

BUREAU OF OCEAN ENERGY MANAGEMENT
ENFORCEMENT AND REGULATION

Public Forum on Offshore Drilling
Panelists and Elected Officials

Crown Plaza Hotel
Blue Bonnet Ballroom
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ENFORCEMENT AND REGULATION:

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Standards

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2

Gary Luquette
3 Chevron
API Upstream Committee Chairman

4

John Peters
5 Chevron
Chairman, Offshore Operating Procedures
6 Task Force

6

7

Alan Summers
Diamond Offshore Drilling
8 Chairman, Offshore Equipment Task Force

8

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Charlie Williams
Shell
10 Chairman, Subsea Well Control and
Containment Task Force

10

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Jay Collins
12 Oceaneering
Co-Chairman, Oil Spill Response Task Force

12

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Keith Robson
14 Marathon
Co-Chairman, Oil Spill Response Task Force

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PANEL II:
Richard C. Haut, Ph.D.
Houston Advanced Research Center

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Lois N. Epstein
19 Arctic Program Director
The Wilderness Society

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20

Nancy Leveson
21 Professor of Engineering Systems and
Aeronautics/Astronautics
22 Massachusetts Institute of Technology
23 Alan Spackman
Vice President of Offshore Technical and
24 Regulatory Affairs
International Association of Drilling
25 Contractors

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1 Dr. Robin M. Pitblado
Director, SHE Risk Management Service Area
2 Det Norske Veritas

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4 **PANEL III:**

5 Sheila Jackson Lee
U.S. Congresswoman representing the
6 18th District of Texas

7 Gene Green
U.S. Congressman representing the 29th
8 District of Texas

9 Elizabeth Ames Jones
Commissioner, Texas Railroad Commission

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11 Victor G. Carrillo
Commissioner, Texas Railroad Commission

12 Al Green
U.S. Congressman representing the 9th
13 District of Texas

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1 - P R O C E E D I N G S -

2 DIRECTOR MICHAEL R. BROMWICH:

3 Good morning. My name is Michael
4 Bromwich. I'm the Director of the Bureau of
5 Ocean Energy Management Regulation and
6 Enforcement, and it's good to be in Houston
7 this morning.

8 This is the sixth of eight public
9 forums that we've been conducting around the
10 country on various issues relating to deepwater
11 drilling. We started in New Orleans on
12 August 4th. And since then, we've been in
13 Pensacola, Florida, Mobile, Alabama, Santa
14 Barbara, California, and Anchorage, Alaska.

15 Basically, we are exploring three
16 issues that lie at the root of the deepwater
17 drilling moratorium that Secretary Salazar
18 imposed on July 12th.

19 Those issues are drilling and
20 workplace safety, spill containment, and spill
21 response. Our focus today is on the full range
22 of issues, but primarily focusing on workplace
23 safety.

24 Obviously, drilling and workplace
25 safety is a timely issue, and not only because

1 of the Deepwater Horizon tragedy, but also
2 because of what happened last Thursday With the
3 fire in the Gulf on the platform handled by
4 Mariner Energy, the Vermillion platform.
5 Thankfully, there were no fatalities and no oil
6 spill on that one, but it serves to remind us
7 of the continuing risks of the offshore work
8 that is done.

9 The format today will be the same
10 format that we followed in prior public forums.
11 I will give a brief presentation at the outset,
12 simply framing the issues, the general issues
13 and the more specific issues.

14 We will then have two panels of
15 industry folks and other substantive experts.
16 We will then take a break. And then we'll have
17 a panel of elected officials who will provide
18 their views on offshore drilling and related
19 issues. So that's the general format. We
20 should be winding up by about 12:30 or so.

21 Because we have a large number of
22 panelists with important information to share,
23 we may run a little over, but we'll do our best
24 to manage the time.

25 So without anything further, let's

1 go ahead and start.

2 As I said, the purpose of these
3 forums is to deal with the issues that lie at
4 the root of the deepwater drilling moratorium
5 that's currently in effect.

6 It is currently in effect until
7 November 30th, 2010, or until such earlier time
8 as the Secretary determines that deepwater
9 drilling operations can proceed safely with
10 adequate health and environmental protections
11 in place.

12 My charge in conducting these
13 forums is to gather information that's relevant
14 to that decision. I am required to report to
15 Secretary Salazar with the information from
16 these forums, as well as other information, no
17 later than October 31st. And I have been told
18 that it would be highly desirable to get the
19 report to the Secretary before that, and that's
20 what we plan to do.

21 As I said, the nature of the
22 information we're gathering is on the three
23 primary issues that are on this slide; that is,
24 drilling and workplace safety, wild well
25 intervention and containment techniques, and

1 oil spill response capabilities for offshore
2 drilling and production facilities.

3 And again, as I said, the purpose
4 of these forums is to identify whether any
5 modifications to the scope of the current
6 moratorium on deepwater drilling is appropriate
7 based on an assessment and evaluation of the
8 risks associated with different kinds of
9 drilling.

10 Just to frame the issues, we fully
11 understand -- and I know you do -- the
12 importance of deepwater drilling. There are
13 literally tens of thousands of people who are
14 employed in the Gulf of Mexico in the offshore
15 oil and gas industry.

16 Domestic energy production,
17 needless to say, is central to the health of
18 the economy, to this nation's energy and
19 independence, and, indeed, to our national
20 security.

21 The Gulf of Mexico currently
22 accounts for close to 30 percent of all
23 domestic oil production and close to 12 percent
24 of domestic natural gas production.

25 Drilling safety: What is at risk

1 and what are the risks? Deepwater spills, like
2 the Deepwater Horizon explosion and spill, can
3 have and have had devastating impacts on a
4 number of industries; on tourism, on wildlife,
5 on fishing and shrimping, on the ocean and
6 coastal environments, as well as on large
7 numbers of local communities.

8 As to the Deepwater Horizon oil
9 spill, in particular, as we know, the central
10 tragedy is that 11 rig workers died in the
11 Macondo well blowout and fire.

12 That oil spill has had a dramatic
13 effect on the ocean and the coastal
14 environments in the Gulf of Mexico. Literally
15 hundreds of miles of shoreline and wetlands in
16 the Gulf states have been affected by the oil
17 spill.

18 And in, so far not completely
19 well-known ways, the entire Gulf ecosystem may
20 be affected, including marine plankton, fish
21 and shellfish, birds, marine mammals, and other
22 wildlife.

23 The Deepwater Horizon spill has
24 also had, as I mentioned before, a substantial
25 impact on a variety of industries, including

1 fishing, shrimping, tourism, commercial retail,
2 as well as other industries in the Gulf of
3 Mexico.

4 The Deepwater Horizon explosion has
5 highlighted like never before a need to improve
6 the industry's offshore drilling safety
7 practices and procedures. That is acknowledged
8 by all; by regulators, by public officials, and
9 by the industry.

10 And though the various causes of
11 the Deepwater Horizon incident have not yet
12 been finally determined -- those will be
13 determined by a large number of investigations
14 that are currently ongoing -- many issues have
15 already emerged that relate to it, including
16 well design and construction, the type of
17 casing used by BP, and the process of cementing
18 the well.

19 All those issues have been front
20 and center in the investigations, and in
21 particular in the joint investigation being
22 conducted by my agency as well as the Coast
23 Guard that had public hearings here in Houston
24 just a couple of weeks ago.

25 In addition to that, there has been

1 focus on well control equipment. Specifically,
2 it is now apparent that the blowout preventer
3 failed to function properly.

4 The Department of Interior and my
5 agency has responded to the Deepwater Horizon
6 explosion in various ways.

7 On April 30th, we issued a safety
8 alert that contained a number of preliminary
9 recommendations for operators and drilling
10 contractors in the Gulf.

11 NTL5 implemented certain safety
12 measures that were outlined in the Department
13 of Interior's May 27th report to the President,
14 including certification requirements for
15 blowout preventers, additional requirements
16 related to intervention capabilities of
17 secondary control systems, such as
18 remotely-operated vehicles, ROVs, deadman
19 systems and auto-shear requirements, casing and
20 cement design and casing installation
21 procedures, compliance certifications, and
22 improvements of offshore inspection and
23 regulation programs.

24 In addition, as I think many of you
25 have heard, there is an interim final rule

1 that's in the final stages of the rule-making
2 process that will establish additional safety
3 measures in response to the additional
4 recommendations in the 30-day safety report to
5 the President.

6 Let's talk a little bit about
7 operational safety and personnel
8 accountability.

9 The Department of Interior
10 Investigation Findings and Reports have
11 suggested that offshore drilling operations are
12 often the result of human error -- not always
13 -- sometimes, it's equipment error; sometimes
14 it's both; but frequently, the result of human
15 error.

16 On April 30th, my agency and the
17 Coast Guard issued a joint safety alert, that I
18 referred to before, recommending that operators
19 and drilling contractors adopt certain
20 workplace safety measures, such as ensuring
21 that all crew members are familiar with
22 emergency and firefighting equipment and that
23 they participate in an abandon-ship drill.

24 In addition to that, the Department
25 is currently developing a rule that would

1 require operators on the outer continental
2 shelf to adopt a comprehensive systems-based
3 approach to safety and environmental management
4 -- that is, a SEM's rule -- that incorporates
5 best practices from around the world.

6 Like the interim final rule which I
7 had mentioned a moment ago, the SEM's rule,
8 which is separate, is in the final stages of
9 the rule-making process, and we expect that to
10 go final, we're hoping, at the end of this
11 month.

12 Finally: Ensuring compliance with
13 safety regulations. It is clear that a robust
14 enforcement and inspection program is a central
15 element of both drilling and workplace safety.

16 Within the last two weeks, our
17 agency adopted a new policy to address
18 potential conflicts of interest on the part of
19 our own personnel, as well as conduct by
20 outsiders, that may interfere with the
21 performance of our employees' duties.

22 Among other things, this policy
23 requires every BOEMRE employee to report any
24 attempt to influence, pressure or interfere
25 with his or her official duties to their

1 appropriate superiors, notify their supervisors
2 about any potential conflicts on interest, and
3 requests to be recused from performing any
4 inspection or other official duty where a
5 conflict of interest exists.

6 In my view, this is a critical step
7 toward ensuring compliance with existing
8 drilling and workplace safety regulations. We
9 need to have the reality and the perception
10 that our inspectors are doing their jobs and
11 doing it without fear or favor and without
12 regard to whether they have relationships with
13 people whose work they are inspecting.

14 So that is the brief introductory
15 comments that I wanted to provide to you.

16 Let me next introduce the, first of
17 all, members of my agency who will be working
18 with me during the forum today to ask questions
19 of our panelists.

20 Immediately to my left is Troy
21 Trosclaire. Troy is the Deputy Regional
22 Supervisor for District Operations in the
23 agency's Office of Field Operations for the
24 Gulf Of Mexico region. He oversees the
25 operations of five district offices located

1 throughout the Gulf Coast, and he has
2 responsibility for some of the central elements
3 that I've just been describing; safety
4 inspections, drilling permits, and accident
5 investigations. He has more than 20 years of
6 experience with the Department of the Interior.

