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April 15, 2020

**ALL ASSOCIATION MEMBERS**

Circular No. 20-1764

**RE: NCCI Item B – 1438 – Revisions to Basic Manual Classifications for Oil and Gas Field Operations**

The Minnesota Department of Commerce has approved the above filing to become effective for new and renewal policies effective on and after 12:01 a.m. on January 1, 2021. The purpose of this item is to address the classification treatment for oil and gas field operations in the ***Minnesota Basic Manual***.

**NCCI's Exhibits 1 thru 3**

Proposes to revise the rules to clarify that oil and gas operations are treated the same as construction or erection operations.

***MWCIA staff recommends to adopt the proposed change(s).***

**NCCI's Exhibit 4**

Not applicable in MN.

**NCCI's Exhibits 5 and 6**

Proposes to revise the phraseologies to address drill site preparation.

***MWCIA staff recommends to adopt the proposed change(s).***

**NCCI's Exhibit 7**

Proposes to revise the phraseologies to address flowback services.

***MWCIA staff recommends to adopt the proposed change(s).***

**NCCI's Exhibit 8**

Not applicable in MN.

**NCCI's Exhibit 9**

Not applicable in MN.

**Rate Impact**

NCCI has determined that due to multiple classification codes where payroll can be reassigned, the exact impact to overall statewide premium cannot be determined. There will be negligible statewide premium impact as a result of the changes proposed in this item.

The attached exhibits illustrate necessary changes to the *Minnesota Basic Manual*. As in past filings, strikethroughs indicate deleted text while underlining indicates new or added text. A copy of National Council's original filing memorandum is also included to provide additional background information regarding Item B-1438.

Please direct any questions you may have concerning this item to MWCI's Underwriting Department at 952-897-1737, Option 1, or email to [underwriting@mwcia.org](mailto:underwriting@mwcia.org).

**A NOTICE TO MEMBERSHIP:**

MWCIA would like to remind our membership who have filed a Limited Power of Attorney with the Minnesota Department of Commerce that no materials referenced in this Circular Letter are required to be independently filed with the department.

**Effective January 1, 2021**

**Minnesota Basic Manual**

Rule 1-C-2-f

**EXHIBIT 1**

CURRENT PHRASEOLOGY	PROPOSED PHRASEOLOGY	NOTES
<p>f. “No” or “Not”</p> <p>A classification that includes a restrictive phrase beginning with “no” or “not” must not apply to any <b>risk</b> that conducts any operation described in the restrictive phrase.</p> <p>Refer to the <b>Minnesota User’s Guide</b> for an example.</p> <p>Exception:</p> <p>For mercantile, mining, <del>or</del> construction operations this rule applies to each job or location.</p>	<p>f. “No” or “Not”</p> <p>A classification that includes a restrictive phrase beginning with “no” or “not” must apply to any <b>employer</b> that conducts any operation described in the restrictive phrase.</p> <p>Refer to the <b>Minnesota User’s Guide</b> for an example.</p> <p>Exception:</p> <p>For mercantile, mining, construction, <u>or oil and gas field</u> operations, this rule applies to each job or location.</p>	<p>Details the revision to Rule 1-C-2-f in the <b>Minnesota Basic Manual</b>.</p>

**Effective January 1, 2021**

**Minnesota Basic Manual**

Rule 1-D-3-b

**Exhibit 2**

CURRENT PHRASEOLOGY	PROPOSED PHRASEOLOGY	NOTES
<p><b>D. Classification Procedures</b>  <b>3. Assignment of More Than One Basic Classification</b></p> <p>b. The insured conducts one or more of the following operations:</p> <ul style="list-style-type: none"> <li>• Construction or erection</li> <li>• Farming</li> <li>• Employee leasing, labor contracting, temporary labor services</li> <li>• Mercantile business</li> </ul>	<p><b>D. Classification Procedures</b>  <b>3. Assignment of More Than One Basic Classification</b></p> <p>b. The insured conducts one or more of the following operations:</p> <ul style="list-style-type: none"> <li>• Construction or erection</li> <li>• Farming</li> <li>• Employee leasing, labor contracting, temporary labor services</li> <li>• Mercantile business</li> <li>• <u>Oil and gas field operations</u></li> </ul>	<p>Details the revisions to Rule 1-D-3-b.</p>

**Effective January 1, 2021**

**Minnesota Basic Manual**

Rule 1-D-3-d

**Exhibit 2**

CURRENT PHRASEOLOGY	PROPOSED PHRASEOLOGY	NOTES
<p><b>D. Classification Procedures</b>  <b>3. Assignment of More Than One Basic Classification</b>                      d. <b>Construction <del>or</del> Erection Operations</b>                      These operations are identified by a</p> <ul style="list-style-type: none"> <li>immediately following the code number.</li> </ul> <p>Each distinct type of construction <del>or</del> erection operation must be assigned to the class that specifically describes the operation only if separate payroll records are maintained for each operation.</p> <p>If separate payroll records are not maintained for any construction <del>or</del> erection operation, the highest rated classification that applies to the job or location where the operation is performed must be assigned.</p>	<p><b>D. Classification Procedures</b>  <b>3. Assignment of More Than One Basic Classification</b>                      d. <b>Construction, Erection, <u>or Oil and Gas Field Operations</u></b>                      These operations are identified by a</p> <ul style="list-style-type: none"> <li>immediately following the code number.</li> </ul> <p>Each distinct type of construction, erection, <u>or oil and gas field</u> operation must be assigned to the class that specifically describes the operation only if separate payroll records are maintained for each operation.</p> <p>If separate payroll records are not maintained for any construction, erection, <u>or oil and gas field</u> operation, the highest rated classification that applies to the job or location where the operation is</p>	<p>Details the revisions to Rule 1-D-3-d</p>

**Effective January 1, 2021**

**Minnesota Basic Manual**

Rule 1-D-3-d

# Exhibit 2 (Cont.)

<p>If a construction <del>or</del> erection operation is included in the scope of another classification, a separate code must not be assigned.</p>	<p>performed must be assigned.</p> <p>If a construction, erection, <u>or oil and gas field</u> operation is included in the scope of another classification, a separate code must not be assigned.</p>	
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**Effective January 1, 2021**  
**Minnesota Basic Manual**

Rule 1-F-3-b

**Exhibit 3**

CURRENT PHRASEOLOGY	PROPOSED PHRASEOLOGY	NOTES
<p><b>F. Changes Or Corrections In Classifications</b>                      3. b. The above rules do not apply to the following types of operations; therefore, classifications are assigned and applied at any time during the term of the policy or at audit:</p> <ul style="list-style-type: none"> <li>- Construction or erection</li> <li>- Employee leasing</li> <li>- Labor contracting</li> <li>-Temporary labor services</li> <li>- Professional employer organizations (PEOs)</li> <li>- Operations assigned to standard exception classifications</li> <li>- General exclusions</li> </ul>	<p><b>F. Changes Or Corrections In Classifications</b>                      3. b. The above rules do not apply to the following types of operations; therefore, classifications are assigned and applied at any time during the term of the policy or at audit:</p> <ul style="list-style-type: none"> <li>- Construction or erection</li> <li>- <u>Oil and gas field operations</u></li> <li>- Employee leasing</li> <li>- Labor contracting</li> <li>- Temporary labor services</li> <li>- Professional employer organizations (PEOs)</li> <li>- Operations assigned to standard exception classifications</li> <li>- General exclusions</li> </ul>	<p>Details the revision to Rule 1-F-3-b</p>

**Effective January 1, 2021**  
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# Exhibit 5

CURRENT PHRASEOLOGY	PROPOSED PHRASEOLOGY	NOTES
<p><b>GAS OR OIL</b>  <b>6216 – LEASE WORK NOC-NATURAL GAS-BY SPECIALIST CONTRACTOR &amp; DRIVERS.</b>                      Includes <del>clearing land; building lease roads, slush pits, levees, or fire walls;</del> laying or taking up flow lines and water lines; tank truck operations servicing gas or oil well sites; installing central plumbing units; <del>and lease beautification work.</del> The following operations are not included in Code 6216 and must be separately rated: pipeline construction, tank building, rig or derrick erecting or dismantling, installing or recovering casing, drilling, cementing, cleaning and swabbing wells, or well shooting. Not applicable to owner/operators of a gas or oil lease operation, or to a risk under contract with the lease owner that performs all operations necessary to work a gas or oil lease.</p>	<p><b>GAS OR OIL</b>  <b>6216 – LEASE WORK NOC-NATURAL GAS-BY SPECIALIST CONTRACTOR &amp; DRIVERS.</b>                      Includes laying or taking up flow lines and water lines; tank truck operations servicing gas or oil well sites; <u>and</u> installing central pumping unit. The following operations are not included in Code 6216 and must be separately rated: pipeline construction, tank building, rig or derrick erecting or dismantling, installing or recovering casing, drilling, cementing, cleaning and swabbing wells, or well shooting. Not applicable to owner/operators of a gas or oil lease operation, or to a risk under contract with the lease owner that performs all operations necessary to work a gas or oil lease.</p> <p><u>Drill site preparations including but not limited to clearing land; building lease roads, slush pits, levees, or fire walls; and lease beautification or dirt work performed by a specialist contractor are</u></p>	<p>Revising phraseology to address drill site preparation</p>



**Effective January 1, 2021**  
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# Exhibit 5 (Cont.)

	<p><u>classified to codes applicable to these operations, provided the services are performed prior to rig erection. Specialist contractors who perform these services during or after rig erection are assigned to Code 6216.</u></p>	
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**Minnesota Basic Manual**

