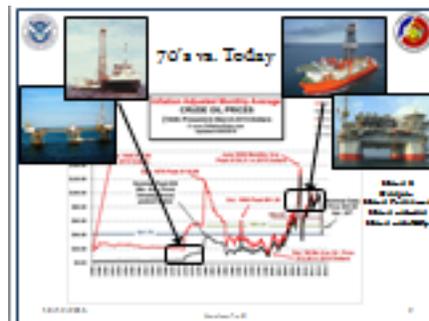


Thank you, Pete. Good Morning. I'd like to thank the Marine Technology Society DP Conference for offering me the opportunity to say a few remarks to you today.



Things have changed quite a bit since dynamic positioning was first introduced as a means of position keeping for drilling in the Gulf of Mexico. I was looking at “the history of DP” by Howard Shatto on [this committee’s web site](#); the early pioneer days of the Eureka and SEDCO 445. When SEDCO 445 was working it was a different time. The price of oil, in today’s dollars, was around 20-25 dollars WITH ALMOST NO VARIATION and had been for the last 30 years. This was an era of certainty and predictability. The drilling occurred relatively close to shore (within 20 miles) and the fixed production platforms would produce several thousand barrels of oil a day. Contrast that

with today. Drilling and production occur hundreds of miles offshore with an average price of around 65 dollars. It's over three times the price, and remember these are dollars adjusted for inflation. The pressures and temperatures of the wells drilled are much higher. The production facilities produce hundreds of thousands of barrels a day.

Look also at the volatility. We all know its massive... we've seen \$100 price swings around this average. The market is much less predictable.

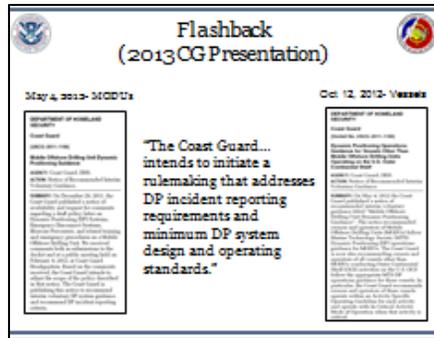
It's much harder to manage risk in today's environment. What will the future hold? We don't know. How do we invest when 2017 could be for \$30 a barrel or \$90 a barrel? Are companies reducing Risk Management, HSE or Regulatory staffs when oil is below \$50?

Right now half of the rigs in the Gulf of Mexico are stacked. When oil is \$90 a barrel and these rigs are broken out, will the workforce be ready and the equipment be maintained? Now is the time to prepare for the inevitable price increase. I'd like to talk about preparation in the area of dynamic positioning, and my message is share information and collaborate to raise the bar!

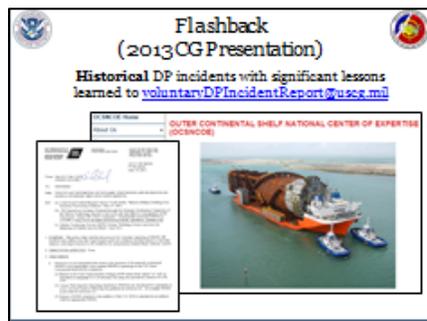


Earlier this year the CG and BSEE published a safety alert. I won't go into the details, but suffice it to say that an DP1 OSV with no WSOG, an untrained crew was hooked to a well interfacing with hydrocarbon barriers. The long story short is it lost position and ripped off the tree it was connected to. Someone hired this vessel when oil was around \$100/barrel! Why did this vessel get a contract for these operations?

We all remember what happened after Macondo... the moratorium. Not good for the offshore industry! What if the U.S. decides a better alternative is on shore fracing? Eagle Ford and Bakken have injected so much crude into the system; that may have contributed to the lowering of prices we see today. Offshore oil production is faces competition from on shore shale gas; Hydraulic fracturing has put U.S. land oil and gas production back on the map. Some may ask "why take the risk of drilling in the oceans off of our coasts when we can drill in Texas or North Dakota?" We want to avoid offshore spills due to DP failures.



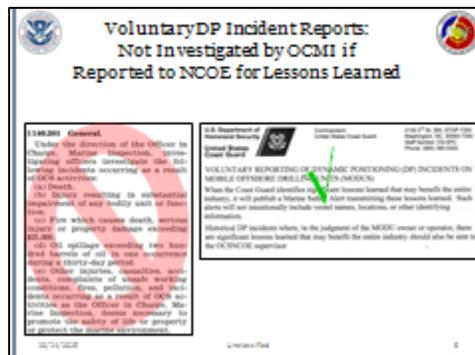
We know the Coast Guard is pursuing minimum standards for DP. That won't be enough. If you are looking to the federal minimum and the regulator as your safety net you are looking in the wrong place. We are the last wrung of the safety later. To keep barriers in place to prevent DP loss of position, operators have to embrace a culture of safety that measures the barriers, ceases operations when they discover they have broken down and restores them prior to resuming operations.



I've only been watching for a few years, but already I see the same mistakes repeated; similar barriers not in place resulting in the similar incidents. The safety alert I mentioned was an extreme example. In that case CG recommended MTS guidance that calls for a DP2 vessel, trained crew and WSOG/ASOG for those operations. I've also seen drilling units repeat the

mistakes in just the few safety alerts the CG has published. Note that **historical** DP incidents can also be reported... Many of you have a robust lessons learned program from past incidents. Why not share them more openly?

I understand there are liability and proprietary knowledge concerns; but honestly I don't see these as reasons as sufficient not to share best practices across the industry. The kinds of things that are happening can be shared in a manner that respects these concerns. The Coast Guard called for that in 2013 but the response has been sparse at best.



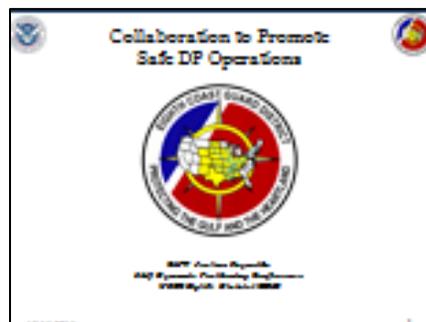
I'm here to renew [that call](#). The Coast Guard offered to be a vehicle to share lessons learned and we wish to do that. We are in a pre-rule environment. With the consolidation earlier next year, I am now the offshore OCMII for every drilling rig in the Gulf of Mexico. I believe that DP incidents that:

- do not involve an emergency disconnect and discharge of riser mud

- are not reportable marine casualties under existing regulations
- are not required to be investigated under 33 CFR 141.201(a)-(d)

Need not be officially investigated (in the language of 33 CFR 140.201(e), “The OCMI does not deem it necessary to promote safety of life or property or to protect the marine environment”) if the drilling contractor voluntarily reports the incident and collaborates with our Outer Continental Shelf National Center of Expertise to develop and publish **anonymous lessons learned**.

It will **NOT** placed on a drilling rig’s record and will **NOT** be used for increased regulatory oversight.



In short, I encourage every drilling contractor to voluntarily report DP incidents and share lessons learned to promote a culture of safety and incident free DP Operations.

Thank you very much for the opportunity to speak to you today.