly recommend that the Gazette I timeline be extended to 120 days.

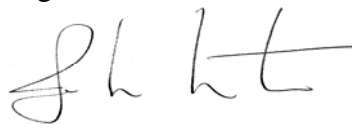
In a genuine effort to accommodate a workable Gazette I timeline that concludes on June 30, CAPP believes that its review of the DPRregs could be completed in a 50 day period. However, this would require ‘gazetting’ of the DPRregs and releasing the draft DPRregs guidelines on or before May 12. Again, due to the summer holiday season, any delays associated with the May 12 date would jeopardize the timeliness of CAPP’s review.

As a viable option to expedite the development of DPRregs, CAPP wishes to encourage the FORRI co-chairs to re-consider sharing periodic updated working drafts of the DPRregs and DPRregs guidelines with CAPP. We understand that your view is that this is simply not possible; nevertheless, we believe there is precedence in Canada for this.

CAPP believes that FORRI co-chairs need to give consideration to ensuring that the regulatory quality is not sacrificed for expediency. It is ultimately in the collective interests of government and industry to develop the best possible drilling and production regime – one that is fully reflective of both public and industry interests. Given the highly technical nature of the DPRregs regulations, CAPP believes it has real substantive value to offer to this FORRI initiative. We trust that you feel similarly, and that latitude can be provided to ensure that industry has an adequate opportunity to contribute to this initiative.

We look forward to your views in this regard, and would be pleased to discuss this matter with you further. Please do not hesitate to contact either one of us.

Regards,



John Masterson
Manager, Federal Regulatory Affairs



R. Paul Barnes
Manager, Atlantic Canada

Attachment

Additional Comments on Draft Drilling and Production Regulations

1. Sections 4(5), 7(f) and 8(e)

In the Table it is indicated that the PWG agreed with CAPP with respect to adding the phrase “position or role within the organization” that is accountable. However the text in the table indicates that the name of the responsible person is also to be included ie: ”name and position”. We have indicated previously that this is not practical because individuals change roles continuously and we thought we had concurrence from the PWG to that fact.

2. Sections 6(2), 17, 66(2) and 69.

There still seems to be some confusion over the use of “pool” and “zones”. Further discussion is needed between CAPP and FORRI in order to understand the comments and concerns associated with these terms. We believe the reference to “zone” should be removed and reporting should be done on a “pool” basis only.

3. Section 56

We have noted the PWG comment that your view has not changed on this issue but we view the requirement to test and sample “every formation” is very onerous and is unnecessary and feel a dialogue on this issue is required to understand the concern more fully,

4. Section 57(6)

In the table we suggested the term “immediately” should be changed to “within a reasonable timeframe”. It appears there is no PWG response directly to this in the table but in other areas of the table the PWG has accepted this suggested terminology.

5. Section 79(1) (a)

In column 4 of the table the PWG refers to the term “test” related to working in excess of 12.5 hours during a shift. However the draft regulation text refers to conducting a risk assessment to determine whether this is appropriate to allow excess hours or decreased rest period and makes no reference of a test. We need clarification as to what is meant by “test” in this provision,

Section 79

The intent of this clause is not clear: “Section 79(2) the operator shall ensure that (b) for each injury..a copy of an investigation report..is submitted. The PWG has added what appears to be a new definition called “minor injury” which requires first aid but is not a “lost or restricted workday injury”. It is not clear whether the reporting set out in Section 79(2)(b) is a requirement for a minor injury or only for a lost or restricted workday injury. It is important that these terms be consistent with what the Boards require and use in their statistical requests from operators.