**Exhibit 6**

CURRENT PHRASEOLOGY	PROPOSED PHRASEOLOGY	NOTES
<p><b>OIL OR GAS</b>  <b>6216 – LEASE WORK NOC-BY SPECIALIST CONTRACTOR &amp; DRIVERS.</b> Includes <del>clearing land; building lease roads, slush pits, levees, or fire walls;</del> laying or taking up flow lines and water lines; installing central pumping units; tank truck operations servicing oil or gas well sites; <del>and lease beautification work.</del> The following operations and not included in Code 6216 and must be separately rated: pipeline construction, tank building, rig or derrick erecting or dismantling, installation or recovery of casing, drilling, cementing, cleaning and swabbing of wells, or well shooting. Not applicable to owner/operators of an oil or gas lease operation, or to a risk under contract with the lease owner that performs all operations necessary to work an oil or gas lease.</p>	<p><b>OIL OR GAS</b>  <b>6216 –LEASE WORK NOC-BY SPECIALIST CONTRACTOR &amp; DRIVERS.</b> Includes laying or taking up flow lines and water lines; installing central pumping units; and tank truck operations servicing oil or gas well sites. The following operations are not included in Code 6216 and must be separately rated: pipeline construction, tank building, rig or derrick erecting or dismantling, installation or recovery of casing, drilling, cementing, cleaning and swabbing of wells, or well shooting. Not applicable to owner/operators of an oil or gas lease operation, or to a risk under contract with the lease owner that performs all operations necessary to work an oil or gas lease.</p> <p><u>Drill site preparations including but not limited to clearing land; building lease roads, slush pits, levees, or fire walls; and lease beautification or dirt work performed by a specialist contractor are classified to codes applicable to these operations, provided the services are performed prior to rig erection. Specialist contractors who</u></p>	<p>Revising phraseology to address drill site preparation</p>

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# Exhibit 6 (Cont.)

	<p><u>perform these services during or after rig erection are assigned to Code 6216.</u></p>	
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PART TWO - CLASSIFICATIONS

**Exhibit 7**

CURRENT PHRASEOLOGY	PROPOSED PHRASEOLOGY	NOTES
<p><b>6235 – DRILLING OR REDRILLING OF OIL OR GAS WELLS &amp; INSTALLATION OF CASING, DRIVERS</b></p>	<p><b>6235 – DRILLING OR REDRILLING OF OIL OR GAS WELLS &amp; INSTALLATION OF CASING, DRIVERS</b></p> <p><u>Includes flowback services when performed during drilling or redrilling operations</u></p>	<p>Updates language for class code 6235 to reference flowback services</p>
<p><b>OIL OR GAS WELL:</b>  <b>6235 – DRILLING OR REDRILLING &amp; Drivers.</b> Code 6235 <del>is applicable</del> to drilling or redrilling oil or gas wells and includes erection or dismantling of drilling rigs, formation fracturing, cementing, <del>and</del> installation of casing when such operations are performed by employees of the drilling company. Cleaning or swabbing of a new well that has not yet been completed is included <del>under</del> Code 6235 whether performed by employees of the driller or by a specialist contractor.</p>	<p><b>OIL OR GAS WELL:</b>  <b>6235 - DRILLING or REDRILLING &amp; DRIVERS.</b> Code 6235 <u>applies</u> to drilling or redrilling oil or gas wells and includes erection or dismantling of drilling rigs, formation fracturing, cementing, installation of casing, <u>and flowback services</u> when such operations are performed by employees of the drilling company. Cleaning or swabbing of a new well that has not yet been completed is included <u>in</u> Code 6235 whether</p>	<p>Updates language for class code 6235 to reference flowback services</p>

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PART TWO - CLASSIFICATIONS  
**Exhibit 7 (Cont.)**

CURRENT PHRASEOLOGY	PROPOSED PHRASEOLOGY	NOTES
	performed by employees of the driller or by a specialist contractor.	
<p><b>OIL OR GAS WELL:</b>  <b>6237 – INSTRUMENT LOGGING OR SURVEY WORK &amp; DRIVERS.</b>            Not applicable to wire line-type work that involves the installation, repair, or servicing of equipment used for drilling purposes.</p>	<p><b>OIL OR GAS WELL:</b>  <b>6237 –INSTRUMENT LOGGING OR SURVEY WORK &amp; DRIVERS</b>            Not applicable to wire line-type work that involves the installation, repair, or servicing of equipment used for drilling purposes. <u>Includes flowback engineers who only monitor and log flowback pressure.</u></p>	<p>Updates language for class code 6237 to reference flowback services</p>
<p><b>6235 – SHOOTING &amp; DRIVERS</b></p>	<p><b>6235 –SHOOTING &amp; DRIVERS</b>  <u>Includes flowback services when performed during drilling or redrilling operations.</u></p>	<p>Updates language for class code 6235 to reference flowback services</p>

## FILING MEMORANDUM

### ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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#### PURPOSE

This item addresses the classification treatment for oil and gas field operations in NCCI's *Basic Manual for Workers Compensation and Employers Liability Insurance (Basic Manual)*.

#### BACKGROUND

The oil and gas drilling industry in the United States has evolved over the years. A technique more common today, hydraulic fracturing ("fracking"), involves well stimulation in which rock is fractured by a pressurized liquid. With the expansion of fracking activities, there is an increased demand for skilled employees in oil and gas field service industries, particularly well drilling and completion, and transportation. Single contractors no longer provide all of the services related to drilling. The drilling process is being subdivided among specialty contractors who do a portion of the work but not the entire job.

Flowback service providers are one such specialty contractor. Flowback refers to a process by which the fluid used for fracturing a shale formation is recovered from the well at the surface. This is done in preparation for a subsequent phase of treatment, or to clean up and transition the well to a production stage. The providers on an active drill site must ensure that sudden pressure fluctuations do not disrupt the formation and that the reclaimed fluid is properly disposed of for environmental reasons. Currently, there is no mention of flowback service providers in NCCI's *Basic Manual*.

Specialist contractors are classified to Code 6216—Oil or Gas—Lease Work NOC—By Specialist Contractor & Drivers unless they are designated to be separately rated to other oil and gas classifications. Some of their services are performed prior to rig erection, drilling, fracturing, or other oil and gas operations. This drill site preparation includes but is not limited to clearing land; building lease roads, slush pits, levees, or firewalls; and lease beautification or dirt work.

NCCI has determined that drill site preparation services performed by specialist contractors prior to rig erection must be separately rated to the appropriate construction classifications. NCCI has also determined that the proper classification treatment for flowback services must be addressed in NCCI's *Basic Manual*. These recommendations will impact multiple rules and classifications in NCCI's *Basic Manual*.

#### PROPOSAL

This item proposes the following in NCCI's *Basic Manual*:

1. Revise the following rules to clarify that oil and gas operations are treated the same as construction or erection operations (*refer to Exhibits 1, 2, and 3*):
  - Rule 1-C-2-f—"No" or "Not"
  - Rule 1-D-3-b—Insured conducting one or more of the following operations
  - Rule 1-D-3-d—Construction or Erection Operations
  - Rule 1-F—Changes or Corrections in Classifications
2. Revise the following phraseologies to address flowback services (*refer to Exhibits 4 and 7*):
  - Code 6206—Oil or Gas—Well—Acidizing—All Employees & Drivers

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## FILING MEMORANDUM

### ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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- Code 6206—Oil or Gas—Well—Cementing & Drivers
  - Code 6235—Drilling or Redrilling of Oil or Gas Wells & Installation of Casing, Drivers
  - Code 6235—Oil or Gas—Well—Drilling or Redrilling & Drivers
  - Code 6235—Oil or Gas—Well—Shooting & Drivers
  - Code 6237—Oil or Gas—Well—Instrument Logging or Survey Work & Drivers
3. Revise the following two phraseologies to address drill site preparation (*refer to Exhibits 5 and 6*):
- Code 6216—Gas or Oil—Lease Work NOC—Natural Gas—By Specialist Contractor & Drivers
  - Code 6216—Oil or Gas—Lease Work NOC—By Specialist Contractor & Drivers
4. Revise Appendix E—Classifications by Hazard Group to indicate that Code 8353 is applicable in New Mexico (*refer to Exhibit 8*)

### IMPACT

Due to the multiple classification codes where payroll can be reassigned, the exact impact to overall statewide premium cannot be determined. Individual employers may see a premium increase or decrease depending on the loss cost/rate of the code where the payroll is reassigned in relation to the loss cost/rate of the code the payroll is coming from. There will be negligible statewide premium impact as a result of the changes proposed in this item.

### STATE-SPECIFIC PROPOSALS AND IMPACTS

#### Alaska Proposal:

NCCI is proposing all exhibits in Alaska except for Exhibit 6.

NCCI proposes that Alaska adopt the additional language for drill site preparation in Alaska special Code 6216—Oil or Gas Lease Work NOC—By Contractor & Drivers.

#### Alaska Impact:

The premium impact in Alaska is expected to be the same as the proposed national treatment.

#### Florida Proposal:

NCCI is proposing all exhibits in Florida except for Exhibits 3 and 6.

NCCI proposes that Florida adopt the additional language for oil and gas field operations in its exception to Rules 1-D-3-d and 1-F.

NCCI proposes that Florida adopt the additional language for drill site preparation in Florida special Code 6216—Oil or Gas—Lease Work NOC—By Contractor & Drivers.

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## FILING MEMORANDUM

### **ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS**

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#### **Florida Impact:**

The premium impact in Florida is expected to be the same as the proposed national treatment.

#### **Missouri Proposal:**

NCCI is proposing all exhibits in Missouri.

NCCI proposes that Missouri update its exception to Rule 1-D-3-d to, "Construction, Erection, or Oil and Gas Field Operations," which will reflect the nationally proposed title for Rule 1-D-3-d.

#### **Missouri Impact:**

The premium impact in Missouri is expected to be the same as the proposed national treatment.

