

# Oil Spill Hearings In Congress: Companies Blame Each Other, Refuse Responsibility

H. JOSEF HEBERT | 05/11/10 01:29 PM |

WASHINGTON — BP PLC told Congress Tuesday its massive Gulf oil spill was caused by the failure of a key safety device made by another company.

In turn, that company said BP was in charge, and that a third company that poured concrete to plug the exploratory well didn't do it right. The third company, which was plugging the well in anticipation of future production, says it was only following BP's plan.

The blame game shot into the open Tuesday as the Senate began a hearing into the oil spill that has been contaminating water in the Gulf of Mexico for three weeks and threatens sensitive marshes and marine life from Louisiana to Florida.

Executives of the three companies, testifying before the Senate Energy and Natural Resources Committee, acknowledged investigators have yet to pinpoint definitively the cause of the well explosion April 20 or why the oil was not contained, but they spent little time before trying to shift responsibility for the environmental crisis to each other.

In opening the hearing, Sen. Jeff Bingaman, the committee's chairman, said the failures that led to explosion and spill need to be closely examined so new safety measures can be imposed.

"I don't believe it is enough to label this catastrophic failure an unpredictable and unforeseeable occurrence," said Bingaman, D-N.M.

Sen. Lisa Murkowski of Alaska, the panel's ranking Republican, said the future of domestic oil development in this country rests with finding out what went wrong, correcting the failures and shortcomings and assuring the public offshore drilling can be conducted safely.

Murkowski and several other senators made clear they didn't like the finger pointing.

"I would suggest to all three of you that we are all in this together," she told the executives, who were sitting shoulder to shoulder at the witness table, "because this incident will have impact on developing of our energy policy for this country."

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"I hear one message – don't blame me," said Sen. John Barrasso, R-Wyo. "Shifting the blame game doesn't get us very far."

The hearing, with a second one planned by another Senate committee later in the day, marked the first public questioning by members of Congress of executives of BP, which owned the exploratory well and was overall operator; Swiss-based Transocean Ltd., which owned the drilling rig and key well safety equipment, and Halliburton Inc., which worked on sealing the well for future oil production.

BP PLC focused on a critical safety device, the 450-ton blowout protector, that was supposed to shut off oil flow on the ocean floor in the event of a well blowout but "failed to operate."

"That was to be the fail-safe in case of an accident," Lamar McKay, chairman of BP America, pointedly noting that it did not own the rig and that "responsibility for the safety of drilling operations" belonged to Transocean.

Of the 126 people on the Deepwater Horizon rig when it was engulfed in flames, only seven were BP employees, he said.

But Transocean CEO Steven Newman emphasized BP's role.

"Offshore oil and gas production projects begin and end with the operator, in this case BP," said Newman. He said it was BP that prepared the drilling plan and BP that gave the go-ahead to fill the well pipe with sea water before a final cement cap was installed, reducing the downward pressure.

The executives said this was a practice that was being used frequently and that BP got approval from the federal Minerals Management Service.

Newman said there is "no reason to believe" its blowout protector didn't work and that it might have been clogged by debris shooting up the well.

The explosion, believed likely to have originated from upward surging methane gas within the well, came three days after the drilling process was essentially completed, said Newman, pointing a finger at yet a third company, Halliburton Inc., which as a subcontractor was encasing the well pipe in cement before plugging it.

But Halliburton executive Tim Probert said they followed a process dictated by BP's drilling plan and the company's work was done "in accordance with the requirements" set out by BP and followed accepted industry practices.

BP and Transocean are conducting separate investigations into what went wrong.

Meanwhile, on the Gulf coast, crews replenished supplies, including fuel and water, preparing for the long haul in their struggle to stop the flow of oil. A supply boat, the Joe Griffin, that brought a 100-ton containment box to the site that ultimately didn't work, pumped roughly 100,000 gallons of fuel into the tanks of a vessel that is drilling the relief well. It's expected to take up to three months to complete such a well.

Daily activity sheets for the vessels in the containment area reviewed by The Associated Press were light on substantive plans for several of the boats surrounding the main leak on Tuesday. Several were standing by for further instructions.

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Associated Press writers Matthew Daly and Frederic J. Frommer in Washington, and Harry R. Weber from the site of the oil leak on the Gulf of Mexico, contributed to this report.

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## **Obama Seeks to Split Agency That Monitors Oil Drilling**

By **SHERYL GAY STOLBERG** and **JOHN M. BRODER**

WASHINGTON — President Obama is proposing to split the agency that oversees offshore oil drilling into two parts, one to inspect oil rigs and enforce safety and the other to oversee leases for drilling and collect royalties, the White House said Tuesday.

