



AMERICAN PETROLEUM INSTITUTE



July 21, 2014

Mr. John Murphy
Chair
Economic Classification Policy Committee
Census Bureau, Room 8K157
Washington, DC 20233-6500

Re: "NAICS for 2017"

Via electronic submission to: <http://www.regulations.gov/>

To whom it may concern:

On May 22 2014, the Office of Management and Budget published a notice in the Federal Register soliciting proposals from the public for changes to the structure and content of the North American Industry Classification System (NAICS) for inclusion in a potential 2017 revision. The American Petroleum Institute (API), the Association of Energy Service Companies (AESC) and the National STEPS Network provide the following comments for consideration.

The API is a national trade association that represents over 600 members involved in all aspects of the oil and natural gas industry, including producers, refiners, suppliers, pipeline operators, and marine transporters, as well as service and supply companies that support the industry. API members carry out operations for safe and environmentally responsible exploration and production of oil and natural gas. The oil and natural gas industry supports 9.8 million U.S. jobs and 8 percent of the U.S. economy, delivering \$86 billion a day in revenue to our government.

The AESC is a national oil and natural gas trade association of upstream well servicing providers for the oil and natural gas industry. Founded in 1956, they represent 850+ member companies involved with all aspects of servicing at the well site (well servicing rigs, wireline operations, hydraulic fracturing, coiled tubing, hot oiler, snubbing, etc.). The association operates through 19 chapters throughout the United States, with national headquarters in Houston, Texas.

The National STEPS Network is an all-volunteer organization with over 1700 member companies which works in partnership with trade Associations, OSHA, NIOSH, BLS, Educational institutions and others to support the improvement of Safety and health in the oil and natural gas extraction industry. National STEPS works to foster a work environment based upon open communication and trust.

Our comments are submitted without prejudice to any member company's right to have or express different or opposing views, and we have encouraged all of our members to submit comments on the proposal. We believe that the current NAICS codes do not accurately reflect the industry subsectors and groups. We believe that this proposal supports the four principals which guided the initial development of NAICS and will substantially improve the accuracy of statistical data, which is our sole purpose for these suggested changes.

The U.S. energy renaissance is radically changing our energy picture and advancements in technology have reversed our nation's energy paradigm from one of scarcity to abundance. As noted in the President's May 2014 all-of-the-above energy strategy, increased oil and natural gas production is a boost to the U.S. economy and is a significant contributor to American job creation, the shrinking trade deficit and increased government revenues.

It is well-known that the onshore oil and natural gas industry has changed dramatically in the last fifteen years largely due to advances in drilling technology such as directional drilling, drilling in deep water, and well servicing and completions in shale formations. Other technological advances have significantly changed certain production processes used in the onshore oil and natural gas industry allowing existing fields to have their lives extended. Those changes have also resulted in the drilling of new wells in onshore areas not previously believed to have producible amounts of oil and natural gas at a large number of sites. These advancements have resulted in a substantial growth in oil and natural gas activity and employment throughout the United States during this time frame. As the industry has grown the activities necessary to support safe energy development have also significantly changed in order to support this growth.

We are recommending that the NAICS be changed to reflect the very different production processes used by the onshore and offshore oil and natural gas industry. In sharp contrast to onshore drilling and production activities, offshore drilling and production operations are conducted on large platforms with numerous wells drilled from a single platform often in extremely deep waters. This part of the industry has also undergone significant change in recent years largely due to necessary technology for drilling and producing in deep waters. Because of the substantial differences in the way onshore and offshore oil and natural gas drilling and production is conducted, their production processes are sharply different from each other. We believe that separating these industries will fulfil the NAICS principals of grouping together same or similar production processes and developing production-oriented classifications for industries engaged in the production of advanced technologies.

Another notable support activity is the transportation of supplies necessary to complete operations. This has resulted in a marked increase in the shipment by truck of the equipment and supplies to those many areas needed to conduct those operations. The transportation of oil and gas extraction-related products and supplies is highly specialized and represents a significant statistical category. We strongly believe that separating oil and natural gas extraction related transportation from other transportation industries is warranted.