#### **New Mexico Proposal:**

NCCI is proposing all exhibits in New Mexico except for Exhibits 5 and 6.

NCCI proposes that New Mexico update its exception to Rule 1-D-3-d to, "Construction, Erection, or Oil and Gas Field Operations," which will reflect the nationally proposed title for Rule 1-D-3-d.

NCCI proposes that New Mexico adopt the additional language for drill site preparation in New Mexico special Codes 6216—Oil or Gas—Lease Work NOC—Natural Gas—By Contractor & Drivers and 6216—Oil or Gas—Lease Work NOC—By Contractor & Drivers.

The New Mexico Office of Superintendent of Insurance has requested that liquid propane gas dealers be separately rated from dealers of other gas products. NCCI proposes that New Mexico adopt state special Code 8353—Gas Dealer—Liquefied Petroleum Gas & Salespersons, Drivers. As a result, national Code 8350—Gas Dealer—Liquefied Petroleum Gas & Drivers will no longer be applicable in New Mexico. Please note that only this specific phraseology will be eliminated. Code 8350 will remain applicable in New Mexico for other types of gas dealers and related services.

#### **New Mexico Impact:**

The initial loss cost/rate for Code 8353 will be the loss cost/rate for Code 8350 until Code 8353 develops data to determine its own loss cost/rate. Rating values will be calculated according to NCCI's standard procedure. The impact from this change should be negligible on a statewide basis.

Individual risks with payroll in Code 8350 that transfer into the new Code 8353 are not expected to see a change in premium since the initial loss cost/rate established in this item filing for use by Code 8353 is equivalent to the loss cost/rate currently approved for use for Code 8350.

The premium impact on a national basis for the recommendations in this item are expected to be the same in New Mexico.

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## FILING MEMORANDUM

### ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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#### Texas Proposal:

NCCI is proposing Exhibit 3, 8, and 9 in Texas.

NCCI proposes that Texas eliminate its exceptions to Rule 1-C-2-f and Rule 1-F-3-b and adopt the proposed national treatments because they will reflect the current Texas exceptions.

NCCI proposes to revise the following Texas special classifications to address flowback services:

- Code 6202—Drilling or Redrilling of Oil or Gas Wells & Drivers
- Code 6202—Oil or Gas Well—Drilling or Redrilling & Drivers
- Code 6202—Oil or Gas Well—Servicing & Drivers
- Code 6202—Oil or Gas Well—Shooting & Drivers
- Code 6206—Oil or Gas Well—Acidizing and Cementing & Drivers
- Code 6206—Oil or Gas Well—Fracturing & Drivers
- Code 6237—Oil or Gas Well—Instrument Logging, Radio Activity, or Survey Work in Wells & Drivers

NCCI proposes to revise the following Texas special phraseology to address drill site preparation:

- Code 6216—Oil or Gas Lease Work NOC—By Contractor & Drivers

NCCI proposes to eliminate the following Texas phraseology to eliminate redundancy with the Texas phraseology above:

- Code 6216—Gas or Oil Lease Work NOC—By Contractor & Drivers

As a result of the above proposal, NCCI proposes that Texas eliminate the state special phraseology for Code 6216—Drill Site Preparation—Oil or Gas Wells & Drivers.

#### Texas Impact:

The premium impact in Texas is expected to be the same as the proposed national treatment.

#### Virginia Proposal:

NCCI proposes that Virginia adopt Exhibits 1, 2, 3, and 8, and that it adopt the proposed national treatment for Codes 6206, 6216, 6235, and 6237. Accordingly, the Virginia Special Classifications in NCCI's **Basic Manual** must be updated for the following codes:

- 6206—Oil or Gas Well—Cementing & Drivers
- 6206—Oil or Gas Well—Acidizing—All Employees & Drivers
- 6216—Oil or Gas Lease Work NOC—By Specialist Contractor & Drivers
- 6216—Gas or Oil Lease Work—NOC—Natural Gas—By Specialist Contractor & Drivers
- 6235—Oil or Gas Well—Drilling or Redrilling & Drivers

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**FILING MEMORANDUM**

**ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS**

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- 6237—Oil or Gas Well—Instrument Logging or Survey Work & Drivers

**Virginia Impact:**

The premium impact in Virginia is equivalent to the impact determined by the proposed national treatment for Codes 6206, 6216, 6235, and 6237. The proposed updates to the Virginia Special Classifications in NCCI's *Basic Manual* descriptions are not expected to have an additional premium impact.

**IMPLEMENTATION**

This item applies to new and renewal policies only, and it will become effective concurrent with each state's approved loss cost/rate filing effective on and after October 1, 2020, unless otherwise noted. For example, this item will become effective January 1, 2021, for approved loss cost/rate filings that have a January 1, 2021 effective date. If there is no loss cost/rate filing for a state in a given year, this item will take effect on that state's regular loss cost/rate effective date. The regular loss cost/rate effective date is the date of the state's previous year's loss cost/rate effective date.

**Anticipated Effective Dates by State**

The following chart shows the anticipated effective dates for each state:

State	Anticipated* Effective Date
Alabama	March 1, 2021
Alaska	January 1, 2021
Arizona	January 1, 2021
Arkansas	July 1, 2021
Colorado	January 1, 2021
Connecticut	January 1, 2021
District of Columbia	November 1, 2020
Florida	The effective date of this item depends on the date that regulatory approval is granted. If the item is approved on or before July 1, 2020, it will become effective on January 1, 2021. If it is approved after July 1, 2020, it will become effective on January 1, 2022.
Georgia	March 1, 2021

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FILING MEMORANDUM

ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

Hawaii	This item will be implemented in Hawaii's loss cost filing proposed to be effective on January 1, 2021. The effective date will be determined upon regulatory approval of the individual carrier's election to adopt this change.
Idaho	January 1, 2021
Illinois	January 1, 2021
Indiana	January 1, 2021
Iowa	January 1, 2021
Kansas	January 1, 2021
Kentucky	October 1, 2020
Louisiana	May 1, 2021
Maine	April 1, 2021
Maryland	January 1, 2021
Mississippi	March 1, 2021
Missouri	January 1, 2021
Montana	July 1, 2021
Nebraska	February 1, 2021
Nevada	March 1, 2021
New Hampshire	January 1, 2021
New Mexico	January 1, 2020**
Oklahoma	January 1, 2021
Oregon	January 1, 2021
Rhode Island	August 1, 2021
South Carolina	April 1, 2021
South Dakota	July 1, 2021
Tennessee	March 1, 2021
Texas	July 1, 2021
Utah	January 1, 2021
Vermont	April 1, 2021

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FILING MEMORANDUM

ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

Virginia	April 1, 2021
West Virginia	November 1, 2020

\* Subject to change, depending on the approved effective date of the loss cost/rate filing if a loss cost/rate filing has been submitted for a state.

\*\* The New Mexico Office of Superintendent of Insurance has requested that the proposed effective date of this item be January 1, 2020, in New Mexico.

EXHIBIT COMMENTS AND IMPLEMENTATION SUMMARY

Exhibit	Exhibit Comments	Implementation Summary
1	Details the revision to Rule 1-C-2-f in NCCI's <b>Basic Manual</b> .	Applies in all states except TX.
2	Details the revisions to Rules 1-D-3-b and 1-D-3-d in NCCI's <b>Basic Manual</b> .	Applies in all states except TX.
3	Details the revision to Rule 1-F in NCCI's <b>Basic Manual</b> .	Applies in all states except FL.
4	Details the revisions to two phraseologies for Code 6206 in NCCI's <b>Basic Manual</b> .	Applies in all states except TX and VA.
5	Details the revisions to Code 6216—Gas or Oil—Lease Work NOC—Natural Gas—By Specialist Contractor & Drivers in NCCI's <b>Basic Manual</b> .	Applies in all states except NM, TX, and VA.
6	Details the revisions to Code 6216—Oil or Gas—Lease Work NOC—By Specialist Contractor & Drivers in NCCI's <b>Basic Manual</b> .	Applies in all states except AK, FL, NM, TX, and VA.
7	Details the revisions to phraseologies under Codes 6235 and 6237 in NCCI's <b>Basic Manual</b> .	Applies in all states except TX and VA.
8	Details the revision to Code 8353 in Appendix E of NCCI's <b>Basic Manual</b> .	Applies in all states.
9	Details the revisions to state special rules and classifications in NCCI's <b>Basic Manual</b> .	Applies in AK, FL, MO, NM, TX, and VA.

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ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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EXHIBIT 1  
BASIC MANUAL—2001 EDITION  
RULE 1—CLASSIFICATION ASSIGNMENT  
C. CLASSIFICATION WORDING  
2. WORDS AND PHRASES

(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)

f. “No” or “Not”

A classification that includes a restrictive phrase beginning with “no” or “not” must not apply to any ~~risk~~ employer that conducts any operation described in the restrictive phrase.

*Refer to **User’s Guide** for an example.*

**Exception:**

For mercantile, mining, ~~or construction,~~ or oil and gas field operations, this rule applies to each job or location.

**ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS**

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**EXHIBIT 2**  
**BASIC MANUAL—2001 EDITION**  
**RULE 1—CLASSIFICATION ASSIGNMENT**  
**D. CLASSIFICATION PROCEDURES**

**(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)**

**3. Assignment of More Than One Basic Classification**

More than one basic classification may be assigned to an employer that meets conditions a, b, or c below. Operation means activities, enterprises, processes, secondary businesses or undertakings.

- a. The insured's principal business is described by a basic classification that requires certain operations or employees to be separately rated.

*Refer to **User's Guide** for an example.*

- b. The insured conducts one or more of the following operations:

- Construction or erection
- Farming
- Employee leasing, labor contracting, temporary labor services
- Mercantile business
- Oil and gas field operations

- c. The insured conducts more than one operation in a state.