7 Sitting to Troy's left is Bill
8 Hauser. Bill is the Chief of the Rules and
9 Standards branch of our agency. He has served
10 in a headquarters capacity for approximately 20
11 years. Earlier in his career, Bill served as
12 petroleum engineer in the Alaska region.

13 Next, let me introduce the members
14 of our first panel. It's a very distinguished
15 and large group today. We have six people who
16 will be presenting, and I'll have to make the
17 introductions brief.

18 First is Gary Luquette. Gary is
19 president of Chevron North America Exploration
20 and Production. He has held that position
21 since April of 2006 and is based here in
22 Houston. Gary began his Chevron career over 30
23 years ago as a design and construction
24 engineer. Prior to his current position, he
25 was the president and managing director of

1 Chevron's Upstream Bureau headquartered in
2 Aberdeen, Scotland.

3 Sitting to Gary's left is John
4 Peters. John has 28 years of experience with
5 Chevron. He is currently Drilling engineering
6 advisor for Chevron Deepwater Exploration and
7 Appraisal, and he serves as chair of the
8 Offshore Procedures Task Force.

9 Sitting to John's left is Alan
10 Summers. Alan is the director of the Subsea
11 Department at Diamond Offshore Drilling. He
12 has over 14 years of hands-on supervisory
13 drilling experience, both on offshore drilling
14 rigs and in management positions in the Gulf of
15 Mexico and other regions around the world,
16 including the North Sea, West Africa,
17 Indonesia, Malaysia, and others. He currently
18 chairs the Joint Industry Task Force for
19 Offshore Equipment.

20 Sitting next is Charlie Williams
21 the II. Charlie is the chief Scientist in
22 charge of well engineering and production
23 technology for Shell worldwide. He was
24 appointed to that position in 2005. Prior to
25 that time, Mr. Williams has held numerous

1 engineering, operations, R&D and technology
2 positions in Shell, including offshore
3 engineering manager, operations manager, head
4 office manager, deep well engineering
5 technology manager, head office technical
6 specialist and senior consultant of well
7 engineering and operations. Charlie is making
8 his second appearance in these forums, the only
9 person who's done that so far.

10 Sitting to Charlie's left is Jay
11 Collins. Jay serves as president and chief
12 executive officer and director, on the Board of
13 Oceaneering International, a global oil field
14 provider or engineer services and products,
15 primarily to the offshore oil and gas industry,
16 with a focus on deepwater applications. Jay
17 has been with Oceaneering since October of
18 1993.

19 Last, but not least, sitting to
20 Jay's left is Keith Robson. Keith graduated
21 from Marshall University with a Bachelor of
22 Science degree in biological Science. He has
23 served on various ad hoc industry safety
24 committees as well as various committees for
25 the American Chemistry Council. He joined

1 Marathon Oil when Marathon and National
2 Petroleum merged, and he has held various
3 positions in Marathon Oil until being promoted
4 to his current position of manager of Corporate
5 Safety, Security and Emergency Preparedness
6 with worldwide responsibilities.

7 One of the main reasons we're
8 having such a large first panel is to get a
9 report on some very important industry task
10 force work that has taken place over the last
11 couple of months.

12 One of the things that I've
13 experienced is a literal flood of information
14 coming from the industry that has been
15 responsive to both the Deepwater Horizon
16 explosion itself and the core request by my
17 department and my agency for help from industry
18 in helping to focus on the problems and develop
19 solutions.

20 So we're delighted that the task
21 force has completed at least some stages of its
22 work, and we look forward to the presentations
23 here today.

24 And with those introductions, let
25 me turn things over to Gary.

1 MR. GARY LUQUETTE:

2 Director, thanks for the kind
3 introductions. It's good to be here this
4 morning.

5 In addition to my role in Chevron,
6 I also have the honor of serving as chair of
7 the API Upstream Committee, and I think in that
8 capacity is why I find myself here this morning
9 as one of the leaders of the joint industry
10 effort to improve safety and environmental
11 performance in our industry.

12 The joint industry effort that we
13 have now reported to you on, as of last Friday,
14 involves nearly 100 companies in our industry,
15 over 200 dedicated individuals that have
16 sacrificed evenings, holidays, weekends, any
17 time we could squeeze in addition to their
18 regular time, to work on improving safety and
19 environmental performance in our industry. And
20 we are thankful to have the opportunity today
21 to share with you some of our findings,
22 recommendations, and plans forward.

23 Obviously, with a little under an
24 hour to accomplish so much, we're going to hit
25 the high spots for each one of our different

1 groups and then make ourselves available to you
2 and your team for the remainder of today and
3 any other time as needed by the Bureau.
4 You let us know, and we'll be happy to provide
5 additional details and information.

6 So what I would like to do is maybe
7 start with kind of shared objectives. There
8 are really two overarching objectives that
9 we've guided ourselves by in the joint industry
10 efforts.

11 Those were around identifying risks
12 and eliminating them and improving
13 environmental performance so that we don't have
14 another situation like we've had with the
15 Deepwater Horizon.

16 And of course, our secondary
17 objective, but one equally important, is to
18 restore public confidence and confidence in the
19 regulatory body so that our industry can return
20 to work.

21 So our battle plan was threefold in
22 order to accomplish our overarching objectives,
23 and these are things we have calibrated with
24 Secretary Salazar, as well as yourself,
25 Director Bromwich, a three-pronged approach

1 aimed at prevention, intervention, and oil
2 spill response, and really in that order.

3 The best way to deal with an oil
4 spill is never to have one, and so it's very
5 important that we continue to focus on ways to
6 prevent well-control situations like we've seen
7 with this recent incident.

8 And of course, if you do have one,
9 then is there ways, improved ways, to intervene
10 into a damaged well bore or damaged BOP to shut
11 it off; or, if not, then subsea to be able to
12 collect and contain any spillage; and then
13 lastly, in the event the first two fail to
14 accomplish their stated objectives, to improve
15 our ability to respond to any oil surface and
16 prevent, to the extent possible, beach impact,
17 coastal impact, and impact to water fowl and
18 marine mammals.

19 So having those three areas as kind
20 of the targeted areas, we've kind of broken
21 down our battle plan into four task forces, and
22 you will hear from each of them this morning.

23 In the area of prevention, we have
24 two task groups, one working on operating
25 procedures that's chaired by John Peters with

1 Chevron. That will go first.

2 Clearly, we're looking at design
3 and construction of deepwater wells and trying
4 to find opportunities to move industry towards
5 best practices, identifying gaps and closing
6 those.

7 Our second task force is currently
8 chaired by Alan Summers with Diamond Offshore.
9 Previously, that was chaired by Meaux Plaisance
10 up until about a month ago when the handoff
11 occurred to Alan.

12 There we're looking at all of the
13 equipment associated with construction and
14 deepwater wells with particular emphasis on
15 blowout preventers and the critical interface
16 of blowout preventers and remote-operated
17 vehicles.

18 Our third task group is in the area
19 of intervention chaired by Charlie Williams
20 with Shell. Charlie will be our third
21 presenter today, looking at ways of intervening
22 into a damaged well bore or damaged blowout
23 preventer, looking at new and innovative
24 containment techniques.

25 I think most of you in the audience

1 -- and certainly, I know the director and staff
2 -- have heard about the marine well containment
3 system. So we're trying to operationalize
4 that, as well as capturing lessons learned from
5 BP's response to the Macondo well, including
6 trying to capture equipment processes,
7 procedures, et cetera.

8 And then the last group is
9 co-chaired by Jay and Keith, and I think Keith
10 is going to do the honors this morning and
11 present on behalf of he and Jay on some things
12 that we feel like could be done to improve oil
13 spill response beyond what we've seen in terms
14 of the evolution of response associated with
15 the Macondo situation.

16 I want to give credit not only to
17 the 200 men and women that served on this joint
18 industry effort, but also to BP's senior
19 management team for making their lessons
20 learned and their experts available.

21 They have done peer reviews of what
22 you received late last week, Director. We've
23 taken in lessons learned and are trying to
24 build on that and not reinvent the wheel.

25 So I think with that, in order to

1 move on with our agenda, I'm going to hand over
2 to John Peters.

3 MR. JOHN PETERS:

4 Thank you, Gary.

5 Again, my name is John Peters. I'm
6 the lead for the Operating Procedures Task
7 Force. In my presentation, I'll touch on where
8 we started originally, the work we've done to
9 date, and our next steps going forward.

10 I've listed where we've started.
11 In the middle of May, our group got together
12 with the equipment group in a series of
13 meetings to make recommendations to the
14 Department of Interior.

15 When we first started, we had 13
16 members. It was a very humble start. We have
17 since grown to over 70 members in my particular
18 task force representing 25 different
19 organizations.

20 We focused on five areas, but those
21 five areas -- before I get into the details of
22 those five, are really centered on prevention
23 of loss of well control, and that's an area
24 that everything that we have done in operating
25 procedures has focussed on that main primary

1 focus, is prevention of loss of well control.

2 In addition to operating
3 procedures, we are addressing design and safety
4 issues as well, because we feel that they are
5 very important in regards to prevention of loss
6 of well control.

7 The five main areas that we focused
8 on in the original series of meetings
9 cementing, and the specific recommendation that
10 we made to the Department of Interior was to
11 refer to API 65, Part 2.

12 We also talked about loads and
13 resistance, and a specific recommendation that
14 came out in that area was to lock the casing
15 hanger assembly as the next step after running
16 a long string.

17 Additionally, we're working on
18 developing a deepwater well design
19 consideration standard, and I'll speak more to
20 that, but that's in reference to API RP96,
21 which is a new effort for the industry.

22 The third area that we talked about
23 was fluid displacement and negative testing.

24 And the specific recommendations
25 that came from the task force was to close the

1 BOP in the process of displacing the riser in
2 preparation for negative testing, et cetera,
3 and specifically in preparations to remove the
4 stack.

5 Monitor displacement volumes in and
6 out of the wellbore at all times during these
7 procedures and, as always, position shearable
8 component of the drill string across the shear
9 rams when these procedures are going on.

10 Under abandonment and barriers, the
11 specific recommendation that came from the task
12 force was to use at least two barriers in the
13 direction of the flow path, whether it's in the
14 -- or inside casing or drill pipe.

15 And the last was to adopt a safety
16 case approach in the Gulf of Mexico and couple
17 that with a well construction interface
18 bridging document, which we feel is a very
19 important part of making things safer going
20 forward, and again with the idea of prevention
21 of loss of well control.

22 Let me introduce API RP96. This
23 will be a new standard for deepwater well
24 design considerations.

25 When you think about the types of

1 welling that we drill in the deepwater Gulf of
2 Mexico and the combination of everything that
3 we encounter, and specifically when you talk
4 about the depth of the water, the total depth
5 of the well, which in many cases is as much as
6 30,000 foot -- in some cases, more -- the total
7 pressure that we encounter, the high pressures
8 as well as the narrow margin that we have
9 between the pore pressure and the fracture
10 gradient, coupled with the high differential
11 pressures from down hole back up to the mud
12 line, these wells are very complex, and I think
13 that we need the standard to help us.

