

DEPARTMENT OF THE INTERIOR
MINERALS MANAGEMENT SERVICE MANUAL

TRANSMITTAL SHEET

Release No. 278

August 7, 2000

SUBJECT: Program Series
Part 650 Operations
Chapter 1 Offshore Inspection Program

EXPLANATION OF MATERIAL TRANSMITTED:

This release revises the Offshore Inspection Program chapter to update policies and other requirements for onsite inspections and to update policies and procedures for implementing the OCS Lands Act.

W. Rosenbusch

Director

FILING INSTRUCTIONS:

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OPR: Engineering and Operations Division
Offshore Minerals Management

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1. Purpose.

This chapter updates the Minerals Management Service (MMS) policy, responsibilities, and procedures for inspecting oil, gas, and sulfur facilities located on the Outer Continental Shelf (OCS). It addresses MMS inspection of the OCS oil, gas, and sulfur operations, but does not address inspections that MMS requires operators to perform, such as structural inspections. It directs all personnel engaged in inspection activities to comply with the requirements of this chapter and the national and regional policies and procedures documents.

2. Objectives.

The objective of this chapter is to ensure that MMS conducts inspections in a consistent and fair manner while meeting the requirements of relevant laws and regulations.

3. Authority.

The following statutes provide MMS with the legal authority to administer the Inspection Program.

- A. The OCS Lands Act, as amended (43 USC 1331 et seq.)
- B. Federal Oil and Gas Royalty Management Act of 1982 (30 USC 1701 et seq.)
- C. Oil Pollution Act of 1990 (33 USC 2701 et seq.)
- D. Clean Air Act Amendments of 1990 (42 USC 7401 et seq.)

4. References.

- A. Oil and Gas and Sulphur Operations on the OCS (30 CFR 250)
- B. National Potential Incident of Noncompliance (PINC) List and Guidelines

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C. MMS Manual, Part 650, Chapter 2, OCS Civil/Criminal Penalties Program

D. MMS Manual, Part 640, Chapter 3, Accident Data Collection and Investigation

5. Definitions. The definitions for this Part are contained in Appendix 1 - Glossary

6. Policy. It is the policy of the MMS to promote safety, pollution prevention, and compliance with statutes, regulations, lease terms, rights-of-way, licenses, and permits through the Offshore Inspection Program. The primary responsibility for safety and pollution prevention rests with the operator. The MMS' responsibility is to ensure that industry maintains a prudent regime for achieving safety.

To this end, the MMS encourages OCS operators to develop and adhere to companywide Safety and Environmental Management Programs (SEMP). The SEMP concept is a system approach to safety and includes safety and environmental awareness in training, planning, and equipment at all levels of corporate operations, from the Chief Executive Officer to a facility employee.

A. Statutory Requirements.

(1) Requirements Imposed by the OCS Lands Act. The OCS Lands Act requires that the Secretary promulgate regulations to provide for:

(a) Scheduled onsite inspection, at least once a year, of each facility on the OCS that is subject to any environmental or safety regulation issued by MMS pursuant to the OCS Lands Act. This inspection will include all safety equipment designed to prevent or ameliorate blowouts, fires, spillages, or other major accidents. (43 U.S.C. 1348(c)(1))

(b) Periodic onsite inspections without advance notice to the operator of the facility to assure compliance with environmental and safety regulations issued by MMS. (43 U.S.C. 1348(c)(2))

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(2) Requirements Imposed by the Federal Oil and Gas Royalty Management Act of 1982. The Federal Oil and Gas Royalty Act of 1982 requires:

(a) The Secretary to "establish procedures to ensure that authorized and properly identified representatives of the Secretary will inspect at least once annually each lease site producing or expected to produce significant quantities of oil or gas in any year or which has a history of noncompliance with applicable provisions of law or regulation." (production verification) (Section 101 (b) (1))

(b) An operator to "develop and comply with such minimum site security measures as the Secretary deems appropriate to protect oil or gas produced or stored on a lease site or on the OCS from theft." (Section 102 (b) (2))

(3) Requirements Imposed by the Oil Pollution Act of 1990 and Executive Order 12777. The Oil Pollution Act of 1990 resulted in overlapping jurisdictions in several areas between the Department of Transportation and the Department of the Interior. The U.S. Coast Guard (USCG) and MMS resolved jurisdictional issues through a 1998 Memorandum of Understanding (MOU). This MOU addresses the following areas and should be consulted for additional detail.