(1) For purposes of this rule, an insured is conducting more than one operation in a state if portions of the insured's operations in that state are not encompassed by the classification applicable to the insured's principal business. To qualify for a separate classification, the insured's additional operation must meet all of the following conditions:

- Be able to exist as a separate business if the insured's principal business in the state ceased to exist.
- Be located in a separate building, or on a separate floor in the same building, or on the same floor physically separated from the principal business by structural partitions. Employees engaged in the principal business must be protected from the operating hazards of the separate additional operations.
- Maintain proper payroll records. *Refer to Rule 2-G for the description of proper payroll records.*

*Refer to **User's Guide** for an example.*

(2) If the separate additional operation is not encompassed in the classification applicable to the insured's principal business and meets all the conditions listed above in c(1), the insured is considered to be engaged in an additional operation. If this is the case, a separate basic classification may be assigned to each operation that qualifies as a separate additional operation.

(3) If the additional operation does not meet all conditions listed above in c(1) and is not encompassed in the classification applicable to the insured's principal business and has a rate:

- *Lower* than the insured's principal business, assign the additional operation to the same classification as the insured's principal business
- *Higher* than or equal to the insured's principal business, assign the additional operation to the classification that describes the additional operation

(4) Policies with more than one classification may include employees working under several classifications. Payroll assignment for these employees is subject to the Interchange of Labor rule. *Refer to Rule 2-G.*

**ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS**

**EXHIBIT 2 (CONT'D)**  
**BASIC MANUAL—2001 EDITION**  
**RULE 1—CLASSIFICATION ASSIGNMENT**  
**D. CLASSIFICATION PROCEDURES**

(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)

**Note:** If the insured does not maintain verifiable payroll records specific to the additional higher rated operation, then assign the principal and the additional operation to the higher rated classification, (*Refer to Rule 2-G-2 for the description of proper payroll records.*)

**d. Construction, ~~or~~ Erection, or Oil and Gas Field Operations**

These operations are identified by a ● immediately following the code number.

Each distinct type of construction, ~~or~~ erection, or oil and gas field operation must be assigned to the class that specifically describes the operation only if separate payroll records are maintained for each operation.

If separate payroll records are not maintained for any construction, ~~or~~ erection, or oil and gas field operation, the highest rated classification that applies to the job or location where the operation is performed must be assigned.

If a construction, ~~or~~ erection, or oil and gas field operation is included in the scope of another classification, a separate code must not be assigned.

**(1) Insured Subcontractors**

An insured subcontractor who performs a single type of work on a construction project or job must be classified based on the classification that describes the particular type of work involved.

*Refer to **User's Guide** for an example.*

**Exception to 1-D-3-d(1) above:**

All operations in conjunction with concrete construction including making and erecting forms, placing reinforcing steel and stripping forms, when done by subcontractors, must be assigned to the appropriate concrete construction classification.

**(2) Uninsured Subcontractors**

Uninsured subcontractors covered under the principal or general contractor's policy are classified on the basis of the classifications that would apply if the work were performed by the principal's or general contractor's own employees.

*Refer to **User's Guide** for an example.*

**e. Farm Operations**

These operations are identified by a ■ immediately following the code number.

A farm is defined as any parcel(s) of land used for the purpose of agriculture, horticulture, viticulture, dairying, or stock or poultry raising as a business or commercial venture.

If separate payroll records are maintained, a division of payroll is allowed for each separate and distinct type of commercial farm operation.

If payroll records of the farm classification are not clear, and separate payroll records are not maintained, the entire payroll of the farm must be segregated on the basis of proportionate acreages.

Each farm classification includes:

- All employees
- Drivers

**ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS**

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**EXHIBIT 2 (CONT'D)**  
**BASIC MANUAL—2001 EDITION**  
**RULE 1—CLASSIFICATION ASSIGNMENT**  
**D. CLASSIFICATION PROCEDURES**

(Applies in: **AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV**)

- All normal repair and maintenance of buildings or equipment performed by the employees of the insured
- Operations usual and incidental to a farm, such as:
  - Maintenance of cows, hogs or chickens for family use
  - A family orchard or truck garden
  - Hay or grain crops raised for the purpose of maintaining work animals on the farm
  - Outside domestic workers at the farm location

Each farm classification excludes inside domestic workers at the farm location.

**f. Employee Leasing Firms, Labor Contractors, Professional Employer Organization, and Temporary Labor Services**

- (1) Workers assigned to clients must be classified the same as direct employees of the client performing the same or similar duties.
- (2) If the client has no direct employees performing the same or similar duties, leased employees are classified as if they were direct employees of the client entity.

*Refer to NCCI's **User's Guide** for an example.*

**g. Mercantile Businesses**

These operations are identified by a ♦ immediately following the code number.

A Mercantile Business is any store or dealer engaged in the sale of goods or merchandise, or in the sale of services.

For mercantile businesses, the classification is assigned separately for each location.

Store operations are classified based on the principal type of merchandise sold and whether the operations are wholesale or retail. For purposes of this rule, principal means more than 50% of gross receipts, excluding receipts derived from the sale of lottery tickets.

The following definitions and instructions must be used to determine the appropriate store classification.

**(1) Type of Merchandise Sold**

If a store sells a variety of goods, each of which may be subject to a different classification, the store must be assigned to the classification that best describes the merchandise that generates more than 50% of the gross receipts.

**(2) Wholesale vs. Retail**

Retail applies to the sale of merchandise to the general public for personal or household consumption or use and not for resale.

Wholesale applies to the sale of merchandise for resale to others; or sale to manufacturers, builders, contractors, or others for use in their business or as raw materials.

**Exception:**

If a store's sales are clearly retail in nature, the appropriate retail store classification may be assigned regardless of the definition of retail above.



ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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EXHIBIT 2 (CONT'D)  
BASIC MANUAL—2001 EDITION  
RULE 1—CLASSIFICATION ASSIGNMENT  
D. CLASSIFICATION PROCEDURES

(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VA, VT, WV)

*Refer to **User's Guide** for an example.*

**(3) Combination of Retail and Wholesale**

A store that sells merchandise on a combined wholesale and retail basis must be assigned to the appropriate store classification depending on whether the majority of gross receipts come from wholesale or retail sales.

**ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS**

**EXHIBIT 3  
BASIC MANUAL—2001 EDITION  
RULE 1—CLASSIFICATION ASSIGNMENT**  
(Applies in: AK, AL, AR, AZ, CO, CT, DC, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, TX, UT, VA, VT, WV)

**F. CHANGES OR CORRECTIONS IN CLASSIFICATIONS**

1. Changes in classification due to changes in an employer’s operations will be applied as of the date the change in operations occurred.
2. Corrections in classifications that result in a *decrease* in premium, whether determined during the policy period or at audit, must be applied retroactively to the inception of the policy.
3. Corrections in classifications that result in an *increase* in premium must be applied as follows:

If the correction in classification is effective . . .	Then the correction is applied . . .
During the first 120 days of the policy term . . .	Retroactively to the inception of the policy.
After the first 120 days of the policy term, but before the final 90 days . . .	As of the date the company discovers the cause for that correction.
During the last 90 days of the policy term . . .	Only to a renewal policy, if any.

The effective date of change, for purposes of the time periods noted in the table above, is the date a carrier applies a classification change.

**Exceptions to the table above:**

- a. If the correction in classification is the result of a misrepresentation or omission by the employer, its agents, employees, officers, or directors, then the correction must be applied from the date on which the change would have applied if such misrepresentation omission had not been made.
  - b. The above rules do not apply to the following types of operations; therefore, classifications are assigned and applied at any time during the term of the policy or at audit:
    - Construction or erection
    - Oil and gas field operations
    - Employee leasing
    - Labor contracting
    - Temporary labor services
    - Professional employer organizations (PEOs)
    - Operations assigned to standard exception classifications
    - General exclusions
4. For purposes of Rule 1-F the reallocation of payroll among classifications on the policy is not considered a change or correction in classification(s).

*Refer to NCCI’s **User’s Guide** for an example.*

ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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EXHIBIT 4

BASIC MANUAL—2001 EDITION

PART TWO—CLASSIFICATIONS

(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)

**6206• Oil or Gas—Well—Acidizing—All Employees & Drivers**

Code 6206 must not be assigned at the same job or location to which Code 6235 applies because acidizing would be considered incidental to drilling operations. Includes flowback services when performed in support of fracturing operations.

**6206• Oil or Gas—Well—Cementing & Drivers**

Code 6206 must not be assigned at the same job or location to which Code 6235 or Code 6236 applies because cementing would be considered incidental to drilling operations or the installation of casing. Includes flowback services when performed in support of fracturing operations.

ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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EXHIBIT 5  
BASIC MANUAL—2001 EDITION  
PART TWO—CLASSIFICATIONS

(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)

**6216• Gas or Oil—Lease Work NOC—Natural Gas—By Specialist Contractor & Drivers**

Includes ~~clearing land; building lease roads, slush pits, levees, or fire walls; laying or taking up flow lines and water lines; tank truck operations servicing gas or oil well sites; and installing central pumping units; and lease beautification work.~~ The following operations are not included in Code 6216 and must be separately rated: pipeline construction, tank building, rig or derrick erecting or dismantling, installing or recovering casing, drilling, cementing, cleaning and swabbing wells, or well shooting. Not applicable to owner/operators of a gas or oil lease operation, or to a risk under contract with the lease owner that performs all operations necessary to work a gas or oil lease.

Drill site preparations including but not limited to clearing land; building lease roads, slush pits, levees, or fire walls; and lease beautification or dirt work performed by a specialist contractor are classified to codes applicable to these operations, provided the services are performed prior to rig erection. Specialist contractors who perform these services during or after rig erection are assigned to Code 6216.

ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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EXHIBIT 6

BASIC MANUAL—2001 EDITION

PART TWO—CLASSIFICATIONS

(Applies in: AL, AR, AZ, CO, CT, DC, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)

**6216• Oil or Gas—Lease Work NOC—By Specialist Contractor & Drivers**

Includes ~~clearing land, building lease roads, slush pits, levees, or fire walls;~~ laying or taking up flow lines and water lines; installing central pumping units; and tank truck operations servicing oil or gas well sites; ~~and lease beautification work.~~ The following operations are not included in Code 6216 and must be separately rated: pipeline construction, tank building, rig or derrick erecting or dismantling, installation or recovery of casing, drilling, cementing, cleaning and swabbing of wells, or well shooting. Not applicable to owner/operators of an oil or gas lease operation, or to a risk under contract with the lease owner that performs all operations necessary to work an oil or gas lease.

Drill site preparations including but not limited to clearing land; building lease roads, slush pits, levees, or fire walls; and lease beautification or dirt work performed by a specialist contractor are classified to codes applicable to these operations, provided the services are performed prior to rig erection. Specialist contractors who perform these services during or after rig erection are assigned to Code 6216.

ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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EXHIBIT 7

BASIC MANUAL—2001 EDITION

PART TWO—CLASSIFICATIONS

(Applies in: AK, AL, AR, AZ, CO, CT, DC, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MD, ME, MO, MS, MT, NE, NH, NM, NV, OK, OR, RI, SC, SD, TN, UT, VT, WV)

- 6235• Drilling or Redrilling of Oil or Gas Wells & Installation of Casing, Drivers**  
Includes flowback services when performed during drilling or redrilling operations.
- 6235• Oil or Gas—Well—Drilling or Redrilling & Drivers**  
Code 6235 ~~is applicable~~ applies to drilling or redrilling oil or gas wells and includes erection or dismantling of drilling rigs, formation fracturing, cementing, ~~and~~ installation of casing, and flowback services when such operations are performed by employees of the drilling company. Cleaning or swabbing of a new well that has not yet been completed is included ~~under~~ in Code 6235 whether performed by employees of the driller or by a specialist contractor.
- 6235• Oil or Gas—Well—Shooting & Drivers**  
Includes flowback services when performed during drilling or redrilling operations.
- 6237• Oil or Gas—Well—Instrument Logging or Survey Work & Drivers**  
Not applicable to wire line-type work that involves the installation, repair, or servicing of equipment used for drilling purposes. Includes flowback engineers who only monitor and log flowback pressure.

ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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EXHIBIT 8

BASIC MANUAL—2001 EDITION  
APPENDIX E  
CLASSIFICATIONS BY HAZARD GROUP

TABLE OF CLASSIFICATIONS BY HAZARD GROUP

Class Code	Applies In: <sup>±</sup>	Discontinued In:	Hazard Group A–G
8353	AL, AZ, FL, LA, MS, MO, OK <u>01/01/2020: NM</u>		E

<sup>±</sup> Upon approval of this item, each state will have its state-specific effective date indicated.

ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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EXHIBIT 9  
BASIC MANUAL—2001 EDITION  
SPECIAL CLASSIFICATIONS  
(Applies in: AK)

**6216• Oil or Gas Lease Work NOC—By Contractor & Drivers**

Operations of petroleum pipelines are assigned to Code 7515. Some operations may be subcontracted to others, but the overall responsibility remains with the operator. Subcontractors who perform maintenance operations for the pipeline operator ~~shall be~~ are assigned to Code 6216 even if the contract is long term.

Drill site preparations including but not limited to clearing land; building lease roads, slush pits, levees, or fire walls; and lease beautification or dirt work performed by a contractor are classified to codes applicable to these operations, provided the services are performed prior to rig erection. Contractors who perform these services during or after rig erection are assigned to Code 6216.



**ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS**

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**EXHIBIT 9**  
**BASIC MANUAL—2001 EDITION**  
**FLORIDA RULE EXCEPTIONS**  
**RULE 1—CLASSIFICATION ASSIGNMENT**  
**D. CLASSIFICATION PROCEDURES**  
**(Applies in: FL)**

**3. Assignment of More Than One Basic Classification**

Change Rule 1-D-3 as follows:

More than one basic classification may be assigned to an insured who meets conditions a, b, or c below. Operations means activities, enterprises, processes, secondary businesses or undertakings.

Change Rule 1-D-3-c(1) as follows:

c. The insured conducts more than one operation in a state.

(1) For purposes of this rule, an insured is conducting more than one operation in a state if portions of the insured's operations in that state are not encompassed by the classification applicable to the insured's principal business. To qualify for a separate classification, the insured's additional operation must:

- Be able to exist as a separate business if the insured's principal business in the state ceased to exist.
- Be located in a separate building, or on a separate floor in the same building, or on the same floor physically separated from the principal business by structural partitions. Employees engaged in the principal business must be protected from the operating hazards of the separate additional operations.
- Maintain financial records that identify the principal business separate from the additional operation. This may include general ledger accounts that separately identify revenues and expenses including payroll for both the principal business and the additional operation. Separate general ledgers, journals, books of accounts or federal identification numbers are not required.

d. **Construction, ~~or~~ Erection, or Oil and Gas Field Operations**

Add the following to Rule 1-D-3-d:

The ● symbol referenced in this rule identifies those classifications that are affected by special **Basic Manual** rules applicable to construction, erection or oil and gas field operations. Since it may not identify all construction operations included in the statutory definition, it is still necessary to consult the Florida statutes to determine if an employer's operation is considered construction for purposes of workers compensation coverage.

f. Employee Leasing, Labor Contractors and Temporary Labor Services

Change Rule 1-D-3-f as follows:

- (1) Workers assigned to clients must be classified the same as direct employees of the client performing the same or similar duties.
- (2) If the client has no direct employees performing the same or similar duties, leased employees are classified as if they were direct employees of the client entity.

*Refer to **User's Guide** for an example.*

g. **Mercantile Businesses**

Add the following to Rule 1-D-3-g:

Stores Operating Warehouses: Unless directed otherwise by classification phraseology, warehouses operated by insureds to supply stores operated by these insureds with merchandise to be sold are classified to the appropriate store classification, not a warehouse classification.

**ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS**

**EXHIBIT 9  
BASIC MANUAL—2001 EDITION  
FLORIDA RULE EXCEPTIONS  
RULE 1—CLASSIFICATION ASSIGNMENT  
(Applies in: FL)**

**F. CHANGES OR CORRECTIONS IN CLASSIFICATIONS**

Change Rule 1-F as follows:

1. Changes in classification due to changes in an insured's operations will be applied as of the date the change in operations occurred.
2. Corrections in classifications that result in a *decrease* in premium, whether determined during the policy period or at audit, must be applied retroactively to the inception of the policy.
3. Corrections in classifications that result in an *increase* in premium, must be applied as follows:

If the correction in classification is effective . . .	Then the correction is applied . . .
During the first 120 days of the policy term . . .	Retroactively to the inception of the policy.
After the first 120 days of the policy term, but before the final 90 days . . .	As of the date the company endorses the policy with the change.
During the last 90 days of the policy term . . .	Only to a renewal policy, if any.

The effective date of change, for purposes of the time periods noted in the table above, is the date a carrier endorses the policy to reflect the classification change.

**Exceptions to the table above:**

- a. If the correction in classification is the result of a misrepresentation or omission by the insured, its agents, employees, officers or directors, then the correction must be applied from the date on which the change would have applied if such misrepresentation omission had not been made.
  - b. The above rules do not apply to the following types of operations; therefore, classifications are assigned and applied at any time during the term of the policy or at audit:
    - Construction or erection risks are subject to the rules contained in the table in Rule 1-F-3. Due to the unique nature of such risks, it is required that the employer fully describe on the policy application the information such that all applicable classes may be determined. Any omissions, misleading statements, or misrepresentations in the description of the operation will allow for additional classes to be added as of the effective date of coverage.
    - Oil and gas field operations
    - Employee leasing firms
    - Labor contractors
    - Temporary labor services
4. The reallocation of payroll among classifications on a policy is not considered a change or correction in classification(s) unless:
- a. The entire payroll that is assigned to one classification is moved to another classification on the policy, effectively eliminating that classification from the policy, or
  - b. An entire group of employees with the same job description or duties is moved from one classification to another without there having been a change in job duties. Payroll that is moved due to changes in the job description of one or more employees will be applied pro rata as of the date of change in duties.

ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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EXHIBIT 9  
BASIC MANUAL—2001 EDITION  
SPECIAL CLASSIFICATIONS  
(Applies in: FL)

**6216• Oil or Gas—Lease Work NOC—By Specialist Contractor & Drivers**

Includes ~~clearing land, building lease roads, slush pits, levees, or fire walls;~~ laying or taking up flow lines and water lines; installing central pumping units; and tank truck operations servicing oil or gas well sites; ~~and lease beautification work.~~ The following operations are not included in Code 6216 and must be separately rated: pipeline construction, tank building, rig or derrick erecting or dismantling, installation or recovery of casing, drilling, cementing, cleaning and swabbing of wells, or well shooting. Not applicable to owner/operators of an oil or gas lease operation, or to risks under contract with the lease owner, that perform all operations necessary to work an oil or gas lease. Oil or gas geologists or scouts ~~to be~~ are separately rated as to Code 8602.

Drill site preparations including but not limited to clearing land; building lease roads, slush pits, levees, or fire walls; and lease beautification or dirt work performed by a specialist contractor are classified to codes applicable to these operations, provided the services are performed prior to rig erection. Specialist contractors who perform these services during or after rig erection are assigned to Code 6216.

ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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EXHIBIT 9  
BASIC MANUAL—2001 EDITION  
MISSOURI RULE EXCEPTIONS  
RULE 1—CLASSIFICATION ASSIGNMENT  
D. CLASSIFICATION PROCEDURES  
3. Assignment of More Than One Basic Classification  
(Applies in: MO)

d. Construction, ~~or~~ Erection, or Oil and Gas Field Operations

Add the following:

The • symbol referenced in this rule is intended to aid in the determination of which classifications are affected by special *Basic Manual* rules applicable to construction operations. However, it should be noted that this coding system may not be considered valid for purposes of determining which operations are considered to be construction operations under Section 287.030.1.(3), RSMo. This Section states that construction employers who “erect, demolish, alter or repair improvements shall be deemed an employer for the purposes of this chapter if they have one or more employees.” Regardless of the coding of the NCCI classifications, each operation must be compared to the definition under Section 287.030.1.(3) to determine if an employer's operation is considered construction, where an employer would be required to purchase workers compensation insurance if they have one or more employees.

ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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EXHIBIT 9  
BASIC MANUAL—2001 EDITION  
NEW MEXICO RULE EXCEPTIONS  
RULE 1—CLASSIFICATION ASSIGNMENT  
(Applies in: NM)

**D. CLASSIFICATION PROCEDURES**

**3. Assignment of More Than One Basic Classification**

**d. Construction, or Erection, or Oil and Gas Field Operations**

Add the following to Rule 1-D-3-d:

**(3) Estimators—Construction**

Construction estimators to be separately rated to Code 8720, a nonconstruction code. A division of payroll is not permitted between Code 8720 and a construction classification at any single job site. If the estimator also performs construction duties at the same job site or is engaged in supervision of construction workers at the same job site, the employee's payroll at that job site must be assigned to the appropriate construction classification.

ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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EXHIBIT 9  
BASIC MANUAL—2001 EDITION  
NATIONAL CLASSIFICATION TO BE ELIMINATED  
(Applies in: NM)

**8350◆ Gas Dealer—Liquefied Petroleum Gas & Drivers**

~~Applies to all operations including store employees; installation, servicing, or repair of customers' equipment or appliances. Distribution by gas mains or piping from central tanks to be separately rated as Code 7502—Gas distributing.~~

**ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS**

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**EXHIBIT 9  
BASIC MANUAL—2001 EDITION  
SPECIAL CLASSIFICATIONS  
(Applies in: NM)**

- 6216● Gas or Oil—Lease Work NOC—Natural Gas—By Specialist Contractor & Drivers**  
Includes ~~clearing land, building lease roads, slush pits, levees, or fire walls;~~ laying or taking up flow lines and water lines; ~~and~~ installing central pumping units; ~~and lease beautification work.~~  
The following operations are not included in Code 6216 and must be separately rated: pipeline construction, tank building, rig or derrick erecting or dismantling, installation or recovery of casing, drilling, cementing, cleaning and swabbing of wells, or well shooting. Not applicable to owner/operators of a gas or oil lease operation, or to an employer under contract with the lease owner that performs all operations necessary to work a gas or oil lease. Water hauling operations servicing gas or oil well sites are separately rated to the appropriate trucking classification.  
Drill site preparations including but not limited to clearing land; building lease roads, slush pits, levees, or fire walls; and lease beautification or dirt work performed by a specialist contractor are classified to codes applicable to these operations, provided the services are performed prior to rig erection. Specialist contractors who perform these services during or after rig erection are assigned to Code 6216.
- 6216● Oil or Gas—Lease Work NOC—By Specialist Contractor & Drivers**  
Includes ~~clearing land, building lease roads, slush pits, levees, or fire walls;~~ laying or taking up flow lines and water lines; ~~and~~ installing central pumping units; ~~and lease beautification work.~~  
The following operations are not included in Code 6216 and must be separately rated: pipeline construction, tank building, rig or derrick erecting or dismantling, installation or recovery of casing, drilling, cementing, cleaning and swabbing of wells, or well shooting. Not applicable to owner/operators of an oil or gas lease operation, or to an employer under contract with the lease owner that performs all operations necessary to work an oil or gas lease. Water hauling operations servicing oil or gas well sites are separately rated to the appropriate trucking classification.  
Drill site preparations including but not limited to clearing land; building lease roads, slush pits, levees, or fire walls; and lease beautification or dirt work performed by a specialist contractor are classified to codes applicable to these operations, provided the services are performed prior to rig erection. Specialist contractors who perform these services during or after rig erection are assigned to Code 6216.
- 8353◆ Gas Dealer—Liquefied Petroleum Gas & Salespersons, Drivers**  
Applies to all operations including store employees; installation, servicing, or repair of customers' equipment or appliances. Distribution by gas mains or piping from central tanks is separately rated to Code 7502.

ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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EXHIBIT 9  
BASIC MANUAL—2001 EDITION  
NATIONAL RULE TO BE APPLICABLE  
RULE 1—CLASSIFICATION ASSIGNMENT  
C. CLASSIFICATION WORDING  
2. WORDS AND PHRASES  
(Applies in: TX)

**f. “No” or “Not”**

A classification that includes a restrictive phrase beginning with “no” or “not” must not apply to any employer that conducts any operation described in the restrictive phrase.

Refer to *User’s Guide* for an example.

**Exception:**

For mercantile, mining, construction, or oil and gas field operations, this rule applies to each job or location.



ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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EXHIBIT 9  
BASIC MANUAL—2001 EDITION  
TEXAS RULE EXCEPTIONS  
RULE 1—CLASSIFICATION ASSIGNMENT  
C. CLASSIFICATION WORDING  
2. WORDS AND PHRASES  
(Applies in: TX)

f. ~~“No” or “Not”~~

Change the exception to Rule 1-C-2 f as follows:

~~Exception:~~

~~For mercantile, construction operations, or oil and gas field operations, this rule applies to each job or location.~~

ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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EXHIBIT 9  
BASIC MANUAL—2001 EDITION  
TEXAS RULE EXCEPTIONS  
RULE 1—CLASSIFICATION ASSIGNMENT  
(Applies in: TX)

**F. CHANGES OR CORRECTIONS IN CLASSIFICATIONS**

Add the following to Rule 1-F-3-b:

- Oil or gas field operations

**ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS**

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**EXHIBIT 9  
BASIC MANUAL—2001 EDITION  
SPECIAL CLASSIFICATIONS  
(Applies in: TX)**

- 6202• Drilling or Redrilling of Oil or Gas Wells & Drivers**  
Includes flowback services when performed during drilling or redrilling operations.
- 6202• Oil or Gas Well—Drilling or Redrilling & Drivers**  
Includes erecting or dismantling derricks, installing casing, pumping machinery, cementing, and flowback services when performed during drilling or redrilling operations.
- 6202• Oil or Gas Well—Servicing & Drivers**  
Applies to the cleaning, swabbing, or workover of wells. Includes installing or removing casing liners, raising producing horizons, setting of packers, or performing squeeze jobs, and flowback services when performed during drilling or redrilling operations. Recovery of casing shall be assigned to Code 6238—Oil or gas well—recovery of casing. Contractors who are engaged exclusively perform in swabbing of wells shall be assigned to Code 6213—Oil or gas well—swabbing.
- 6202• Oil or Gas Well—Shooting & Drivers**  
Includes flowback services when performed during drilling or redrilling operations.
- 6206• Oil or Gas Well—Acidizing and Cementing & Drivers**  
Code 6202—~~Oil or gas well—drilling or redrilling~~ is shall not be assigned at the same job or location to which Code 6206 applies. Includes flowback services when performed in support of fracturing operations.
- 6206• Oil or Gas Well—Fracturing & Drivers**  
Includes flowback services when performed in support of fracturing operations.
- 6246• ~~Drill Site Preparation—Oil or Gas Wells & Drivers~~**  
~~Includes building drilling pads and lease roads, and clearing brush.~~
- 6246• ~~Gas or Oil Lease Work NOG—By Contractor & Drivers~~**  
~~Includes the clearing of land, building of lease roads, slush pits, levees or fire walls, the laying or taking up of flow lines and water lines; the laying or taking up of small oil or gas lines not more than 4 inches in diameter, installing of central pumping units, and lease beautification work. Separately rate pipeline construction, tank building, rig or derrick erecting or dismantling, installation or recovery of casing, drilling, cementing, cleaning and swabbing of wells or well shooting. Not-lease operation.~~

ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

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EXHIBIT 9  
BASIC MANUAL—2001 EDITION  
SPECIAL CLASSIFICATIONS  
(Applies in: TX)

**6216• Oil or Gas Lease Work NOC—By Contractor & Drivers**

~~Includes the clearing of land, building of lease roads, slush pits, levees or fire walls, the laying or taking up of flow lines and water lines; the laying or taking up of small oil or gas lines not more than 4 inches in diameter; and installing of central pumping units; and lease beautification work.~~ Separately rate pipeline construction, tank building, rig or derrick erecting or dismantling, installation or recovery of casing, drilling, cementing, cleaning and swabbing of wells, or well shooting. Not lease operation.

Drill site preparations including but not limited to clearing land; building lease roads, slush pits, levees, or fire walls; and lease beautification or dirt work performed by a contractor are classified to codes applicable to these operations, provided the services are performed prior to rig erection. Contractors who perform these services during or after rig erection are assigned to Code 6216.

**6237• Oil or Gas Well—Instrument Logging, Radio Activity, or Survey Work in Wells & Drivers**

~~Code 6202—Oil or gas well—drilling or redrilling shall is not be assigned at the same job or location to which Code 6237 applies. Flowback engineers who only monitor and log flowback pressure are also included in this classification.~~

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EXHIBIT 9  
BASIC MANUAL—2001 EDITION—VIRGINIA  
SPECIAL CLASSIFICATIONS  
(Applies in: VA)

6206•

<b>Established:</b> Unknown	<b>Replaced By:</b> Not Applicable
<b>Discontinued:</b> Not Applicable	<b>Retained:</b> Not Applicable
	<b>NCCI Schedule and Group:</b> Schedule 26, Group 263

**PHRASEOLOGY**

Oil or Gas Well—Cementing & Drivers

**Note:** Code 6206 must not be assigned to the same job or location to which Code 6235 or Code 6236 applies because cementing would be considered incidental to drilling operations or the installation of casing. Includes flowback services when performed in support of fracturing operations.