The shift would be the first major structural change in government regulation of oil and gas operations since the destructive Gulf Coast oil spill that began on April 20.

Interior Secretary Ken Salazar, who announced the change in an afternoon news conference, said that he intended to create a safety and environmental enforcement bureau separate from the minerals service leasing and revenue collection duties.

“The job of ensuring energy companies are following the law and protecting the safety of their workers and the environment is a big one, and should be independent from other missions of the agency,” Mr. Salazar said. “We will responsibly and thoughtfully move to establish independence and separation for this critical mission so that the American people know they have a strong and independent organization holding energy companies accountable and in compliance with the law of the land.”

Mr. Salazar said that he was asking the National Academy of Engineering to conduct an independent study of the causes of the Deepwater Horizon drilling accident and requesting additional funding for inspections of offshore drilling operations. And he also announced that the administration would propose eliminating the current 30-day deadline for acting on oil and gas exploration plans, extending the review period to 90 days or longer if needed to perform thorough assessments of potential environmental harm.

The Minerals Management Service has been caught up in scandals repeatedly in recent years and has been accused of being too cozy with the industry it is supposed to regulate. Its current mission includes collecting royalties and negotiating leases while at the same time acting as a policeman, overseeing safety and environmental protection rules.

The minerals service supervises one of the federal government's largest sources of revenue after personal and corporate income taxes. It collects an average of \$13 billion a year in royalties and fees from oil and gas on public and Indian lands and offshore.

The proposal to divide the agency reflects the shift in attitude by the Obama White House since the Gulf spill began. In March, a few weeks before the drilling-rig explosion and fire that led to the spill, the president laid out plans for comprehensive energy legislation that called for new offshore drilling in the Atlantic Ocean from Delaware to central Florida.

That legislation faced an uncertain path in the Senate even before the accident.

After the spill, Mr. Obama suspended his oil drilling plan, saying his administration would not approve any new offshore leases unless rigs had new safeguards.

Mr. Salazar's announcement on Tuesday coincided with hearings about the disaster on Capitol Hill, where members of Congress grilled executives of BP, the oil company responsible for the sunken rig and leaking well, as well as its chief contractors, Transocean and Halliburton.

The White House has been trying to respond aggressively to the April 20 disaster in hopes of avoiding comparisons between the spill, which is threatening wildlife and causing widespread environmental damage off the coast of Louisiana, and Hurricane Katrina, which devastated the same region in 2005.

The White House press secretary, Robert Gibbs, announced the proposed changes in the mineral agency Tuesday morning over Twitter.

Mr. Salazar came to office last year promising to clean house at the agency, where officials in the Denver office were found to have accepted lavish gifts and travel and engaged in sex and drug use with oil company officials. The former Interior Department Inspector General, Earl E. Devaney, described the agency as an ethical wasteland and repeatedly called for fundamental reforms.

The agency has also historically lacked the staff and money needed to adequately police the large and lucrative oil industry, and has instead often relied on the industry's assurances that its practices were safe. Under the Bush administration, the agency was run by two officials from Wyoming with ties to former Vice President Dick Cheney, himself a former chief executive of Halliburton, one of the world's largest oilfield service firms.

Mr. Salazar instituted a new code of conduct for the agency's officials and halted a royalty program that allowed oil companies to keep billions of dollars in payments that were owed to the government.

Other countries have moved to end the conflicts of interest that are inherent in having a single agency responsible both for encouraging production and for enforcing oil drilling safety regulations. Norway

created a separate safety agency in 2004, and Australia in 2005; both countries have extensive offshore oil and gas operations.

Referring to its Petroleum Safety Authority, the Norwegian Ministry of Labor said in an e-mailed statement, "When the P.S.A. was created, an important purpose was to create even clearer borders between the authority for resources in the petroleum activities and the authority concerning health and safety issues."

Mr. Salazar's staff is conducting a study of offshore drilling policy and practices, and he is to report the findings to President Obama as the end of the month. He has also formed an offshore drilling oversight board to make recommendations about safety and environmental regulations that are needed.

Mr. Salazar has suspended almost all new offshore leases, including one already approved off the coast of Virginia.

In addition to the Congressional hearings on Tuesday, the United States Coast Guard and the mineral agency, which are conducting a separate investigation of the disaster, begin two days of public hearings in Louisiana on Tuesday.