



The Honorable Wilbur L. Ross
Secretary of Commerce
United States Department of Commerce
1401 Constitution Avenue NW
Washington, DC 20230
WLRoss@doc.gov

Dear Secretary Ross:

National Oilwell Varco (NOV) respectfully submits the attached Request for Exclusion from Remedies from the Section 232 National Security Investigation of Steel Imports. NOV is a leading provider of technology, equipment, and services to the global oil and gas industry that supports customers' full-field drilling, completion, and production needs. Since 1862, NOV has pioneered innovations that improve the cost-effectiveness, efficiency, safety, and environmental impact of oil and gas operations.

As one of the country's largest oil and gas equipment manufacturers, NOV plays a vital role in the U.S. energy market. We build drilling rigs and other oilfield equipment such as top drives, coiled tubing, iron roughnecks, drill pipe, hydraulic fracturing stimulation spreads, conductor casing, and blowout preventers. Our equipment makes it easier for companies to both drill for oil and gas reserves and to effectively extract and produce hydrocarbons once a well has been drilled. NOV sells and exports equipment and technology from the U.S. to customers around the world, reinforcing the role we play as a proud contributor to the growth of the U.S. economy.

The NOV family of companies import, export, manufacture, and distribute products made with steel purchased from steel mills around the world. Our 14,480 U.S.-based employees, working in 22 States, depend upon the continued operation of our major manufacturing locations in Arkansas, California, Kansas, Louisiana, Ohio, Oklahoma, Texas, and Utah. Last year, we exported almost \$1 billion in oil and gas drilling and production equipment from the United States. NOV is also a joint venture partner with voestalpine Tubulars GMBH, an Austria-based steel manufacturer that has approximately 2,200 U.S.-based employees. These employees operate numerous facilities around the country, including a specialty steel mill in Corpus Christi, Texas.

NOV does purchase domestic-origin steel when it meets ours and our customers' requirements for quality, quantity, and availability. However, many of the specialty steel products we purchase from abroad do not have domestic equivalents. The imposition of a 25% tariff on the steel for which we are submitting this exclusion request will have a significant negative impact on NOV's domestic manufacturing operations. If we do not obtain our requested exemptions, we will be forced to consider reducing our U.S. manufacturing presence. NOV needs access to these steel products to maintain its position as a preeminent producer and exporter of U.S. origin oil and gas equipment. We are a key component in the effort to ensure US energy security, and expand U.S high value exports. NOV respectfully requests that you grant this exemption to support the continued manufacture, sale, and export from the U.S. of NOV's technology, equipment, and services to the global oil and gas industry.

Best Regards,

A handwritten signature in black ink, reading "Kartapurkh S. Khalsa". The signature is fluid and cursive, with the first name being the most prominent.

Kartapurkh S. Khalsa
Senior Counsel & Director of Customs Compliance
National Oilwell Varco

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RE: 232 Product Exclusion Request for specialty OCTG green tubes manufactured in Mexico, Further Manufactured in the U.S. into High Value Drill Pipe.

Dear Secretary Ross:

Grant Prideco, L.P., a National Oilwell Varco Company, would like to thank you for the opportunity to submit the following Request for Exclusion from Remedies from the Section 232 National Security Investigation of Steel Imports for certain specialty grades of seamless “green tube” pipe made in Mexico. These green tubes are further manufactured in the U.S. into high value specialty drill pipe which is then sold both domestically and internationally to customers in the oil and gas industry. Maintaining our supply of this product is critical to the viability of our drill pipe manufacturing operations and U.S. jobs.

National Oilwell Varco (NOV) is a leading provider of technology, equipment, and services to the global oil and gas industry. NOV is headquartered in Houston, Texas but has offices and facilities throughout Texas and the United States. Prior to the recent collapse in the energy industry, NOV was a \$20 Billion a year company employing over 50,000 people globally. Today, NOV generates over \$7.3 Billion a year with ~37,000 global employees and ~14,000 employees in the United States.

NOV’s Grant Prideco business unit (GP) is a global manufacturer of premium drill pipe and drill stem products. GP currently operates 9 manufacturing facilities around the world with its headquarters located in Houston, Texas. GP’s flagship manufacturing operation is in Navasota, Texas. It is the largest drill stem manufacturing facility in the world, spanning approximately 200 total acres. GP currently employs over 1,350 people globally, including over 490 in the U.S., with pre-downturn employment exceeding 2,500 globally and 1,100 in the United States. GP has a global presence, but the Navasota, Texas facility is responsible for ~80% of its revenue, with ~40% of that revenue coming from the export of finished steel drill pipe products to over 40 countries worldwide. GP’s global competitiveness is due a highly sophisticated, vertically integrated supply chain combined with a world-class reputation for quality and technology leadership in the industry.