**Description:**

This code Code 6206 applies to the cementing of oil or gas wells and also to the acidizing of these wells. The cementing operation involves the pumping of mixed cement, under pressure, through the casing to the bottom of the well. The pressure then forces the cement back up to the surface of the earth in the space created between the casing and the drill hole.

The acidizing operations are used in both old and new wells. Generally, a form of acid ~~will be~~ is pumped into the well casing to break up deposits of heavy oil, paraffin or calcium deposits. This type of operation does not require the use of any derrick or portable derrick rig, but ~~will merely~~ it requires the use of a tank truck to transport the liquid and pump to dispense the liquid into the well casing.

**Analogy Assignments:**

Specialist contractors ~~that engage in~~ who perform a process known as “fracturing” are also included in this classification. Fracturing involves pumping fluid under high pressure into rock fractures to expand them and also leaving a “propping agent,” such as sand, to keep the fractures open. This allows the oil or natural gas to move more freely from the rock pores to a production well. Fracturing performed by a drilling company is assigned to Code 6235.

Employers that provide flowback services are included in this classification if the services are performed in support of fracturing operations. Flowback refers to a process by which the fluid used for fracturing a shale formation is recovered from the well at the surface. Flowback is performed in preparation for a subsequent phase of treatment, or to cleanup and transition the well to a production stage. Flowback engineers who only monitor and log flowback pressure are assigned to Code 6237. Flowback services performed by a drilling company are assigned to Code 6235.

**Special Conditions:**

Extra-Territorial Classification Guidelines:

**ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS**

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**EXHIBIT 9 (CONT'D)**  
**BASIC MANUAL—2001 EDITION—VIRGINIA**  
**SPECIAL CLASSIFICATIONS**  
**(Applies in: VA)**

The following material was developed by NCCI to be used as a guide by auditors and underwriters in the determination of premium for contracting (construction risks) with extra-territorial employments where no company guidelines have been established for this purpose. Construction classifications are indicated by the addition of a construction code symbol (•) next to the classification code number.

1. Payroll of employees of contractors who have their place of business in a given state and operate also in adjoining states and who are constantly crossing state lines, but usually return to their homes each night, must be assigned to their headquarters' state. Example: Contractors such as electricians, plumbers, carpet layers, etc.
2. The payroll for construction project managers, executives, or superintendents who may visit a job but who are not in direct charge of a job must be assigned to the state in which their headquarters are located.
3. There are contractors who maintain a permanent staff of employees and superintendents. If any of these employees or superintendents is assigned to a job that is located in a state other than their headquarters' state, either for the duration of the job or any portion thereof, their payroll must be assigned to the highest rated of either the state in which the job is located or the headquarters' state.
4. The payroll of employees who is hired for a specific job project must be assigned to the state in which the job is located.

When a portion of the operations of a risk are insured in a monopolistic state fund, consider the special rules and requirements that may exist in such cases.

**CROSS-REF.**

Oil or Gas Well—Acidizing—All Employees & Drivers

**Note:** Code 6206 must not be assigned at the same job or location to which Code 6235 applies because acidizing would be considered incidental to drilling operations. Includes flowback services when performed in support of fracturing operations.

ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS

EXHIBIT 9  
BASIC MANUAL—2001 EDITION—VIRGINIA  
SPECIAL CLASSIFICATIONS  
(Applies in: VA)

6216•

<b>Established:</b> January 1942	<b>Replaced By:</b> Not Applicable
<b>Discontinued:</b> Not Applicable	<b>Retained:</b> Not Applicable
	<b>NCCI Schedule and Group:</b> Schedule 26, Group 263

**PHRASEOLOGY**

Oil or Gas Lease Work NOC—By Specialist Contractor & Drivers

**Note:** Includes ~~clearing land, building lease roads, slush pits, levees or fire walls;~~ laying or taking up flow lines and water lines; installing central pumping units; ~~and~~ tank truck operations servicing oil or gas well sites; ~~and lease beautification work.~~ The following operations are not included in Code 6216, and must be separately rated: pipeline construction; tank building; rig or derrick erecting or dismantling; installation or recovery of casing; drilling, cementing, cleaning and swabbing of wells, or well shooting. Not applicable to owner/operators of an oil or gas lease operation, or to a ~~risk~~ an employer under contract with the lease owner that performs all operations necessary to work an oil or gas lease.

Drill site preparations including but not limited to clearing land; building lease roads, slush pits, levees, or fire walls; and lease beautification or dirt work performed by a specialist contractor are classified to codes applicable to these operations, provided the services are performed prior to rig erection. Specialist contractors who perform these services during or after rig erection are assigned to Code 6216.

**Description:**

Code 6216 ~~is applicable~~ applies to oil field specialist contractors ~~engaged in~~ who perform well maintenance operations at oil lease sites ~~which and~~ are not otherwise classified. This classification includes but is not limited to well maintenance (lubricating, etc.), ~~dirt construction operators,~~ oil treating services, oil field roustabout services, pumpers, and tank cleaning services.

Refer to Code 1320 for employees of an oil or gas lease owner/operator.

~~Dirt construction operators use earthmoving equipment and perform services such as excavation, ditch digging and construction of dikes and dams.~~

Oil field roustabout services includes plumbing operations and cleaning, maintenance, and repair of auxiliary equipment, as well as miscellaneous work at the oil or gas lease site as needed.

Oil treating operations include heat treating of subgrade oil stored in tank batteries and the cleaning of auxiliary equipment using steam cleaning equipment.

Tank cleaning service consists of removal of paraffin and residue from the interior of tank batteries and spreading the residue on oil lease roads.

**ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS**

**EXHIBIT 9 (CONT'D)**  
**BASIC MANUAL—2001 EDITION—VIRGINIA**  
**SPECIAL CLASSIFICATIONS**  
**(Applies in: VA)**

Tank truck operations servicing oil well sites are classified to Code 6216. These ~~risks~~ employers deliver specialty brine water that is used to facilitate the removal of cuttings during the drilling process. The water is placed into a frac tank near the drilling rig and which the driller will draw from during the drilling process. These ~~risks~~ employers will usually remove waste water from these sites, which is a by-product of the drilling process. The waste water is generally in a containment pit where suction hoses are installed. The water is pumped into the tank truck and taken to a designated disposal site. The spreading of by-products on agricultural fields is not included in Code 6216.

**Special Conditions:**

Extra-Territorial Classification Guidelines:

The following material was developed by NCCI to be used as a guide by auditors and underwriters in the determination of premium for contracting (construction risks) with extra-territorial employments where no company guidelines have been established for this purpose. Construction classifications are indicated by the addition of a construction code symbol (•) next to the classification code number.

1. Payroll of employees of contractors who have their place of business in a given state and operate also in adjoining states and who are constantly crossing state lines, but usually return to their homes each night, must be assigned to their headquarters' state. Example: Contractors such as electricians, plumbers, carpet layers, etc.
2. The payroll for construction project managers, executives, or superintendents who may visit a job but who are not in direct charge of a job must be assigned to the state in which their headquarters are located.
3. There are contractors who maintain a permanent staff of employees and superintendents. If any of these employees or superintendents is assigned to a job that is located in a state other than their headquarters' state, either for the duration of the job or any portion thereof, their payroll must be assigned to the highest rated of either the state in which the job is located or the headquarters' state.
4. The payroll of employees who is hired for a specific job project must be assigned to the state in which the job is located.

When a portion of the operations of a risk are insured in a monopolistic state fund, consider the special rules and requirements that may exist in such cases.

**Related Operations Not Classified to Code 6216:**

Refer to Code 6213 for the leasing of specialty tools and equipment used by drilling contractors.

Refer to Code 7515 for pipeline construction and pipeline maintenance.

Code 6216 is a "not otherwise classified" (NOC) classification. The following is a representative list of operations somewhat related in nature to Code 6216 operations that are not assigned to Code 6216:

1320 Oil or Gas Lease Operator

6233 Oil or Gas Pipeline Construction

7515 Oil or Gas Pipeline Operation

6206 Oil or Gas Well:—Cementing

1322 Oil or Gas Well:—Cleaning or Swabbing of Wells—By Specialist Contractor—No Drilling

6235 Oil or Gas Well:—Drilling or Redrilling

6236 Oil or Gas Well:—Installation or Recovery of Casing

6237 Oil or Gas Well:—Instrument Logging or Survey Work Contractor

6214 Oil or Gas Well:—Perforating of Casing

6213 Oil or Gas Well:—Specialty Tool & Equipment Leasing NOC



**ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS**

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**EXHIBIT 9 (CONT'D)  
BASIC MANUAL—2001 EDITION—VIRGINIA  
SPECIAL CLASSIFICATIONS  
(Applies in: VA)**

4740 Oil Refining—Petroleum

3719 Oil Still Erection or Repair

In addition to this representative list, one should review sources such as the alphabetical index in this manual to determine whether a classification other than Code 6216 or a classification other than a classification on the above list is applicable to the operation(s) being reviewed for classification purposes.