14 When we work on the standard and
15 the efforts that we're working on -- and I've
16 listed some examples of what we're touching on;
17 and of course, the list is much longer than
18 what I have on this slide -- but we're focusing
19 on loads and resistance in the design phase and
20 the barriers that we're using to prevent loss
21 of well control.

22 The specific idea, when we talk
23 about this standard for drilling engineers and
24 completion engineers going forward into the
25 future, is what not to overlook during the

1 design phase.

2 It will also be useful for internal
3 reviews within the operator's organization on
4 what to ensure has been addressed in the
5 design.

6 It will also be useful, when we
7 engage contractors in the future, to make sure
8 that our contractors understand what the well
9 design has been set up for and what those
10 barriers are and will also be useful for
11 regulatory bodies to use during the approval
12 process.

13 Just to summarize where we are
14 right now in API RP96, progress has been very
15 good. We started in June. Our target is to
16 fast-track this.

17 As you can see on the left-hand
18 side, we have quite a bit of activities that
19 have occurred since June. We're currently
20 working on our first draft, Draft No. 1.

21 I had split the team up into six
22 sub-teams to address specific areas. We have
23 now since combined that in Draft 1, and we'll
24 start working from that particular document
25 going forward.

1 I envision that we'll be working on
2 Draft 2 here shortly and then go through a
3 ballot process, if necessary, a second ballot
4 process. And our objective is to have a first
5 edition of this standard sometime late in the
6 fourth quarter of this year.

7 The other key deliverable that our
8 task force has been working on is the well
9 construction interface bridging document, and
10 it's an acronym WCID. And it's really
11 following on what you see in other parts of the
12 world with the safety case approach to drilling
13 and completing wells.

14 Just to kind of get some background
15 on what the concept here, when we talked about
16 a well construction interface document, we
17 wanted more than just a safety case bridging
18 document. We wanted to also bridge the
19 operator's well plan to the contractor.

20 So it's going to have two sections.
21 It will have a well construction interface
22 section as well as the traditional safety case
23 bridging document section.

24 Together, those two will help
25 improve safety in our wells in the deepwater

1 Gulf of Mexico, and we really feel it will be
2 useful and probably adopted soon thereafter
3 elsewhere in global operations.

4 Let me just give you a quick view
5 of what we're talking about.

6 On the left-hand side, you see the
7 components that make up the rig contractor's
8 safety management system. And using that
9 safety management system with a robust risk
10 assessment of the rig in question, a safety
11 case will be developed.

12 On the right-hand side, you see
13 what belongs to the operator. And part of that
14 is the operator's safety management system. In
15 addition to the safety management system, you
16 see the components of the particular well in
17 question, which, in short, will be addressing
18 the basis of well design, the well execution
19 plan that we will use during the course of that
20 operation, and the critical well assessment.

21 These elements summarize many
22 different things that will be built into this
23 well construction interface document.

24 The idea of the document, it won't
25 replace everything, but it will show that there

1 has been engagement between an operator and
2 contractor and formalize that, with the idea
3 that that would then be presented to the
4 regulator going forward in the approval process
5 for the particular well in question.

6 To summarize progress today, again,
7 progress has been very good. We started
8 working on this in June, and we've made rapid
9 progress, and we've been circulating the drafts
10 of the well construction interface document
11 within the industry, getting feedback, and
12 we're currently on Draft No. 8.

13 And we've also circulated that for
14 comment with the BOEMRE. And going forward, we
15 went to hold workshops with industry to show
16 how this can be used in conjunction with the
17 safety case approach sometime later in
18 September.

19 That summarizes where we are today
20 in our forward plans. I'll turn it over to
21 Alan now.

22 MR. ALAN SUMMERS:

23 Thank you, John.

24 My name is Alan Summers. I've
25 taken over the chairmanship of the equipment

1 subgroup from Meaux Plaisance recently.

2 Currently, we're reviewing
3 equipment designs, looking at BOP, the testing
4 protocols, how they're tested, how often, when,
5 and under the conditions that they're tested.

6 We're also looking into the
7 regulations that we put forward with the NTLN05
8 and with the DOI safety report.

9 We're also looking closely at
10 secondary BOP control systems or OB panels,
11 acoustic systems, and other systems.

12 And we're looking at ROVs and what
13 are their capabilities, as far as what can they
14 do to a stack, what the state of the industry
15 is, and what we can expect and what we cannot
16 expect from their use.

17 It's a very robust group. We have
18 over 60 people, over 30 organizations in this.
19 It's a large effort.

20 We have three specific sub
21 workgroups, the first being the shearing
22 workgroup to basically try and gather up shear
23 data. Looking at the new rules, the shear data
24 has to be third-party inspected. And so we're
25 trying to gather all of that information so

1 that we can get the industry back to work
2 quicker.

3 We're working with the BOP
4 manufacturers to see if it's feasible to let
5 them maintain the shear data on their
6 particular website so it will be accessible to
7 the public and to other drilling contractors
8 and operators.

9 The ROV workgroup is working on the
10 standards for the Gulf of Mexico to try and
11 have a reasonable set of standards that are
12 good with the current state of technology.

13 And the final workgroup is the
14 acoustic workgroup looking at where the
15 acoustics are today. They've had a bit of a
16 checkered past, but they've made a lot of
17 headway recently, and we want to look at that,
18 learn from that, and check to see what the
19 reliability is with current state of
20 technology.

21 What we're doing here recently is
22 we've been looking at the differences between
23 NTL-N05 and the DOI safety report and making
24 unsolicited recommendations and comments to
25 give to the BOEM before the final rule-making

1 comes out at the end of the month.

2 The bulk of this work has been
3 done. It is being currently peer-reviewed by
4 the API governance board and should be ready
5 for release rather soon, if not this week
6 hopefully.

7 And with that, I will turn it over.

8 MR. CHARLIE WILLIAMS:

9 I'm Charlie Williams, and I was
10 chair of the Subsea Well Control and
11 Containment Task Force, and the mission of our
12 group was really to look at being able to
13 rapidly and fully intervene and contain an
14 event where there was a failure of the block
15 preventer or there was a failure in the well,
16 you know, near the blowout preventer.

17 We had 30 participants and 20
18 organizations that were working in this group.
19 We divided up also into three subgroups.

20 And the first subgroup was to look
21 at ways to seal onto the block preventers and
22 get full control or ways to seal onto the ocean
23 floor around the block preventers and be able
24 to contain flow that was potentially from the
25 casing or near the bottom connector on the

1 blowout preventers.

2 The next one was to look at
3 intervention and containment within the subsea
4 wells. So this group was looking at things you
5 could do inside a well with plugs or
6 intervention techniques inside the well where
7 you could set equipment or do remedial action
8 inside the well to stop flow.

9 And then the last group was the
10 subsea collection and surface processing group
11 which was to focus on, you know, once we had
12 fully contained this flow and captured it, then
13 how would we move this to the surface and how
14 would we deal with it and capture it on the
15 surface?

16 And that was our three working
17 groups.

18 We had 29 recommendations so far,
19 and 15 of these were immediate action ones, and
20 I'll move on to those now.

21 So I was just going to summarize,
22 you know, what some of these immediate actions
23 that we're working on right now are, and they
24 really break down in some major areas.

25 Certainly, the most important thing

1 we talked about and recommended was that the
2 industry set up a containment company, and this
3 containment company would own and be able to
4 operate and have immediately available, you
5 know, a set of equipment that could be used to
6 attach to and fully stop flow on block
7 preventers that had failed or be able to fully
8 stop flow near the well by being able to attach
9 to the seafloor.

10 So this company would have modular
11 equipment, would have adapters for all kinds of
12 blowout preventers, their end use, have these
13 maintained up-to-date and ready to deploy very
14 quickly.

15 And they would also then have the
16 equipment, once we had captured and contained
17 the well, to be able to flow back to the
18 surface and contain the oil if that was
19 necessary.

20 Also, this company would have a
21 research and development capability and would
22 continue to do research and development on
23 better ways to intervene and contain in subsea
24 situations.

25 The next area that we looked at was

1 recommendations around being sure that we can
2 get disconnected in different situations
3 subsea. So it's important to be able to get
4 disconnects because then you can reconnect your
5 containment equipment back on there and seal
6 the well.

7 So the top part of the blowout
8 preventer is called the lower marine riser
9 package, and you should be able to disconnect
10 there in situations where the rig isn't pulling
11 tension on the riser and in situations where
12 the rig has drifted off location at a high
13 angle, and there's a lot of other situations
14 where you want to make sure you can be able to
15 get disconnected and get a clean disconnect
16 there so that you can then install other
17 equipment.

18 There's a lot of techniques in the
19 industry now around that. We want to make sure
20 that those are the right techniques and that
21 there's no other equipment or techniques to be
22 had. And something we already know we want to
23 look at to add is the ability to disconnect at
24 the riser itself.

25 Right now, the riser is attached to

1 the top of the blowout preventer with a
2 permanent connection, but we can probably build
3 a quick disconnect where we can quickly
4 disconnect the riser without having to saw it
5 off or cut it off.

6 And so there's a lot of
7 recommendations around that and also around,
8 you know, being able to release the blowout
9 preventer itself, if that was necessary, to
10 install containment equipment actually on top
11 of the wellhead itself.

12 The other part of the work that we
13 talked about was coordinating with some of the
14 other task groups. So it's important in the
15 deepwater well design that we have design
16 practices in the well that support two things.

17 One thing is the ability then to
18 shut the well in because we're going to build a
19 full containment system, so the well has to be
20 able to be fully shut in and contain full
21 shut-in.

22 And then also you want to have the
23 foundation capability of the well such that it
24 can support the equipment you might want to
25 install when you're doing the containment and

1 also be able to last until you can install this
2 equipment due to the loads that are imposed on
3 it by the riser if the rig is drifting around.

4 The other area we looked at was in
5 regaining BOP function, and this can be done,
6 you know, with the ROV that had been mentioned
7 earlier, but also be able to put in subsurface
8 and -- I mean, subsea control panels that can
9 be used to regain the blowout preventer control
10 from a damaged blowout preventer and look at
11 possibilities of having a universal type
12 connection that could be deployed with a lower
13 marine riser package to regain control on
14 damaged blowout preventers.

15 And then the last thing was, you
16 know, we were going to do a series of reports
17 around relief wells and around how relief wells
18 can be used to intervene in circumstances where
19 you wouldn't want to use relief wells to
20 intervene if you had a subsea containment
21 situation.

22 So one of the -- you know, the last
23 thing I was going to show was this diagram
24 (indicating). This is the marine well
25 containment system that is being developed by

1 the Marine Well Containment Company, which is a
2 non-profit company.