The GP global supply chain includes a Supply Contract with Tenaris Global Services, who produces a sizeable percentage of our seamless green tubes at their Tubos de Acero de México, S.A. (TAMSA) plant, a seamless steel rolling mill located in Veracruz, Mexico. This Tenaris Supply Contract is a critical supply source of raw material (green tubes) to GP. Tenaris supplies GP our full-size range of green tubes, some of which are not able to be produced by any domestic mill due to the tubes wall thickness and length requirements. Tenaris has been supplying GP specialty products that meet our strict performance standards and demanding delivery requirements. Tenaris has a plant located in Bay City, Texas that theoretically has the capability to make our products. The Bay City plant has been operating for over a year and GP has requested its green tube products be produced at the Bay City plant instead of the Veracruz plant. As of now, Tenaris has indicated our green tubes will come from Veracruz instead of Bay City. As such, no green tube product has been produced at the Bay City mill for GP since it opened. Prior to our Tenaris relationship, GP sourced green tubes from two domestic seamless tube mills. Neither of the domestic mills could produce all of our needed wall thicknesses or lengths. GP experienced double-digit rejection rates from the domestic mills on the sizes they could produce. Despite working with the domestic mills to try to improve their quality, GP could not get the quality improvement needed and expected by global drillers.

GP recently approached Benteler Steel in Shreveport, Louisiana to establish a domestic, secondary green tube source. Benteler Steel declined to quote or sell GP drill pipe green tubes, citing an exclusive relationship with an alternate manufacturer of finished drill pipe.

Seamless oil country tubular goods (OCTG) used for casing and tubing are positioned into the pre-drilled well and cemented in place with little to no rotation. In contrast, the drill pipe tubular is used to drill the well and therefore undergoes millions of cycles of rotation under heavy loads, requiring the most stringent, highest-quality seamless steel green tubes to provide fatigue resistance and longevity of the finished drill pipe product. The growth of the U.S. shale industry has been enabled by horizontal drilling. Today, more than 80+% of all U.S. wells are drilled horizontally. This, coupled with the increasing lateral lengths of U.S. horizontal wellbores, demands the highest quality drill pipe product, which needs the high-quality green tubes furnished by Tenaris. GP does not source these green tubes solely based on price. GP's primary sourcing motive is the value observed in the quality green tubes for the price and the resultant impact they have on the value of GP's finished drill pipe product.

The Tenaris green tubes are purchased by GP and shipped to Navasota, Texas for transformation into finished drill pipe to be used in oil and gas drilling applications. The GP manufacturing process in Navasota, Texas adds 2-3 times the value of the base steel to the final product. Given the value creation in the U.S., the finished drill pipe is considered a U.S. origin product by all industry standardization bodies, such as the American Petroleum Institute (API) and the International Standards Organization (ISO).

NOV imports its Mexico manufactured green tubes under Harmonized Tariff Heading 7304.23.6045 and 7304.23.6030. Since the 232 Steel Proclamation announcement, NOV has observed increased competition within the U.S. market from foreign drill pipe manufacturers. NOV Grant Prideco, which uses Mexico-based green tubes and employs 490-1,100 U.S. workers (depending on the cycle) to add 2-3 times more value to the steel and produce a U.S.-manufactured drill pipe product, is now faced with a significant non-competitive tariff impact within our own country of manufacture. Without the product exclusions requested by NOV or an exclusion for Mexico steel, NOV may be forced to shift manufacturing from the U.S. to foreign facilities to not only (a) serve the foreign markets, but also to (b) remain competitive in our own U.S. market.

As you proceed with your deliberations on these important national security issues, GP urges you to consider the importance of these inputs to our U.S. manufacturing operations, while balancing our national security need to promote energy independence and energy security. The U.S. wants and needs to be energy self-sufficient. GP submits that the need for energy security is at least as important as steel production capacity. Please do not constrain the very products that are critical to our energy security.

We would be pleased to provide additional information, or to meet with officials at the Department to elaborate and answer any questions you may have.



R. Brett Chandler

President, Grant Prideco

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