We propose the following changes to NAICS:

- The NAICS code 213111 (Drilling Oil and Gas Wells) should be moved under 211;
- We believe a distinction between Drilling and Well Servicing/Completions should be made.
 - Drilling: Drilling and Casing of the well bore.
 - The NAICS code 213112 (Support activities for Oil and Gas Operations) should also be moved under 211;

- Well Servicing/Completions: Cementing operations and other completion activities
 - Construction and Roustabout services
- These new codes could fit in 211 either as a 4-digit, 5-digit, or 6-digit code;
- We agree that a distinction between offshore and onshore activities for the oil and gas extraction categories as described in Federal Register page #29628, Part IV is needed. ‘Drilling oil and gas wells’ could be a 5-digit code, followed by two 6-digit NAICS Codes: one for drilling onshore and one for drilling offshore. The same structure could be used for the other category ‘support activities for oil and gas operations’ as mentioned above.
- Roughly fifty percent of all fatalities in the US Onshore Oil and Gas Extraction Industry are attributed to transportation currently listed in 484220 and 484230. We would suggest a 6-digit designation specific to Oil and Gas with appropriate definitions for local and long-distance carriers.
 - Personnel transport
 - Bulk liquids trucking
 - Dry bulk carrier, truck
 - Flatbed trucking
 - Sand hauling
 - Tanker trucking (Currently chemical, juice, milk, petroleum)
 - We suggest adding a separate 6-digit code specifically for Oil and Gas Extraction transporting of oil, condensate and produced water and fluids
- Marine Transportation for offshore Oil and Gas Extraction, including subsectors 483, 486 and 488 and other subsectors as applicable should also be defined.

The industry associations, member companies and individual members reflected in this letter believe that the separation of industry entities proposed here will provide meaningful data points that will enable the oil and natural gas extraction industry to better evaluate injury and fatality trends, in order to allocate educational, safety and health resources more appropriately to protect workers.

Finally, the oil and natural gas extraction industry understands the importance of the principal of time continuity. Although we have made suggestions for code changes, we would appreciate an opportunity to work closely with the Economic Classification Policy Committee (ECPC) to better understand appropriate code selection and apply our recommendations in a practical manner. We would further appreciate an opportunity to provide definitions, cross-references and additional information as requested by the ECPC for the oil and gas extraction activities listed here to provide clarity for industry reporting.

The Bureau of Labor Statistics (BLS) reports the oil and gas extraction injury fatality rate using NAICS code 211, while the other 2 codes related to oil and gas extraction (213111 and 213112) are absorbed by “support activities for mining”¹. For 2012, the BLS Quarterly Census of Employment and Wages reported the following estimates for numbers of workers in the oil and gas extraction related NAICS codes:

¹Bureau of Labor Statistics. Fatal occupational injuries, total hours worked, and rates of fatal occupational injuries by selected worker characteristics, occupations, and industries, civilian workers, 2012. Washington, DC: US Department of Labor; 2014. Available at http://www.bls.gov/iif/oshwc/foi/foi_rates_2012hb.pdf

Worker Estimates, 2012²

Oil and Gas Extraction (211): 188,003 workers

Drilling Oil and Gas Wells (213111): 92,340 workers

Support Activities for Oil and Gas Operations (213112): 282,447 workers

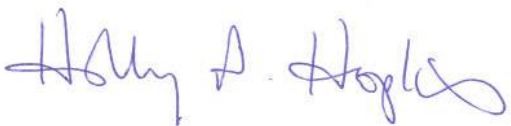
Total Number of Workers: 562,790

According to these estimates, Oil and Gas Extraction (211) currently only represents 33.4% (188,003/562,790 * 100) of the entire oil and gas extraction workforce. Therefore, the fatality rate reported by BLS is not an accurate representation of the industry's true fatality rate.

Second, moving all oil and gas extraction activities into one 3-digit NAICS code would allow for more accurate characterization of this industry in other reports as well where categories are reported by 3-digit NAICS codes³⁴.

We appreciate you allowing us to submit proposals to revise the NAICS, which will allow for improvement in the characterization of the oil and natural gas extraction industry in future injury and surveillance reports. If you have any questions, please contact Holly Hopkins by phone at (202)682-8439, or by e-mail at hopkinsh@api.org.

Sincerely,



Holly A. Hopkins, API



Kenny Jordan, AESC



Rick L. Ingram, National STEPS Network

² Bureau of Labor Statistics. Quarterly Census of Employment and Wages, Online Annual Averages, 2012. Washington, DC: US Department of Labor. Available at <http://www.bls.gov/cew/cewbultn12.htm>

³ CDC. Occupational Highway Transportation Deaths --- United States, 2003—2008. MMWR 2011;60:497-502. Available at <http://www.cdc.gov/mmwr/preview/mmwrhtml/mm6016a2.htm>

⁴ CDC. National Health Interview Survey, Occupational Health Supplement, National Occupational Research Agenda (NORA) Sector Profiles. Available at <http://www.cdc.gov/niosh/topics/nhis/profile.html>