3 And this, as I say, it's going to
4 be a purpose-design, purpose-built, pre-staged,
5 and available for rapid deployment system. And
6 it's an example of what a containment company
7 could do for the industry and give this
8 quick-response capability.

9 And you know, I won't go too much
10 into all the details about the system because
11 we don't have time, but you can see one of the
12 key parts in the middle of the drawing is a
13 subsea containment assembly that's on top of a
14 blowout preventer.

15 So again, the whole purpose of this
16 system is to get full containment subsea and to
17 fully contain the flow inside the equipment and
18 then capture it and bring it back up to the
19 surface, if necessary, or to simply shut the
20 well in, if that's possible.

21 And so that's the work of our group
22 going forward. We also have some future R&D
23 items that we intend to work on jointly with
24 the industry and also jointly with academia and
25 other joint industry projects.

1 Thank you.

2 MR. KEITH ROBSON:

3 Thanks, Charlie.

4 I'm Keith Robson. I'll be speaking
5 for Jay Collins.

6 The Oil Spill Response Task Force,
7 we started off with about probably 30 member
8 companies or organizations, represented over 60
9 people working inside the task force. It was a
10 very broad effort across the oil and gas
11 companies, service companies, and trade
12 associations, all involved.

13 We kicked it off in June trying to
14 assess what we would be looking at, sort of the
15 focused areas of potential improvements, and
16 I'll be talking to you about those today.

17 We basically broke ours down into a
18 few areas, and I'll touch on our
19 recommendations for all those.

20 Those were oil spill response
21 planning, oil sensing and tracking, dispersant
22 use and application, in situ burning,
23 mechanical recovery capabilities, shoreline
24 protection and cleanup, and alternative
25 response technologies. So we'll start to cover

1 through those.

2 Oil Spill Response Plans:
3 Obviously, it sort of goes without saying, but
4 better planning ahead of time. It makes you
5 more ready when the real things happens. So
6 obviously, the better planning we do up front,
7 the more prepared we are. I mean, that's what
8 it's all about in the response game.

9 I'll talk about some of the things,
10 the recommendations we have. We're going to be
11 looking at the response plan's content and
12 format. Basically, we want to make sure the
13 content of a response plan is content that's
14 valuable and that the formatting is something
15 that's usable and not developed merely to
16 comply with the regulation. If we're going to
17 have these plans and develop them, they need to
18 be usable and practical.

19 Likely Improvements: I'll talk
20 about some things about potentially speeding
21 up the response, ramping up, content and
22 structure, coordination with regulatory
23 agencies.

24 Response planning function in the
25 United States right now is a collaborative

1 effort between a lot of federal, state and
2 local agencies in the industry itself.

3 We can't do this as industry by
4 ourselves. We need to work with the federal,
5 state, and local agencies to do that to
6 increase and make better plans.

7 Training and exercise is an issue.
8 Obviously, that's something you always look at.
9 We can always train and drill more. We're
10 going to be talking about some of those things.

11 And then we're even talking about
12 development of potential API recommended
13 practices, or what we would call standard, on
14 oil spill response planning. So those are
15 high-level things on oil spill responses.

16 Moving on to oil sensing and
17 tracking, one of the key important pieces in
18 trying to respond to an oil spill is knowing
19 where the oil is at and knowing where it's
20 going to go. If you don't know those two
21 things, you're behind the eight ball from the
22 getgo.

23 So one of the things that we
24 identified in our task force was the ability to
25 improve on those capabilities. The better

1 intelligence you have, the better you can put
2 your response tools in the oil. If you can put
3 it in the oil, you can recover the oil. So
4 it's a key resource.

5 I think there's some improvement
6 areas here in technology and regulatory
7 perspective, both, particularly in the
8 subsurface oil. There's not a lot of tools out
9 there at this point to really model or predict
10 where the subsurface oil is going to go once
11 it's released. So there's a lot of work to do
12 there and some research work.

13 The connectivity between anything
14 that we have out there, a model or a sensing or
15 tracking system, what you've got to understand
16 is if you can sense the oil and read where the
17 oil is at, you still have to communicate that
18 back in realtime through your response tools
19 and your resources, to put it in the oil.

20 The connectivity piece, although
21 we've made advances in the Deepwater Horizon
22 response, is still not as good as we would like
23 it to be. So we need to see some improvement
24 areas there.

25 And then some new technology

1 pieces, obviously, with aerial and underwater
2 manned vehicles and some modeling stuff to go
3 along with that.

4 So big areas of improvement there.

5 Dispersants: Dispersants are a
6 critical response to offshore oil spills.
7 There's a lot of discussion about dispersant
8 application in the Deepwater Horizon.

9 Our task force believes there's
10 probably some confusion and some unanswered
11 questions about dispersants and how they were
12 applied and what the fate and effect is of
13 those.

14 We see the key pieces going forward
15 of dispersant use is developing the
16 information, better information than what the
17 industry had previous to the Deepwater Horizon
18 spill, and then communicating that better.

19 I think some of the stuff that we
20 saw was confusing and some unanswered
21 questions, so developing information and
22 communicate it better.

23 There is some R&D work that needs
24 to go on with long-term fate and effect, subsea
25 dispersant applications. So we have some R&D

1 projects in our recommendations also.

2 In situ burn is a response tool
3 that's been around for a number of years. It's
4 been used sparingly. It's been difficult to
5 do, exercises and drills on in situ burns.

6 In situ burns in this response
7 actually proved to be a very, very valuable
8 tool. Over 400 control burns and a lot of oil
9 removed with control burn situations way
10 offshore.

11 Again, similar to dispersants, I
12 think there's some improvement areas there,
13 communications and information packages to be
14 developed. Again, some unanswered questions
15 and a little bit of confusion. We need to look
16 at those things and develop those tools and
17 communicate those better.

18 There is some work to be done
19 probably in R&D on some of the fire boom
20 particulars and performance specs.

21 Can we operate the fire boom in
22 high sea states; can we control the oil; can we
23 do control burns in high sea states; and then
24 the availability of adequate fire boom be
25 brought to bear?

1 So some areas for us to look at as
2 far as recommendations.

3 Mechanical Recovery Systems: I
4 think, over the last 20 years or so, we've made
5 some improvements in mechanical recovery. We
6 continue the R&D process of mechanical systems.

7 When I say mechanical recovery, I'm
8 talking about skimmers and booms. I think
9 there's two high-level words there. There's a
10 whole multitude of different kinds of skimmers
11 and booms that were used. We'll leave it at
12 that high level.

13 There has been some work done. I
14 think there still needs to be more work done on
15 technology advances there.

16 One of the key issues in skimming
17 capacity or skimming availability is what they
18 call EDRC, which is a rating for a skimming
19 vessel. We need to go back and revisit those
20 and make sure that those capacities that are
21 listed are actually realistic in that people
22 have expectations that are true and valuable at
23 the end of the day.

24 And then similar to the in situ
25 burn, the availability to skim and the

1 efficiency of skimming in high sea states is
2 problematic at best, you know.

3 Once you get above three or four
4 feet of water or waves, skimming is very, very
5 difficult. Booms are very problematic out
6 there also. So we need some R&D looking at
7 those kinds of things, as well as the things
8 that we've listed already.

9 Shoreline Cleanup and Protection:
10 It's very labor-intensive work. With the
11 labor-intensive work, it requires a lot of
12 skilled and trained supervisors and responders.
13 We think there's probably some work we can do
14 there as far as training, actually increasing
15 of the numbers, although we have a number of
16 people deployed for shoreline cleanup in the
17 DWH response.

18 We certainly don't want to lose
19 those capabilities and those trained people, so
20 we think those are valuable tools and people to
21 keep around.

22 Strengthen command and control
23 protocols: We think there probably was some
24 recommendations, improvements areas, in the
25 shoreline protection stuff related to engaging

1 the local community and local folks earlier in
2 the process.

3 So I think as we walk our way
4 through shoreline cleanup back to our response
5 planning efforts, I think the identification of
6 the local assets and responders, and including
7 those in the pre-planning process, is a key
8 issue as going forth to increase the shoreline
9 protection schemes itself.

10 Then we have some ancillary issues
11 revolving around ESI mapping and the planning
12 process itself.

13 Alternative Response Technologies:
14 Essentially, that's innovative technology, if
15 you will, to focus on both technology and the
16 process to introduce those. And we're up to
17 those two in the R&D process to the point where
18 you can actually apply them in the field.

19 This is a process that needs to
20 take place before this spill and during this
21 spill both. This is not something you wait at
22 end of the day and do when the spill has
23 already occurred. So we think there needs to
24 be a more formalized process going forward.

25 There's a process in place right

1 now. We need to revisit that process and make
2 sure that it is really the way to go and move
3 forward on the innovative technologies.

4 The path forward for response for
5 us -- what we've done here with our task force
6 is what we term "take the first step" in
7 identifying potential recommendations to move
8 forward.

9 We believe also that this effort
10 has to be a collaborative effort. We talked
11 earlier a few moments ago about 20 years of
12 spill response and what we've done in the last
13 20 years.

14 The responsible organization and
15 structure in the United States has already a
16 collaborative effort between the industry and
17 the federal, state and local agencies. It, in
18 our opinion, needs to continue.

19 I think what we need to do is
20 collaborate and coordinate better with those
21 agencies and then with us. I think we've made
22 some progress. I think there were some hiccups
23 in the response that happened recently, but we
24 think that is absolutely the way to go. We
25 just need to make improvements in the area.

1 In order to get there, we would
2 like to, similar to what was referred to
3 earlier, we want some workshops and some
4 meetings with federal, state and local agencies
5 to move forward on the recommendations that we
6 put forth.

7 Those meetings should set our
8 priorities and start to develop our programs
9 and projects moving forward.

10 Gary?

11 MR. GARY LUQUETTE:

12 Okay. So thanks to the cast, group
13 chairs, for concise and very quick
14 presentations. I think over breakfast this
15 morning, we went from 90 minutes to 45 minutes.
16 So thanks for that.

17 Director, I think you can sense
18 that a lot of progress has been made. We've
19 learned a lot from this incident. It's very
20 unfortunate that the incident occurred, but we
21 certainly have taken advantage of the lessons
22 learned.

23 Our work is not done. Obviously,
24 we anxiously await the formal investigative
25 findings. We can take those and work those

1 into our current recommendations as well as our
2 future plans.

3 But with all the progress being
4 made to date, we feel like we're much more
5 ready to return to work. And so our appeal to
6 you is we stand ready when you are to get back
7 to work.

8 And with that, I would like to turn
9 it back over to you to see if there are any
10 questions.

11 DIRECTOR MICHAEL R. BROMWICH:

12 Gary, thanks very much.

13 And I truly appreciate the effort
14 in trimming the presentations so you brought it
15 in at well under an hour, but also the
16 tremendous amount of work that clearly has gone
17 into the outlines of the presentations that
18 you've presented today.

19 Clearly, there were a lot of people
20 involved, working very hard to come up with new
21 ideas and to incorporate the learning, not only
22 from the Macondo blowout but from industry's
23 experience over time.