(a) Delineates lead agency inspection and oversight responsibilities for fixed platforms, floating platforms, and mobile offshore drilling units (MODU).

(b) Provides a procedure for the USCG to forward civil penalty actions to MMS for violations under their jurisdiction.

(c) Delineates responsibilities associated with oil spill response concerns.

- 1) Certificates of financial responsibility
- 2) Oil spill preparedness and response planning
- 3) Spill response

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(d) Delineates responsibilities for accident investigation.

The balance of the MOU addresses agency cooperation, minimizing duplication in terms of reporting, maintaining databases, and accident investigation.

(4) Requirements Imposed by the Clean Air Act Amendments of 1990. Under section 328 of the Clean Air Act Amendments of 1990, Congress transferred to the U.S. Environmental Protection Agency (EPA) the authority to regulate OCS air sources, except for those adjacent to the states of Texas, Louisiana, Mississippi, and Alabama, where the U.S. Department of the Interior retains authority. EPA promulgated 40 CFR Part 55, OCS Air Regulations, on September 4, 1992, establishing the requirements for controlling air emissions from OCS sources under EPA jurisdiction.

The MMS coordinated with EPA through the administrative rulemaking process prior to promulgation of the rule, and, presently, on a project-by-project basis. The MMS Pacific OCS Region (POCSR) is also coordinating with the local air pollution control agencies, which have been delegated the authority from EPA to regulate OCS air emissions.

The POCSR's coordination with EPA and the local agencies has involved modifications the POCSR operators have undertaken to come into compliance with the air regulations. According to the regulations and the delegation agreements between EPA and the local agencies, MMS will be consulted on any operator's exemption requests and prior to facility inspections. In addition, MMS will review any facility modifications to ensure that they are both safe and technically feasible under its own operating regulations.

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B. Implementation of Statutory Requirements.

(1) Scheduled inspections. MMS may inspect each facility at least once each year on a scheduled basis with advance notice given to the lessee (referred to as "scheduled onsite inspection" in the statute). These scheduled inspections are either complete inspections or sampling inspections. MMS uses quantitative and qualitative risk assessment criteria to determine whether a facility should have a complete inspection or a sampling inspection. Inspectors perform scheduled inspections on the following operations/facilities:

(a) Drilling. A scheduled drilling inspection consists of checking for installation, operation, and maintenance of all appropriate safety and antipollution devices and associated equipment on drilling facilities using observation, physical testing, and/or records checking techniques, as appropriate. The scheduled drilling inspection is a complete inspection of all applicable inspection characteristics delineated on the National PINC List, or a sampling inspection using a random sample of inspection characteristics from the National PINC List.

(b) Production. A scheduled production inspection consists of checking for installation, operation, and maintenance of all appropriate safety and antipollution devices, and associated equipment on production facilities using observation, physical testing, and/or records checking techniques, as appropriate. The scheduled production inspection is a complete inspection of all applicable inspection characteristics delineated on the National PINC List, or a sampling inspection using a random sample of inspection characteristics from the National PINC List.

(c) Pipeline. A scheduled pipeline inspection consists of checking for installation, operation, and maintenance of all appropriate safety and antipollution devices, and associated equipment on pipeline facilities using observation, physical testing, and/or records checking

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techniques, as appropriate. A scheduled pipeline inspection can be conducted as part of a scheduled production inspection, in conjunction with a scheduled production inspection, or as a separate inspection. A scheduled pipeline inspection is a complete inspection of all applicable inspection characteristics delineated on the National PINC List except when conducted as part of a scheduled production sampling inspection.

(d) Production Measurement/Site Security. A scheduled measurement/site security inspection consists of checking for installation, operation, and maintenance of all appropriate production measurement and site security devices and associated equipment using observation, physical testing, and records checking techniques, as appropriate. A scheduled measurement/site security inspection can be conducted as part of a scheduled production inspection, in conjunction with a scheduled production inspection, or as a separate inspection. A scheduled measurement/site security inspection is a complete inspection of all applicable inspection characteristics delineated on the National PINC List. In some instances, meter provings and calibration inspections could be performed in conjunction with scheduled production measurement/site security inspections as time and logistics permit.

