



United States Department of the Interior
BUREAU OF SAFETY AND ENVIRONMENTAL ENFORCEMENT
Gulf of Mexico OCS Region
1201 Elmwood Park Boulevard
New Orleans, LA 70123-2394

In Reply Refer To: GE 432A

July 25, 2013

Mr. Timothy Duncan
President and CEO
TALOS Energy LLC
500 Dallas Street, Suite 2000
Houston, Texas 77002-4800

Re: Performance Improvement Plan
Energy Resource Technology GOM, Inc.

Dear Mr. Duncan:

This letter is to notify you that the Bureau of Safety and Environmental Enforcement (BSEE) has determined that the operating performance and compliance with Federal regulations by Energy Resource Technology GOM, Inc. (ERT) must be improved immediately. This letter provides notice pursuant to 30 CFR 250.135 that unless immediate steps are taken to improve compliance with all applicable regulations, ERT's performance will be deemed unacceptable. Failure to improve overall performance will subject ERT to additional enforcement actions up to and including possible referral to the Bureau of Ocean Energy Management (BOEM) to revoke ERT's status as an operator on all of its existing facilities.

To demonstrate improved performance and to avoid a referral to BOEM, you must submit a Performance Improvement Plan (PIP) to be approved by BSEE. The PIP will address BSEE's concerns and detail how you will bring your operations into compliance.

Specifically, BSEE instructs ERT to develop a PIP that at a minimum:

1. Demonstrates how you will ensure well operations are conducted in a safe and pollution-free manner.
2. Demonstrates how your crane program can be enhanced to reduce the number of crane incidents and crane INC's on your facilities.
3. Demonstrates your plan for reducing corrosion problems on your facilities. Over the past three years numerous corrosion INC's have been issued.

4. Demonstrates how you will reduce the number of metering non-compliances.
5. Demonstrates how you will ensure your contractors conducting hot work on your facilities are knowledgeable in the applicable BSEE regulations.
6. Explains how you will conduct refresher training in Hazard Recognition, Job Safety Analysis (JSA) and Hot Work processes for your employees and contractor employees.
7. Demonstrates how you will enhance the oversight of work being performed on ERT operated platforms (e.g., through Onsite Safety Coordinators, Operations Specialists, Subject Matter Experts, etc.).

ERT is also instructed to ensure BSEE district offices are notified 24 hours prior to ERT:

1. Conducting welding and burning operations. BSEE will conduct random inspections to document proper operations. This may include ensuring JSA's and hot work permits are completed prior to commencing these operations.
2. Commencing downhole well work to allow BSEE inspectors the ability to witness operation start up and ensure approved procedures are on location and being followed.

Based on the ERT 2013 SEMS Audit Corrective Action Plan:

1. ERT is instructed to verify that these corrective actions have been performed:
 - a. At least one facility had not completed the ERT Self-Certification Worksheet for all individuals performing operations on the facility. The facility's worksheets will be reviewed to ensure that all operations personnel have reviewed the FOP's and signed the appropriate worksheet. This action was to be completed by April 30, 2013.
 - b. At least one facility was not utilizing the Energy Isolation Permit System. A pre-existing LOTO system was in use, but it did not match the latest ERT program. This action was to be completed by May 31, 2013.
 - c. ERT's current mechanical integrity program does not directly state that the MOC program will be utilized for modification of existing equipment and systems. The SEMS manual and MOC process will be modified to include a direct connection between these systems. This action was to be completed by April 30, 2013.
 - d. Although ERT conducts drills in accordance with their SEMS plan, the associated drill reports do not contain sufficient detail describing the interactions between personnel and equipment. In addition, the drill reports do not include a written
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critique of the drills. This action was to be documented via training session sign-in logs and completed by May 31, 2013.

2. Document how your SEMS plan will reduce the different categories of INC's identified in the attachment.

The conditions outlined in this letter are a result of several troubling safety incidents involving ERT facilities (see enclosed Table I) and the fact that as noted in the enclosed INC summary (see enclosed Table II), ERT's compliance record for well operations is not at an acceptable level.

Until further notice by BSEE, in the event that ERT becomes a designated operator on any other leases, those additional leases shall be subject to the terms of this letter.

You must submit your PIP to BSEE within 30 days after receipt to this letter. Future meetings to address the status of the PIP will be scheduled as needed. Should you require further assistance, contact Mr. Tom Machado within the Office of Safety Management at (504) 736-2833.

Sincerely,

for 
Lars Herbst
Regional Director

Enclosures