24 I have a couple of questions, one
25 quite specifically and one more general.

1 The specific question: Could the
2 chairs or co-chairs of the task forces outline
3 what the next steps are in the process and when
4 you anticipate that some written product will
5 be released publicly?

6 I know there are a couple of
7 products that may be released as early as
8 today, but I'm interested in trailing that out
9 into the future; if we could talk about both
10 the two task forces that are not ready to
11 deliver something today, when they will be
12 delivering something, and just what the
13 trajectory is, generally, in terms of timing
14 for all four of the task forces, to the extent
15 that you can.

16 MR. JOHN PETERS:

17 On operating procedures, the first
18 deliverable that we will be -- are planning to
19 release is the well construction interface
20 document.

21 We plan to have workshops towards
22 the end of September and shortly thereafter. I
23 think it would be ready for release to the
24 industry for general use -- the first week of
25 October, thereabouts.

1 The other part that we're working
2 -- the other deliverable is API RP96. And at
3 this time, we're targeting sometime in November
4 to have a first edition, hopefully before
5 Thanksgiving.

6 MR. ALAN SUMMERS:

7 The equipment subgroup, we have a
8 document together. It's being reviewed,
9 hopefully -- not today -- sometime this week,
10 it will be going out, commenting on NTL-N05 and
11 the DOI report and the differences and our
12 comments and recommendations to go in there.

13 The subcommittees are still
14 working. I don't have firm dates on when their
15 deliverables will be finished.

16 MR. CHARLIE WILLIAMS:

17 On the subsea containment, our
18 document, or at least our interim document, is
19 done with these recommendations that we have.

20 But the main work right now is --
21 there's two parts to the work. The most
22 important part of the work is really around the
23 containment companies and the near-term
24 containment capability.

25 And regarding the Marine Well

1 Containment Company, the project has been
2 staffed. The project is up and running on
3 design. And it's also established a near-term
4 capability sub-team, which is meeting with the
5 contractors -- there are contractors in the
6 Gulf of Mexico; they have near-term containment
7 capabilities -- and also meeting with the
8 companies that have containment capability,
9 getting the best practices and looking at how
10 those can be moved into the company.

11 So I think, you know, our key focus
12 is on getting that up, getting the design work
13 underway, the procurement underway for the
14 longer-term capability, and acquiring all of
15 the short-term capability that's available
16 right now into the containment company.

17 And all that work has been going on
18 for the last few weeks, and I think we're close
19 to having something to talk with you about
20 there.

21 **MR. KEITH ROBSON:**

22 For the Oil Spill Task Force, our
23 report -- our interim report should be out, I
24 believe, this afternoon. So it should be out.

25 The path forward for us is we have

1 developed a set of recommendations, what we
2 call near-term and long-term with some due
3 dates on those as far as what we believe would
4 be practical due dates, to move those forward,
5 or at least initiate on those recommendations.

6 So the path toward for us, we stand
7 ready to collaborate with the federal, state
8 and local agencies to start moving those
9 forward; workshops, meetings, whatever we have.

10 DIRECTOR MICHAEL R. BROMWICH:

11 With respect to the recommendations
12 that are coming out of the task force, what I'm
13 hearing is that most of them will be out there
14 for companies to voluntarily follow as they see
15 fit.

16 Is it also the case that some of
17 them you may feel so strongly about, that you
18 think they should be embodied in regulations?

19 MR. JOHN PETERS:

20 In my opinion, the well
21 construction interface document approach and
22 safety case should be considered for that. I
23 think we know how potentially it will go if it
24 were left to be voluntary.

25

1 DIRECTOR MICHAEL R. BROMWICH:

2 Anybody else on that issue?

3 MR. GARY LUQUETTE:

4 Well, I think, you know, any time
5 industry comes together and builds a
6 recommended practice, the intent there is the
7 recommended practice becomes part of the
8 operating philosophy and the operating
9 practices.

10 And in the past, I know the
11 regulatory agency, the Minerals Management
12 Service, has incorporated that by reference,
13 which has given us a little teeth, a little
14 support to that, so that might be another
15 avenue available to you.

16 But any time we put a recommended
17 practice together, it's our full intent to live
18 up to that.

19 DIRECTOR MICHAEL R. BROMWICH:

20 Did somebody else have --

21 MR. CHARLIE WILLIAMS:

22 Well, I was going to say on subsea
23 containment, I think, you know, that we'd
24 expect that most people would be interested in
25 having that capability available to them

1 through a relationship with the containment
2 company, but I think it would be reasonable to
3 expect people to have that capability and
4 relationship available to them.

5 DIRECTOR MICHAEL R. BROMWICH:

6 My final question is: Clearly,
7 there's been a tremendous amount of work done
8 and there's sort of ferment within your
9 companies and industry coming up with new ideas
10 and so forth. I think you'll agree with me
11 that it's terrible that it's taken tragedies
12 that have intensified people's efforts.

13 On a forward-looking basis, how
14 does the industry make sure that that sort of
15 sustained attention to these issues continues
16 and doesn't end six months from now or a year
17 from now?

18 Because clearly, on at least some
19 of these issues, the ideas were within your
20 companies and within the industry. They hadn't
21 been brought forward, for whatever reasons.

22 How do we ensure that that process
23 which is helpful to everyone -- to the public,
24 to the industry and certainly to government
25 regulators -- continues after a crisis passes?

1 MR. GARY LUQUETTE:

2 Well, certainly, you know, industry
3 has not been standing pat in terms of
4 improvement. There have been a number of
5 things that we have latched on to and have
6 promulgated over time with broad industry
7 support.

8 An example of that is recommended
9 practice associated with cementing, which
10 unfortunately was released just after the
11 Macondo incident, but was in formulation and
12 work for a couple of years prior to that.

13 I think clearly, when you have an
14 incident like this, that points towards obvious
15 gaps, gaps that may be industry-viewed as maybe
16 not as substantial as they manifested
17 themselves. In reality, it's been a mobilizing
18 sort of accident for us.

19 But I think going forward, there
20 was some things that we've learned and some
21 areas that we've pointed towards in terms of
22 capabilities and improvements that we don't
23 have today and are probably not going to be
24 things that you can develop in the short-term.
25 It's going to take technology and research and

1 a significant commitment.

2 And, you know, our commitment is to
3 keep this good work going, this body of work
4 going, until we ultimately deliver those final
5 solutions and then continue to look for
6 opportunities to improve.

7 DIRECTOR MICHAEL R. BROMWICH:

8 Does that mean, Gary, that the task
9 forces are going to continue in operation
10 indefinitely or that they have a precise life
11 that's going to end when the deliverables are
12 done?

13 MR. GARY LUQUETTE:

14 I think as they're presently
15 constructed, they have a finite life.

16 But what we are doing, for
17 instance, in APIs is looking at the construct
18 of our subcommittees and making sure that we
19 can work into that construct some of the
20 opportunities for the "go forward plan."

21 But I think after we get to a point
22 where we deliver the ultimate solutions, these
23 joint industry teams will fold into other
24 established bodies that are in the trade
25 associations.

1 MR. TROY TROSCLAIRE:

2 I just have a few questions. Can
3 you hear me?

4 On this API RP96, I mean, are there
5 any federal representation on those committees?
6 Do you know?

7 MR. JOHN PETERS:

8 At our last general meeting, there
9 were two representatives from the Department of
10 Energy that did participate in that, a Mr. Pike
11 and a Mr. Long. They are open. But those are
12 the first time that we actually had
13 representation from a government agency.

14 MR. TROY TROSCLAIRE:

15 Yeah. Because I know you all were
16 interested in it being adopted maybe into the
17 regulations by reference. We probably need to
18 get some folks involved in that committee.

19 Some other things.

20 On this company, this containment
21 company, how far are you all along as far as
22 the equipment? I think you all said near-term.
23 Do you all have the equipment available now for
24 near-term solutions?

25 MR. CHARLIE WILLIAMS:

1 Well, there's two parts to it. Of
2 course, the newly-constructed equipment should
3 start appearing in six months and then will be
4 fully complete in 18. That's all the new
5 construction.

6 But in the interim period between
7 now and six months, what we're going to do is
8 acquire the capability that's already, you
9 know, available from the current incident,
10 which we're in the process of now; plus, look
11 into all the contractors that are available.

12 There's several contractors in the
13 Gulf that have near-term capability that can be
14 contracted for. And we're going to, you know,
15 have call-off contracts on the vessels that, in
16 fact, responded to the incident that's already
17 occurred.

18 So we build a near-term capability
19 out of what's available now and what we can
20 procure now, but while we're constructing, you
21 know, the purpose-built equipment.

22 So yes, we have both this near-term
23 and the longer-term capability.

24 MR. TROY TROSCLAIRE:

25 As a follow-up, on these ROVs, are

1 you all looking for a standardization when the
2 ROVs and the connections -- to be able to have
3 that control capability? I mean, is that going
4 to come first, before?

5 MR. ALAN SUMMERS:

6 We put that forward -- the
7 equipment order group put that forward on the
8 original white paper, and we have it in our
9 recommendations letter that are about to be
10 released.

11 MR. TROY TROSCLAIRE:

12 And a final thing I want to talk
13 about is the dispersant.

14 The use of the subsea dispersants,
15 I mean, have you all gathered some of the
16 documents, the advantages/disadvantages to it?

17 I mean, in this Macondo incident,
18 there was a lot of problems with BOCs when the
19 subsea dispersants were not being utilized.

20 But have you all looked at
21 advantages and disadvantages?

22 MR. KEITH ROBSON:

23 We've had those conversations
24 inside our task force. Do we have paper ready
25 to give to you on that? No. But that would be

1 something we can do in a fairly short order.

2 But certainly, the dispersants have
3 been the key area for us to look at, and we
4 have some expertise available for that.

5 DIRECTOR MICHAEL R. BROMWICH:

6 And just to underscore the point,
7 there's lots of work going on in this area.
8 The report that BP delivered to me last week
9 has a full section that talks about their
10 extensive use of subsea dispersants and their
11 experiences with it. So all this information
12 is, again, coming together from a variety of
13 sources.

14 MR. TROY TROSCLAIRE:

15 Thank you.

16 MR. BILL HAUSER:

17 I had a question about the
18 containment system, and it was all focused on a
19 wild well blowout.

20 Have you given any thought to
21 containment of a production well that goes
22 wild?

23 MR. CHARLIE WILLIAMS:

24 We have. We haven't started -- you
25 know, that's going to be phase two of the work.

1 So the first phase was really to intervene, you
2 know, either on a BOP or on a single wellhead,
3 and then also we were going to have this
4 functionality.

5 I didn't show the pictures of using
6 the suction power functionality, but also be
7 able to attach to the ocean bottom over a
8 single well.

9 We're going to expand that into
10 multiple wells and the subsea templates and the
11 production wells. But, you know, that's going
12 to be phase two of the work.