(2) Unannounced Inspections. MMS may perform inspections without advance notice to the lessee of a facility to assure continued safety, pollution prevention, and compliance. The planning of announced inspections is based on a quantitative and qualitative assessment of relative risk. Priority is given to those facilities determined to be higher risks to safety. Unannounced inspections are conducted for the following operations:

(a) Drilling operations. MMS plans unannounced inspections of drilling facilities to ensure continued compliance with safety and pollution prevention regulations. These unannounced inspections are accomplished in a manner that the drilling facilities and applicable PINCs

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inspected each year equal or exceed specified percentages. These percentages are defined in each region's policies and procedures document. In addition, some nonscheduled unannounced inspections of drilling facilities may be conducted, such as reinspections and inspections of a specific item or system.

(b) Production operations. MMS plans unannounced inspections of production facilities to ensure continued compliance with safety pollution prevention regulations. These unannounced inspections are accomplished in a manner that the production facilities and applicable PINCs inspected each year equal or exceed specified percentages. These percentages are defined in each region's policies and procedures document. Unannounced inspections of production facilities may be conducted in conjunction with inspections of pipeline, production measurement, and site security operations. In addition, some nonscheduled, unannounced inspections of production facilities can be conducted, such as reinspections and inspections of a specific item or system.

(c) Pipeline operations. MMS conducts unannounced inspections of pipeline facilities as conditions and circumstances permit or warrant. Unannounced pipeline inspections can be conducted in conjunction with inspections of production facilities and production measurement and site security facilities.

(d) Production measurement/site security and meter proving operations.

1) MMS conducts unannounced inspections of production measurement and site security operations as conditions and circumstances permit. Unannounced production measurement/site security inspections can be conducted in conjunction with inspections of production and pipeline facilities.

2) MMS witnesses meter provings and calibrations as conditions and circumstances permit. Witnessing these operations may be done separately from other inspections or in conjunction with other inspections.

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(e) Abandonment operations. MMS conducts unannounced inspections of abandonment operations as conditions permit. This includes abandonment of wells, abandonment of structures, and site clearance.

(f) Well-workover/well-completion operations. MMS conducts unannounced inspections of well-workover and well-completion operations as conditions and circumstances permit. Well-workover and well-completion inspections can be conducted in conjunction with inspections of drilling and production facilities.

7. Responsibilities.

A. The Associate Director for Offshore Minerals Management develops nationwide inspection policy and provides oversight of the Offshore Inspection Program. This oversight includes:

- (1) Nationwide program planning.
- (2) Coordination with Royalty Management.
- (3) Offshore Inspection System (Inspection database).
- (4) Consistency among regional programs, while taking into account region-specific circumstances.

B. The Chief, Engineering and Operations Division:

- (1) Coordinates the development of nationwide inspection policy, including program consistency.
- (2) Performs program oversight functions.
- (3) Maintains qualifications of inspector series.
- (4) Develops and administers the national inspector training program.

C. The Regional Director administers the Offshore inspection program within the region. This responsibility includes:

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- (1) Regional program planning.
- (2) Assurance that inspector qualifications are maintained through the inspector training program.
- (3) Program oversight of regional program.
- (4) Coordination with Royalty Management.
- (5) Approval of regional policies and procedures documents.

D. The Regional Supervisor implements the Offshore inspection program within the region. This responsibility includes:

- (1) Implementation of the regional inspection policies and procedures.
- (2) Implementation of inspector training.
- (3) Program oversight of implementation by the districts, including consistency among district inspection programs.
- (4) Recommending regional inspection policies and procedures.

E. The District Supervisor implements the Offshore inspection program within the district. This responsibility includes:

- (1) Ensuring the scheduling and performance of inspections.
- (2) Ensuring that results of inspections are documented.
- (3) Obtaining corrective action for operations found in noncompliance.

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(4) Ensuring that data are entered into inspection database.

(5) Supervising and providing guidance to supervisory inspectors.

F. Supervisory Inspectors have the following responsibilities:

(1) Scheduling and monitoring the performance of inspections.

(2) Documenting the results of inspections.

(3) Monitoring corrective action for operations found in noncompliance.

(4) Monitoring the inspection database to ensure correct entry of data.

(5) Providing guidance and supervision to inspectors.

G. Inspectors (and when needed, other technical personnel) perform inspections of facilities used for oil, gas, and sulphur operations on the OCS.

