

To: Nuclear Regulatory Commission
Subject: ID: NRC-2016-0276-0001
Date: 3/10/2017

Comments submitted by Association of Energy Service Companies:

The Association of Energy Service Companies (AESC) is a trade association whose membership consists of companies that provide services in the oil and gas upstream industry. These companies include wireline/well logging companies, several of which utilized radioactive sources in their well logging operations. The AESC was formed in 1956, consisting largely of U.S. based companies operating in the U. S. We have several smaller well logging companies as members of our association, for which the inclusion of Category 3 sources would present additional burdens on them, much different than it may for a larger well servicing company who may already have a license for a Category 1 or 2 source(s).

First and foremost, let us state that as an industry, we are very sensitive to issues related to possible threats by radioactive materials in the current world we live in. NO company wants a radiological event to occur, knowing what it would mean for the entire industry if only one mistake was made. It is in all of our best interest to maintain security and control of this material at all times. We believe industry has demonstrated that commitment in the past and will continue to do so in the future.

Our concerns are reflected below:

1.) This Issue was Brought Forward by Lack of Governmental and Regulatory Controls to Start With

The apparent genesis of this proposal was through a “sting” operation conducted whereby the Government Accountability Office (GAO) was able to obtain a radioactive license from the NRC by utilizing a fictitious company, the license was altered and a contract was entered into for the purchase of radioactive material in approximately 2007. In 2014 the GAO conducted a vulnerability test by setting up fictitious businesses in three states; two of those states denied licenses after site inspections, however, and one state issued a license because of lack of procedural follow up. Changes were made in that state in 2016 to strengthen the procedures for vetting licensees. We believe those changes have now only been in place approximately one year, this may very well have addressed the concerns of the regulatory offices but has it been given sufficient time to properly evaluate the changes.

The concern is now that industry, especially smaller companies that may possess only a Category 3 license and may only have 1-3 sources are being made to bear the burden of mistakes made on the regulatory side, not on the industry side. Many of these small companies are exactly that, small enterprises with probably less than 50 employees total (and in many instances smaller than that).

2.) Burdensome Regulations for Small Businesses

As stated above, many of the smaller well logging companies in the US only maintain a license for Category 3 sources. Some of the larger companies may have licenses for Category 1 or 2, so the addition of Category 3 sources for those larger companies is not as burdensome to them. They already do all necessary steps for the Cat 1 and 2, so the addition of Cat 3 does not impact them to the extent that it does for smaller companies who have to possibly now (if enacted) go through the entire process and cost of implementation.

Additional cost burdens may come at a time when ALL companies involved in oil and gas exploration in the U.S. have had to cut their staffing, take capital equipment out of service, lower their price for services, and not be able to invest back into their companies due to the price of oil. It has been “survival” mode for many of these companies over the last two years. Additional costs that include personnel for tracking, security implementations, etc. would be a tremendous financial burden at a time when they are trying to recover from the worst economic slowdown in the oil and gas business there has been in the last 40 years.

One of our member companies reported that the additional cost to them for (2 locations, 14 sources, 30-40 employees) would be an initial cost set up in year one of \$250,000. That included personnel, training, regulatory implementation, security systems, vehicle monitoring, etc. That did state that this was a rough estimate as they had not gone through a bidding or sourcing process for what would be all of the requirements to get specific estimates of costs.

3.) Working with Industry

In the event that it is decided to proceed with regulatory controls to industry as opposed to additional regulatory internal controls either by the NRC and Agreement States, we feel it is imperative to include industry in your discussions, especially with the smaller companies that may not feel they have a voice in the process except AFTER the proposed regulations are submitted for comment. The upstream oil and gas industry has worked effectively with OSHA in areas of safety by taking the approach of working together to formulate a regulatory environment that is more agreeable to industry once it is introduced. We only found out about this release last minute before the release of the proposal. We have encouraged all regulatory agencies to be inclusive of industry during potential rulemaking processes.

In conclusion, we are opposed to the inclusion of Category 3 sources into the same regulatory, tracking, and security as Category 1 and 2 sources. This seems to be a regulatory industry issue that has been made into an industry issue. There have been regulatory agency changes implemented, we believe those should be given time to work, then if additional ‘testing’ of the process is needed, do so there. The industry perception is that the agencies involved are burdening industry to fix their own internal problems.

Association of Energy Service Companies
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