13 MR. BILL HAUSER:

14 And that ties us into phase two
15 then?

16 MR. CHARLIE WILLIAMS:

17 Well, you know, we probably have
18 another 60 days or so on the work we're doing
19 now, especially to get these -- you know, we
20 had several joint projects we wanted to get
21 underway, like looking at the LMRP detachment
22 capabilities and all. So after that period,
23 we'll start into looking at production wells.
24 And I think, you know, we're going to have a
25 lot done on production wells -- be near

1 complete in probably 90 days.

2 DIRECTOR MICHAEL R. BROMWICH:

3 I think that's all the questions we
4 have.

5 Again, I appreciate the economy of
6 your presentations. With all of you up there
7 and all the information you had to deliver, I
8 never thought we would be done with the first
9 panel by now. So I appreciate all the work.

10 Please convey my thanks to all the
11 members of your task forces for their fine
12 work. We look forward to the release of the
13 products and the further release of materials
14 in the next several weeks, and we look forward
15 to working with you.

16 Thank you very much.

17 We won't take a break now. We're
18 going to move right to the second panel. So
19 thank you very much.

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1 PANEL II:

2 DIRECTOR MICHAEL R. BROMWICH:

3 In record time we have our second
4 panel ready.

5 The second panel is composed of
6 some very distinguished scientists, researchers
7 and academics. Let me quickly introduce them
8 and then we'll move onto their presentations.

9 Sitting closest to me is Richard
10 Haut. Dr. Haut is a Senior Research Scientist
11 at the Houston Advance Research Center where he
12 directs the environmentally friendly drilling
13 program, a program that integrates advanced
14 technologies into systems that produce the
15 environmental trade off of petroleum,
16 drilling and production. He also serves on the
17 board of directors for the Research Partnership
18 to Secure Energy for America where he chairs
19 the Environmental Advisory Group. And he has
20 most recently worked with Bipartisan Policy
21 Center to assist the President's Deepwater
22 Horizon Gulf Oil Spill Commission.

23 Sitting to Dr. Haut's left is Lois
24 Epstein. Lois is a professional engineer and
25 is the arctic program director for the

1 Wilderness Society, a natural conservation
2 organization. Her efforts focus on ensuring
3 that arctic oil and gas operations are as safe
4 and environmentally sound as possible.

5 From 1995 until 2007 she served as
6 a public member on the Department of
7 Transportation's Federal Advisory Committee on
8 Oil Pipeline Safety. And this year she was an
9 advisor to the Department of Interior on its
10 safety report to the President following the
11 Deepwater Horizon spill.

12 Sitting next to Lois, Lois' left is
13 Nancy Leveson. Dr. Leveson has worked in the
14 system safety for the past 30 years. Currently
15 professor at MIT where she is in both the
16 aeronautics and engineering systems
17 departments. She has previously held faculty
18 appointments at the University of Washington
19 and the University of California.

20 She is an elected member of
21 National Academy of Engineering and has
22 received many awards for her research and her
23 industrial work.

24 In addition, she has served on a
25 large number of national and international

1 study committees related to safety, including
2 the Baker Panel which investigated the safety
3 culture aspects of the BP Texas City Oil
4 Refinery accident. She conducts research on all
5 aspects of systems safety, including design and
6 development operations, management and culture.

7 Sitting next to Dr. Leveson is Alan
8 Spackman. Alan is the IADC's vice president of
9 Offshore Technical and Regulatory Affairs. His
10 duties with the IADC involve participation in
11 many industry standard setting committees and
12 representing the IADC's membership on
13 regulatory issues arising at an international
14 level and before both national and state
15 regulatory bodies worldwide. He joined the
16 IADC in 1991.

17 Sitting to Mr. Spackman's left is
18 Dr. Robin Pitblado. Dr. Pitblado is currently
19 the Director of the Safety, Health and
20 Environment Risk Management Service area at Det
21 Norske Veritas. During his career Dr. Pitblado
22 has served as an expert in a number of risk
23 assessments and has carried out five major
24 accident investigations, sometimes as an
25 independent third party, other times acting as

1 the technical advisor to international
2 investigation team.

3 He has also been involved in
4 corrective action programs following major
5 accidents. In those assignments, Dr. Pitblado
6 let a DNV Team in reviewing the causes of the
7 accident and to develop an ongoing remedial
8 plan to enhance future safe operations.

9 He has coauthored four books on
10 risk assessment and published more than a
11 hundred technical papers.

12 So you can hear even from a
13 truncated summary of their credentials that
14 we're in very good and distinguished company.
15 So, Dr. Haut, let's start with you.

16 DR. RICHARD C. HAUT:

17 Thank you, Director Bromwich, and
18 other members of the delegation. It's an honor
19 and a privilege to discuss these issues that
20 are of national importance.

21 I will discuss three topics:
22 First, the human side of offshore safety.
23 Secondly, research and technology development.
24 And thirdly, initiatives that are addressing
25 safety issues.

1 There is a difference between a
2 safety culture and a culture of safety. A
3 safety culture describes the beliefs and
4 behaviors demonstrated within an organization
5 or during a project's lifetime. A safety
6 culture may be good, focused on reducing
7 incidents and injuries, or may be poor,
8 tolerating at risk behaviors that place people
9 and the environment at risk.

10 Implementation of risk management
11 systems depend on individuals for success.
12 A procedure may reflect a desired intent to
13 have detailed instructions. The execution
14 requires individuals who understand the
15 importance of the intent, who accept
16 responsibility and who appreciate that taking a
17 simplifying but potentially unsafe shortcut
18 would be wrong. Individuals must accept safety
19 as a core value.

20 In August of 1988, I was
21 transferred to Norway where I assisted Saga
22 Petroleum in the development of their
23 production, drilling and completions
24 department. In January 1989, Saga's Exploration
25 drilling department encountered a well control

1 situation in 200 feet of water.

2 After several days attempting to
3 re-establish normal pressure control, the well
4 blew out on the surface of the floater twice.
5 The well was closed in using the shear ram.
6 This left a subsea BOP closed with a shut-in
7 wellhead pressure of 10,000 PSI. In addition
8 there was 15,000 feet of drill pipe and over 40
9 feet of coil left in the well.

10 After an attempt to regain control
11 by bullheading heavy mud in which the flexible
12 kill line burst, the well was temporarily
13 suspended.

14 At this time our department was
15 contacted to assist. Preparations were made to
16 re-enter the well and in parallel to drill a
17 relief well. Upon re-entry it was discovered
18 that the casing had burst and the well was
19 flowing from reservoir to a higher sand, an
20 underground blowout had occurred.

21 295 days after the shear ram was
22 closed, the well was killed. It took then
23 another four months to finish cleanup and final
24 abandonment of the well.

25 A safety culture did not prevent

1 the well control incident from occurring. A
2 culture of safety and a respect for the
3 environment ensured that the well reentry, the
4 relief well drilling, the well killing and the
5 well plugging operations were planned and
6 carried out in a safe and environmentally
7 sensitive manner.

8 Safety is a personal issue. In a
9 culture of safety, every leader, every employee
10 and every contractor takes personal
11 responsibility to follow regulations, to use
12 equipment correctly and to recognize and reduce
13 at risk behaviors.

14 When I was in Norway, we required
15 every one involved in operations, both onshore
16 and offshore, to go through two weeks of
17 offshore safety training every three years,
18 even if their job description did not include
19 working offshore.

20 The people onshore who supported
21 offshore operations knew the risks, what could
22 be encountered and what the offshore workers
23 may face. A culture of safety starts with
24 recruiting and hiring the right people for the
25 right position and ensuring that they are

1 assimilated in the right way. Leaders must
2 constantly communicate safety values and
3 encourage personal belief and safety.

4 Work processes must support safety.
5 Expectations must be clearly defined and
6 understood. All people must have the resources
7 necessary to perform their duties in a safe
8 manner and performance must be continuously
9 reviewed to ensure safety improvement.

10 A culture of safety goes beyond
11 training and becomes engrained as a core value.

12 Our second topic that I will
13 discuss is the research into technology
14 development opportunities that have been
15 identified since April 20th.

16 On July 22nd, I hosted a research
17 forum that was coordinated by RPSEA and
18 attended by over 100 participants, including
19 experts from industry, research universities,
20 government agencies and environmental
21 organizations. The forum was held to identify
22 research and technology development with
23 respect to preventing and responding to oil
24 spills in the deepwater Gulf of Mexico.

25 The resulting list was not intended

1 to be a complete list nor was it intended to be
2 a checklist of what needs to be done before
3 drilling operations may commence in the
4 deepwater Gulf of Mexico.

5 Rather we identified priorities for
6 future research and development programs.

7 Regardless of what research management
8 organization may be able to provide funding.

9 And today I would discuss the research and
10 development opportunities related to safety
11 were identified. Copy of the complete summary
12 of the forum is attached to my written
13 statement.

14 First objective of a research
15 program related to safety is aimed at
16 preventing incidences from occurring,
17 investigating what can be done to build upon
18 the current state of the art.

19 The program may begin with an
20 analysis of current practice followed by a
21 review of the state of the art technologies
22 that may improve safety, protect the
23 environment and ensure well boring integrity of
24 offshore operations.

25 Technology systems and processes

1 related to risk assessment and management
2 should be a top priority. Research and
3 development can support safety as a core value.

4 At the July 22nd workshop,
5 participants were asked for other ideas not
6 necessarily tied to R&D. One notable idea was
7 to establish a safety board similar to the NTSB
8 or the chemical safety board. Through further
9 research into this idea, it was discovered that
10 the CSB has an ongoing investigation into the
11 Deepwater Horizon incident.

12 The CSB is an independent federal
13 agency charged with investigating chemical
14 accidents. The agency does not issue fines or
15 citations but does make recommendations.
16 Congress designed the CSB to be nonregulatory
17 and independent of other agencies so that its
18 investigations might, where appropriate, review
19 the effectiveness of regulations and regulatory
20 enforcement.

21 I'll now briefly discuss incentives
22 that are addressing safety issues. As you
23 know, the May 27th Department of Interior
24 report recommends actions that include
25 prescriptive near-term requirements,

1 longer-term performance-based safety measures
2 and working groups to elevate longer term
3 safety issues.

4 As was pointed out in the
5 Director's comments, recommendations have been
6 incorporated into the NTLs and the rules soon
7 to be issued. This morning you also heard from
8 other panelists about how the oil and gas
9 industry with the assistance of the API has a
10 similar task force to develop critical offshore
11 issues and about how four major operating
12 companies have joined forces to form the Marine
13 Well Containment Company to operate and
14 maintain equipment to respond to offshore
15 incidences and to conduct research and
16 development.

17 As was previously mentioned, I am
18 on Bipartisan Policy Center's work group to
19 assists the National Commission on BP Deepwater
20 Oil Spill Offshore Drilling. It's
21 consideration of the use of moratorium as a
22 method for mitigating future harm in the
23 immediate aftermath of spill.