8. Related Policies. The MMS Manual (MMSM) chapters listed above under references contain the policies and procedures for conducting accident investigations and processing civil and criminal penalty cases. These two subjects are closely linked to the inspection program and are dependent on the inspection program for information. The positions listed above under responsibilities also have responsibilities under both the Accident Investigation and the Civil Penalty chapters of the MMSM.

9. Offshore Inspection Database. The inspection component of the MMS Technical Information Management System (TIMS) is the inspection program database. The results of inspections are entered into TIMS. MMS categorizes inspections as scheduled or unannounced. Further delineation of inspections is contained in the regional policies and procedures documents.

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10. Procedures. The operational controls, procedures, and regional policies (including discretionary policies) for the Offshore inspection program are contained in the national policies and procedures document and the regional policies and procedures documents.

Glossary

A. Complete Inspection is an inspection that scrutinizes all safety system components designed to prevent or ameliorate blowouts, fires, spillages, or other major accidents. Additionally, the inspector checks for compliance with current plans, lease terms, and appropriate stipulations.

B. Component is a piece of production process equipment (such as an oil/gas/water separator) which is protected by one or more safety devices.

C. Device is a piece of safety equipment (such as a pressure safety valve) which is designed to protect a component or a facility from dangerous operational situations.

D. Facility may include all of the following (for the purpose of this manual only):

(1) An individual platform permanently or temporarily attached to the seabed (including well caissons, well jackets, ice islands, and gravel islands).

(2) A drilling/completion/workover rig/vessel temporarily attached to the seabed (including dynamically positioned vessels).

(3) A multi-platform complex interconnected by walkways.

(4) A mother-satellite cluster of platforms in which a central platform housing oil and gas processing equipment is connected by subsea gathering lines to smaller non-processing platforms containing production wells.

(5) For production measurement purposes, an installation that includes all metering or other measurement devices for both oil and gas, which are used for measuring the quantities of production from the lease for royalty purposes, including site security devices.

E. Incident of Noncompliance (INC) is a citation issued to a lessee or operator for a violation of MMS regulations. An INC is accompanied by an enforcement action appropriate to the level of risk presented by the violation, as follows:

(1) A warning, for a violation which must be corrected within a stated amount of time, or for a violation that is not correctable and does not pose a continuing safety or pollution threat. (An example of the latter situation could be a case where an equipment test is required every 7 days, but an operator goes 14 days without performing the test, then performs it every 7 days for the next several weeks. He receives a warning for the missed test even though the violation is a shut-in offense).

(2) A component shut in, for a violation that must be corrected before the component can be placed back in service.

(3) A facility shut in, for a violation that must be corrected before the facility may be re-activated.

F. Inspection Personnel is a generic term for a person performing an inspection-related function. Inspectors comprise the majority of the MMS inspection workforce. However, in some instances, district or regional engineering or scientific personnel may conduct an inspection.

G. Inspection Program is the planned and systematic pattern of actions necessary to ensure fair and consistent inspections of lessee operations, to promote safety and pollution prevention, and to provide assurance of lessee compliance with MMS regulations. The inspection program also provides for the verification of production measurement and the inspection of site security measures.

H. Inspector is a person in the GS-1801 Inspector (Offshore Operations and Safety) series. These personnel perform the majority of inspections in the Offshore inspection program.

I. Inspector Training Program is a formal program of in-house, on-the-job, vendor, and interactive multi-media training for inspectors intended to professionalize the inspection force.

J. Internal Review is a documented activity performed in accordance with written procedures to verify by examination and evaluation of objective evidence that the program is being implemented effectively and in accordance with the MMSM and supporting documents. Procedures to deal with internal review will be delegated to the regions for development, and will be addressed in the regional policies and procedures documents.

K. The National PINC List is a compilation of all PINCs for the inspection of lessee operations. Its use results in an inspection program that is both fair and consistent in all OCS waters. This compilation may be supplemented with region-specific PINCs (from lease stipulations and conditions of approval).

L. The PINC is a rephrasing of an MMS regulation in the form of a question. A "no" answer indicates that compliance has not been met, and an INC is to be issued on Form MMS-1832, Notification of Incidents of Noncompliance.

M. Sampling Inspection is an inspection of a random sample of safety devices or components selected from all safety devices or components on a facility whose PINCs fall within the same level or risk, i.e., within the same enforcement action category. A sampling inspection may be used in lieu of a complete inspection based on criteria listed under the "Scheduled Inspections" section of this chapter.