**CROSS-REF**

Gas or Oil Lease Work—NOC—Natural Gas—By Specialist Contractor &amp; Drivers

**Note:** Includes ~~clearing land; building of lease roads, slush pits, levees or fire walls; laying or taking up of flow lines and water lines; tank truck operations servicing oil or gas well sites; and installing of central pumping units; and lease beautification work.~~ The following operations are not included in Code 6216, and must be separately rated: pipeline construction; tank building; rig or derrick erecting or dismantling; installation or recovery of casing; drilling, cementing, cleaning and swabbing of wells, or well shooting. Not applicable to owner/operators of an oil or gas lease operation, or to ~~a risk an employer~~ under contract with the lease owner that performs all operations necessary to work an oil or gas lease.

Drill site preparations including but not limited to clearing land; building lease roads, slush pits, levees, or fire walls; and lease beautification or dirt work performed by a specialist contractor are classified to codes applicable to these operations, provided the services are performed prior to rig erection. Specialist contractors who perform these services during or after rig erection are assigned to Code 6216.

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BASIC MANUAL—2001 EDITION—VIRGINIA  
SPECIAL CLASSIFICATIONS  
(Applies in: VA)

6235•

<b>Established:</b> January 1942	<b>Replaced By:</b> Not Applicable
<b>Discontinued:</b> Not Applicable	<b>Retained:</b> Not Applicable
	<b>NCCI Schedule and Group:</b> Schedule 26, Group 263

**PHRASEOLOGY**

Oil or Gas Well—Drilling or Redrilling & Drivers

**Note:** Code 6235 ~~is applicable~~ applies to drilling or redrilling oil or gas wells and includes erection or dismantling of drilling rigs, formation fracturing, cementing, ~~and~~ installation of casing, and flowback services when such operations are performed by employees of the drilling company. Cleaning or swabbing of a new well that has not yet been completed is included under in Code 6235 whether performed by employees of the driller or by a specialist contractor.

**Description:**

Code 6235 ~~is applicable~~ applies to drilling or redrilling oil or gas wells, and includes erection or dismantling of drilling rigs, formation fracturing, cementing, ~~and~~ installation of casing, and flowback services when such operations are performed by employees of the drilling company. Cleaning or swabbing of a new well that has not yet been completed is included under in Code 6235 whether performed by employees of the driller or by a specialist contractor.

Also included under in Code 6235 are ~~insureds~~ employers that own and lease specialty tools and equipment, with complete operating crews, to drilling contractors. ~~Insureds~~ Employers leasing specialty drilling tools and equipment with supervisory employees only are assigned to Code 6213.

Oil or gas well holes are usually drilled using either a cable or rotary-type rig. The cable rig involves dropping a pointed bit that is attached to a cable repeatedly into a hole until the hole reaches the desired depth. The rotary rig involves drilling a hole by applying pressure to a drilling stem that has a rotating bit attached to it. The latter method is used for ~~both~~ vertical, ~~drilling,~~ ~~and~~ for directional, and horizontal drilling. Directional drilling is the process of drilling a curved well, in order to reach a target that is not directly beneath the drill site. Horizontal drilling can make a 90 degree turn in only a few feet to reach less accessible reservoirs.

Although size and makeup of a drilling crew may vary from rig to rig, a typical crew consists of a tool pusher, a driller, a derrick person, and two or three roughnecks, also known as rotary helpers or floor persons. Occasionally, the crew includes a motor person, rig mechanic, and/or an electrician. The tool pusher is in charge of the overall drilling operation and is sometimes referred to as a rig foreperson, manager, supervisor, or rig superintendent. The driller is directly in charge of the drilling operations. The driller's Pprincipal duties ~~of the driller~~ include operation of operating the drilling and hoisting equipment, operation of operating the downhole tools, measuring pipes, ~~measurements~~ and monitoring the downhole condition of the well. The derrick person handles the upper end of the drill stem as it is lowered into or hoisted out of the hole and may

**ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS**

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**EXHIBIT 9 (CONT'D)**  
**BASIC MANUAL—2001 EDITION—VIRGINIA**  
**SPECIAL CLASSIFICATIONS**  
**(Applies in: VA)**

also be responsible for conditioning of drilling fluids (mud) and circulating equipment. Roughnecks are usually stationed on the derrick floor to perform work incidental to ~~operation of~~ operating the rig. The motor person, if any, is responsible for maintenance and service of rig engines. The rig mechanic, if any, is a handy person, who repairs equipment as necessary. The rig electrician, if any, repairs and maintains electrical generating and distribution systems on the rig as well as the rig's electrical wiring and lighting systems.

**Analogy Assignments:**

When performed by a drilling company, Code 6235 ~~is applicable~~ applies to stimulation methods that increase the flow of a well, such as injection wells, water flooding, and fracturing, ~~to increase the flow of a well~~.

Fracturing involves pumping fluid under high pressure into rock fractures to expand them and also leaving a "propping agent," such as sand, to keep the fractures open. This allows the oil or natural gas to move more freely from the rock pores to a production well.

Employers that provide flowback services are included in this classification if the services are performed in support of fracturing operations. Flowback refers to a process by which the fluid used for fracturing a shale formation is recovered from the well at the surface. Flowback is performed in preparation for a subsequent phase of treatment, or to clean up and transition the well to a production stage. Flowback engineers who only monitor and log flowback pressure are assigned to Code 6237. Flowback services performed by a drilling company are assigned to Code 6235.

**Special Conditions:**

Extra-Territorial Classification Guidelines:

The following material was developed by NCCI to be used as a guide by auditors and underwriters in the determination of premium for contracting (construction risks) with extra-territorial employments where no company guidelines have been established for this purpose. Construction classifications are indicated by the addition of a construction code symbol (•) next to the classification code number.

1. Payroll of employees of contractors who have their place of business in a given state and operate also in adjoining states and who are constantly crossing state lines, but usually return to their homes each night, must be assigned to their headquarters' state. Example: Contractors such as electricians, plumbers, carpet layers, etc.
2. The payroll for construction project managers, executives, or superintendents who may visit a job but who are not in direct charge of a job must be assigned to the state in which their headquarters are located.
3. There are contractors who maintain a permanent staff of employees and superintendents. If any of these employees or superintendents is assigned to a job that is located in a state other than their headquarters' state, either for the duration of the job or any portion thereof, their payroll must be assigned to the highest rated of either the state in which the job is located or the headquarters' state.
4. The payroll of employees who is hired for a specific job project must be assigned to the state in which the job is located.

When a portion of the operations of a risk are insured in a monopolistic state fund, consider the special rules and requirements that may exist in such cases.

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SPECIAL CLASSIFICATIONS  
(Applies in: VA)

6237•

<b>Established:</b> January 1942	<b>Replaced By:</b> Not Applicable
<b>Discontinued:</b> Not Applicable	<b>Retained:</b> Not Applicable
	<b>NCCI Schedule and Group:</b> Schedule 26, Group 263

**PHRASEOLOGY**

Oil or Gas Well—Instrument Logging or Survey Work & Drivers

**Note:** Not applicable to wire line-type work that involves the installation, repair, or servicing of equipment used for drilling purposes. Includes flowback engineers who only monitor and log flowback pressure.

**Description:**

Code 6237 ~~includes~~ applies to the detection and analysis of oil or gas by conducting oil or gas flow tests such as, but not limited to, hole pressure tests, well temperature tests, well depth tests, and volume tests. Additional work classified to Code 6237 includes tests to determine if a drilled hole is straight or, if not, its angle of deviation.

Operations involving tests to determine the characteristics of the earth’s formation through which a hole has passed are also classified to Code 6237. Usually, the described testing operations involve lowering various specially designed instruments into the wells to obtain the needed data.

~~Insureds~~ Employers that conduct on-site oil analyzing and testing services from trailers located at well sites but not at the well drilling area are also classified by analogy to Code 6237.

Flowback engineers who only monitor and log flowback pressure are also included in this classification. Flowback refers to a process by which the fluid used for fracturing a shale formation is recovered from the well at the surface. Flowback is performed in preparation for a subsequent phase of treatment, or to clean up and transition the well to a production stage. Installation, repair, or servicing of equipment used for flowback purposes is not assigned to Code 6237.

This classification is intended to apply to logging or survey work, which means maintaining records and/or taking measurements. While these activities are considered wire line services by the industry, other wire line-type work involving the installation, repair, or servicing of equipment used for drilling purposes is not ~~contemplated by~~ included in Code 6237. Examples of this wire line work include retrieving pipes or other items from a well; well cleaning; and valve, plug, or tubing installation, service, or repair.

**Special Conditions:**

Extra-Territorial Classification Guidelines:

The following material was developed by NCCI to be used as a guide by auditors and underwriters in the determination of premium for contracting (construction risks) with extra-territorial employments where no

**ITEM B-1438—REVISIONS TO BASIC MANUAL CLASSIFICATIONS FOR OIL AND GAS FIELD OPERATIONS**

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**EXHIBIT 9 (CONT'D)  
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SPECIAL CLASSIFICATIONS  
(Applies in: VA)**

company guidelines have been established for this purpose. Construction classifications are indicated by the addition of a construction code symbol (•) next to the classification code number.

1. Payroll of employees of contractors who have their place of business in a given state and operate also in adjoining states and who are constantly crossing state lines, but usually return to their homes each night, must be assigned to their headquarters' state. Example: Contractors such as electricians, plumbers, carpet layers, etc.
2. The payroll for construction project managers, executives, or superintendents who may visit a job but who are not in direct charge of a job must be assigned to the state in which their headquarters are located.
3. There are contractors who maintain a permanent staff of employees and superintendents. If any of these employees or superintendents is assigned to a job that is located in a state other than their headquarters' state, either for the duration of the job or any portion thereof, their payroll must be assigned to the highest rated of either the state in which the job is located or the headquarters' state.
4. The payroll of employees who is hired for a specific job project must be assigned to the state in which the job is located.

When a portion of the operations of a risk are insured in a monopolistic state fund, consider the special rules and requirements that may exist in such cases.