24 The Commission asked the Center to
25 identify what questions to be asked in deciding

1 whether individual drilling sites and rigs are
2 sufficiently safe to allow the moratorium to be
3 lifted. The work group provided an opportunity
4 to interact with various of stakeholders,
5 industry, research universities and
6 environmental organizations to discuss safety
7 issues. These discussions validate the
8 importance of the culture of safety, of
9 prioritizing risk assessment and management
10 research and the importance of engaging all
11 stakeholders.

12 One of the programs that I directed
13 is Environmentally Friendly Drilling Systems
14 program. For five years we've been identifying
15 and developing cost effective technologies to
16 reduce the environmental tradeoffs associated
17 with onshore oil and gas operations.

18 The three principles that we hold
19 are also applicable here. Like what gets
20 measured, gets done. What gets identified,
21 gets dealt with. What gets expected, gets
22 respected.

23 Best practices for developing and
24 assuring a strong safety culture, a culture of
25 safety, includes, measurements of leading

1 indicators of safety vulnerabilities,
2 measurements of safety culture attributes and
3 measurements of how hazards are identified and
4 remedied. Safety is personal, from the
5 executive suite to the rig floor.

6 Research and development identifies
7 what needs to be dealt with, with risk
8 assessments and management being a top
9 priority.

10 Finally, current industry
11 initiatives demonstrate the respect that is
12 required. Joint industry projects provide
13 alignment across the industry concerning
14 protocols and behaviors that extend beyond
15 current practices. Safety excellence is
16 essential to all stakeholders.

17 In conclusions, I want to first
18 thank you, Director Bromwich, for your service
19 to our nation. Thank you for your time today,
20 and I greatly appreciate the opportunity to
21 address these issues.

22 As you and your staff continue to
23 gather information and make decisions, please
24 contact me as needed.

25 DIRECTOR MICHAEL BROMWICH:

1 Thank you very much. We appreciate
2 it.

3 Ms. Epstein.

4 MS. LOIS EPSTEIN:

5 Thank you, Director Bromwich and
6 also your staff for inviting me to present
7 today. I greatly appreciate it.

8 Just waiting for the presentation
9 to load.

10 There you go.

11 I'm going to start with the
12 structure of this presentation. Basically, I'm
13 going to use an example that I'm very familiar
14 with, the Office of Pipeline Safety at DOT. As
15 mentioned in my brief bio, I served on the
16 federal advisory committee for oil pipelines
17 and essentially after two key incidents in 1999
18 and 2000, the Office of Pipeline Safety, which
19 has a number of similarities and differences
20 with MMS and the Bureau, has made quite a
21 number of changes in those years. I think it's
22 a valuable case study for us to look at in
23 terms of how to increase the confidence the
24 public has in a regulatory agency and actually
25 increase and improve safety performance.

1 Secondly, I'm going to suggest a
2 number of lessons from other industry sectors
3 that may apply to this industry. And thirdly,
4 I'm going to discuss safety and the arctic
5 outer continental shelf.

6 The first incident I wanted to
7 mention is the Bellingham Washington gasoline
8 pipeline tragedy that occurred in 1999. Three
9 young men were killed. There was a destruction
10 of a salmon stream.

11 As you can see, it was quite an
12 explosion. The community itself was very much
13 affected, still has been. They wanted this
14 industry to serve as an instigator for
15 improvements in safety so other communities
16 would not have to experience that. They
17 considered it sort of their Exxon VALDEZ for
18 the pipeline sector.

19 One year later, the natural gas
20 pipeline industry had its own tragedy which
21 involved El Paso natural gas pipeline. This
22 occurred in New Mexico. 12 members of an
23 extended family were killed as a result of this
24 explosion. The ten-year anniversary just passed
25 this past August, last month.

1 DOT's Office of Pipeline safety is
2 now known as PHMSA because it has been combined
3 with the Hazardous Material Safety Commission
4 in recent years.

5 Let me discuss the key similarities
6 that the Office of Pipeline Safety has with
7 MMS. It regulates the oil and gas industry for
8 safety and environmental protection. The office
9 uses industry standards as part of its
10 regulations. It does cover offshore pipelines
11 as well as onshore. It has limitations in its
12 inspection and enforcement personnel and
13 resources.

14 The current administrator for PHMSA
15 is the former head of MMS. And prior to 2000,
16 it had a culture that was very much similar to
17 what many have observed at MMS in terms of
18 feeling that many staff appreciate the
19 importance of production above all other
20 factors. And that includes safety and
21 environmental protection.

22 That's been particularly true in
23 the Alaska office of MMS where the GAO last
24 March had an important report suggesting that
25 the environmental scientists that were weighing

1 in on MMS decisions in the Alaska office were
2 not sufficiently considered part of the process
3 of decision making and their roles were
4 diminished.

5 I think the audience is familiar
6 with the discussion of the categorical
7 exemptions being used widely by MMS rather than
8 environmental impact statement which would have
9 increased the amount of information available
10 to the environmental issues prior to MMS
11 decision making with respect to leasing.

12 I do want to mention that the
13 closeness of the MMS staff to the industry is
14 not unique in the oil and gas sector.

15 After the Value Jet DC-9 crashed in
16 the Everglades in Florida, in 1996 Mary Schiavo
17 who was the Inspector General for the FAA, she
18 wrote a book entitled, Flying Blind and Flying
19 Safe, that was in the late 90s. I got a hold
20 of that book and to me there are eerie
21 parallels between the FFA and the Office of
22 Pipeline Safety, including governmental
23 officials insisting after each major incident
24 that the industry was, quote, unquote, safe.

25 We've heard a lot of discussion

1 about the safety records of the offshore
2 industry. I think the federal government has
3 pulled back from that, recognizing that there
4 are opportunities to increase safety but
5 certainly there are some within the industry
6 that have repeated since the Deepwater Horizon
7 incident over and over that industry is, in
8 fact, safe and business as usual is enough to
9 restore confidence. But I would submit as
10 outside watch dog that the public does not have
11 that confidence right now and the statistics
12 are not enough. They know what they've seen.

13 Here are some key differences
14 between the pipeline world and the MMS world.
15 There is an organic statute that lays out the
16 mission of the Office of Pipeline Safety of
17 PHMSA and it is a broad mission with
18 multifactors.

19 The office has issued comprehensive
20 and systematic integrity management
21 requirements to improve safety and
22 environmental protection and ensure continuous
23 improvement.

24 The National Transportation Safety
25 Board which we heard just mentioned an

1 independent technical agency investigates major
2 accidents or incidences and makes
3 recommendation as pipeline are considered a
4 mode of transportation. There are far fewer
5 revenue conflicts with respect to the money
6 that comes from the industry because it goes
7 directly to Office of Pipeline Safety
8 Operations rather than providing a substantial
9 source of funds to the federal government and,
10 of course, the Bureau's reorganization and its
11 recent actions to eliminate conflicts of
12 interest are something that we find very
13 valuable and essential to increase the public's
14 confidence in the agency.

15 Since the year 2000 and the second
16 large pipeline incident, PHMSA has made a
17 number of beneficial changes, and many of these
18 I believe can serve as a model for the Bureau.
19 They've created a number of much more specific
20 and enforceable regulations, especially in the
21 integrity management area.

22 And what that has done is created a
23 culture within the industry to look at their
24 operations systemically. The regulators go in
25 and work with the industry to understand what

1 they have done in terms of continuous
2 improvement, what the tests have shown but
3 there's a valuable tension between the
4 regulators and the industry to ensure that the
5 findings are actually implemented. There's a
6 back and forth that exists between the industry
7 and the regulators.

8 Now through an onsite, through a
9 systemic regulation that didn't exist before,
10 realtime monitoring, whenever possible, is
11 something that this industry should consider
12 and would actually be a very valuable means to
13 provide data to the Bureau in ways it hasn't
14 before so the performance of the industry can
15 be monitored as much as possible, especially on
16 a situation where you cannot be present all the
17 time.

18 PHMSA has also begun to address
19 the gaps and the unenforceable conditions in
20 the industry standards as we heard in the
21 previous panel's discussion. Some of these
22 industry standards don't involve their
23 regulators and their development. They are
24 valuable for the industry to have as a whole
25 but there are cases where the laggards in the

1 industry may not be following that. There needs
2 to be a means for the federal government to
3 enforce the standards if they are to be
4 incorporated into regulations and if there are
5 regulatory gaps to ensure that that is filled
6 by the regulators and not by the industry and
7 there are reasons why consensus regulations are
8 not as fully enforceable as a regulatory
9 program would be. They use words likes "may"
10 rather than "shall" and in certain cases they
11 are lowest common denominator because they are
12 a consensus development.

13 Additionally, I wanted to note that
14 the new Bureau's policies on making the
15 standards available which were worked out with
16 API are something I personally would find very
17 valuable and I know my colleagues in the
18 pipeline safety communities would benefit as
19 well. That's an important new development that
20 came about since the Deepwater Horizon
21 incident.

22 Certainly, to the extent that
23 industry performance measures can be developed
24 and put online so that the operatives can
25 compare themselves to other so trends can be

1 noticed and evaluated, that would be very
2 helpful. That is something that PHMSA has
3 moved forward with.

4 The Office of Pipeline Safety's
5 clients, quote, unquote, are now considered to
6 be the public rather than just the industry.
7 That is a change.

8 And while I recognize the
9 incredibly important role that training plays
10 in ensuring safety, there's another step that
11 may need to be taken by MMS which has been
12 taken by PHMSA; that is, to ensure that
13 operators are, in fact, qualified. Training is
14 not enough. There needs to be certain measures
15 developed to ensure operator qualification and
16 that has been put into the PHMSA regs.

17 Additionally, there has been
18 transparent reporting of government enforcement
19 actions. The performance measures apply to the
20 government as well as they do to the industry.
21 And so, if there's certain regions are doing
22 more enforcement than others, that should be
23 normalized absolutely by the number of staff
24 and number of entities to be inspected. But we
25 need to be able to ensure that the government

1 is doing its job as well as the industry.

2 The inspection information right
3 now is not available to the public online and
4 that's something that a number of us are
5 working to ensure occurs.

6 There needs to be improved
7 reporting of spills and providing trends of the
8 spill data. That's something that MMS has been
9 weak on and that's something I've weighed in on
10 in the past. PHMSA has done a much better job
11 of that in recent years.

12 PHMSA has also utilized its
13 advisory committee as a means of improving
14 public input. They are divided one-third,
15 one-third, one-third, public, government and
16 industry members. It's sort of a super
17 commenter in terms of the regulatory
18 development and other policies developed.

19 PHMSA has, in fact, decreased --
20 surprisingly, this may be a provocative point,
21 its reliance on industry developed risk
22 management decision making.

23 What the office has found is that
24 there were many problems with relying on
25 industry risk management decision making not

1 just the issue of whether it can be overseen
2 correctly by the regulators. Risk management,
3 including development of the safety cases
4 addresses known risk and risks due change.

5 Additionally, it doesn't address
6 well decisions that are being made quickly, for
7 example, on an offshore rig as was the case
8 with the Deepwater Horizon in its final hours
9 of drilling. There is merely missing data or
10 unknowns.

11 The goal should be to reduce risks
12 to the lowest possible level, not just to be
13 cost effective or merely compliant in
14 addressing risks. I think this is an important
15 point the Bureau needs to take into
16 consideration.

17 I also wanted to highlight that in
18 the area of visible, expensive, fair,
19 enforcement actions, PHMSA hasn't been as
20 effective over the past few years as many of us
21 would have liked to have seen. This means
22 meaningful finds for laggards in the industry.
23 I don't think any leaders in the industry
24 should fear increased enforcement because
25 that's what we're talking about, bringing the

1 laggards in the industry up to the level of the
2 leaders.

3 I went back and noted that Mariner
4 Energy, they were fined in June by the Bureau.
5 It was \$20,000. Of course, last week they had
6 a major accident.

7 I guess, I would raise the question
8 about fines at that level. Are they, in fact,
9 meaningful and strong enough to change behavior
10 in important ways.

11 In terms of lessons that can be
12 learned from other industry sectors, the
13 agency's mission should contain all relevant
14 factors including safety and environmental
15 protection and putting that into the statute is
16 the best way to ensure that.

17 Additionally, the employees need to
18 be well trained, qualified, sufficiently paid
19 and in a position to make independent
20 decisions. That means being able to say no
21 when there are a reasonable factual bases to do
22 so.

23 The offshore industry unlike many
24 other industries does not have whistle blower
25 protections and statutes. That's something

1 that the house has under discussion.
2 Potentially, that's something I encourage that
3 the federal government and industry to also
4 support.

5 And as we heard from Alan,
6 potentially having the Chemical and Safety
7 Hazard Investigation Board which is doing the
8 investigation right now put into in a position
9 with enough resources to investigate major
10 accidents and incidents and to recommend
11 preventive changes. Consider instituting OSHA
12 process safety management requirements, that's
13 something that's been very successful in
14 related industries, including the refining
15 industry in terms of ensuring ongoing
16 continuous improvement in safety.

17 And lastly, coastal and marine
18 spacial planning are needed to protect
19 sensitive areas. Essentially, the Obama
20 administration has begun a discussion on that
21 through it's Ocean policy.

22 Many of you know that onshore
23 drilling is allowed in certain areas, not in
24 others because of the environmental sensitivity
25 of those other areas. We don't have a similar

1 system offshore and there needs to be a
2 planning done to identify hot spots in areas
3 where maybe we won't drill because we have such
4 a highly sensitive environment and even with
5 the best possible most well-funded preventive
6 measures, most well-funded response measures,
7 we can still have problems. As we all know,
8 this is a complicated highly complex industry.

9 I put this little point in red
10 because I thought it was important to identify
11 in terms of public confidence that where we're
12 at right now -- I think it's widely known that
13 the public does not have a great deal of
14 confidence in this industry or its regulators.

15 Essentially, what I see is needed
16 is that there needs to be meaningful regulatory
17 enforcement changes, things that are very
18 visible in place.

19 Notice to lessees, those are useful
20 but in terms of enforcement they are not. They
21 don't carry the weight of regulatory changes.

22 As someone who worked on the May
23 27th, 2010 report to the president, the notices
24 are useful in identifying and putting in place
25 the immediate measures. There are a number

1 long-term recommendations that have not yet
2 been implemented. There's a reason to get
3 those in place as soon as possible because
4 until that happens there's not going to be the
5 confidence of the public in ensuring that the
6 offshore drilling is as safe as possible.

7 And that goes as well in terms of
8 enforcement. We haven't seen a lot of new
9 enforcement measures. We've seen signatures
10 from CEOs that they are in compliance. But for
11 those that aren't, we need to see a stepped up
12 role on the part of MMS.

13 Turning to safety in the Arctic,
14 many of you know that Arctic drilling would be
15 in shallow water. Blowouts certainly do occur
16 in shallow water, not just in deep water.

17 So in terms of safety, I don't
18 think there's a lot of things we can say that
19 the drilling is going to be different than in
20 the Gulf in the Arctic.

21 However, we are talking about
22 operating in an area of extreme cold, darkness.
23 Human factors are going to be an increased
24 concern in the Arctic than they are elsewhere.
25 And since that is an important contributor to

1 accidents, that's going to be something that is
2 going to have to have increased attention by
3 the Bureau.

4 And because much of the arctic is a
5 frontier area where not a lot is known about
6 subsea pressures, et cetera, and it is pristine
7 and I would add that the communities in those
8 areas do rely on those offshore resources,
9 whaling, et cetera, for an extremely high
10 percentage of their food resources. There are
11 no supermarkets up there as an alternative if
12 those resources were contaminated.

13 There's going to need to be a
14 number of extra precautions. We're not talking
15 about a situation that's similar to the Gulf at
16 all.

17 In terms of spill response, that
18 is, of course, another issue in the arctic
19 where the infrastructure doesn't exist.
20 There's limited biodegradation. Clean up and
21 broken ice is extremely difficult. There's
22 darkness that will impede operations, adverse
23 weather, lack of shoreside infrastructure. So
24 response is one issue in the Arctic, but I
25 would also submit that human factors are going

1 to be another issue.

2 I would like to end with both a
3 quote and then I have a number of questions I
4 would like to raise in response to the first
5 panel's presentation.

6 The first quote is from Albert
7 Einstein about humans cannot simultaneously
8 prevent and prepare for war. I would like to
9 modify that quotation and ask a related
10 question that applies to this industry about
11 regulations and promoting in industry
12 simultaneously. That was a problem with the
13 FAA. That was a problem with Office Of
14 Pipeline Safety. It certainly was a problem
15 with different parts of MMS and it's one that I
16 hope the new bureau will be successful in
17 addressing and drawing those sharp lines.

18 In terms of the questions that I
19 want to raise resulting from my listening to
20 the first panel, I think these are questions
21 that members of the public and academics and
22 others will be raising and the task force needs
23 to consider it and address.

24 One is going to be how would a
25 safety case or the WCID and/or the new RP96

1 have prevented the McCondo well blowout
2 specifically. They are valuable procedural
3 documents but I would like to be able to ask
4 that question and have a clear answer from the
5 industry, how it would have changed the
6 situation.

7 And how do we ensure that all
8 operators are going to be following these
9 procedures. Again, I would submit that we need
10 to be sure that all laggards need to be brought
11 up to the level of the industry leaders. And
12 related to that question is -- and Director
13 Bromwich asked a similar question, what
14 additional regulatory and/or inspection and
15 enforcement measures would the industry support
16 given what we've learned from the Deepwater
17 Horizon blowout.

18 So those are my thoughts and
19 questions. I would like to bring to this
20 audience and I thank you very much for the
21 opportunity.

22 DIRECTOR MICHAEL BROMWICH:

23 Thank you very much.

24 Dr. Leveson.

25 PROFESSOR NANCY LEVESON:

1 What you find is MIT is supposedly
2 filled with the greatest engineers but
3 sometimes we have trouble working simple
4 devices.

5 I've been working in this field for
6 about 30 years but mostly in other kinds of
7 industries and I worked in lots of different
8 industries and so maybe I can bring a
9 perspective a little bit from outside.

10 I also was a member of the Baker
11 panel which explored the Texas City Oil
12 Refinery explosion and spent a lot of time in
13 Houston and also learned a lot about BP.

14 Let me talk just about some major
15 factors and a common factor in major accidents.
16 One of them was mentioned earlier is just flaws
17 in the safety culture. The culture is the
18 shared values and norms on which decisions are
19 made in a group. And one of the types of
20 cultures that's been identified started
21 actually was identified for the mining industry
22 but applies to this industry too a lot from
23 what I see. It's sort of a culture of denial.
24 I'm not saying that everyone does this. But
25 there is a lot of statements out I've been

1 seeing, especially after these accidents. I
2 always hear, "Well, our industry is just more
3 risky than other others so we have a more
4 difficult environment to work on."

5 I can assure you that being 30,000
6 feet in the air moving 250-300 miles an hour in
7 a totally unlivable environment with just a
8 steel container around you is not a real safe
9 environment but it has fewer accidents.

10 The same thing with submarines and
11 being in a nuclear submarine a mile under the
12 ocean is not a very safe endeavor. But there
13 are differences in the way people handle these
14 accidents, handle safety.

15 There is also this belief in the
16 culture of denial that accidents are
17 inevitable. They are just something you have
18 to live with. They are the price of
19 productivity. One of the BP executives was
20 quoted in the newspaper as saying, Well, you
21 know, these things happen. It's like stepping
22 off of a curbing and getting hit by a car.
23 Well, it seems to be a better analogy is that
24 you're not stepping off the curb but you're
25 running into the street without looking while

1 texting and listening to an I-Pod. That was
2 really more a better analogy seems to me than
3 what happened.

4 Often you see in the culture of
5 denial unrealistic risk assessments. People
6 only want to hear good news. A lot of
7 arguments. I've been hearing for years because
8 I'm working with BP and others that safety is
9 improving industry, safety is getting so much
10 better. Things are getting better. I don't
11 see it but that's very common when you start in
12 this kind of an industry.

13 There's also another kind of
14 industry, a compliance culture where everything
15 -- people do things and comply with rules and
16 regulations. I believe you need to have
17 oversight and regulatory authority but that
18 doesn't prevent accidents. It has to be from
19 within the industry itself.

20 The reason that the aircraft, and
21 that we have so few aircraft accidents, is that
22 Boeing knows that their whole livelihood is
23 dependent on safety. If planes start following
24 out of the air, they don't have an industry.
25 And, of course, when they started the industry

1 it used to be so dangerous and the only way we
2 could get an airline industry back in the 50s
3 -- only 20 percent of the population was
4 willing to get on an airplane at that time
5 because there was so many accidents. They
6 realized they had to survive. It was to their
7 interest.

8 The FAA is a wonderful
9 organization. They do a lot of work but the
10 FAA couldn't be effective without Boeing
11 understanding the importance of safety to them.

12 Another common factor in major
13 accidents is a lack of real commitment to
14 safety by the leaders. They think, again,
15 accidents are the price of production. They are
16 not. And, in fact, these industries that have
17 improved safety and taken really tremendous
18 safety efforts have found productivity actually
19 increased because people -- first of all, you
20 can have accidents and incidents which could be
21 very costly but workers didn't have to worry so
22 much about hurting themselves everyday and they
23 could actually increase their productivity.

24 And we have lots of examples of that happening.

25 They don't see real long-term

1 impacts of accidents on the bottom line but
2 safety pays and it does pay. The most
3 important factor in distinguishing safe
4 companies from unsafe ones is real commitment
5 by the leaders. We found this over, over and
6 over again. If you look again, the number one
7 factor is the top people in the organization
8 are really committed to safety. If you don't
9 have that, it doesn't matter how much effort
10 people underneath put toward it.

11 And you need more than a mere
12 sloganeering, you know, 'Safety is our most
13 important product.' All of those slogans are
14 useless. I can tell you at NASA, it's
15 wonderful, you go down every hallway there's
16 signs about safety. You go in the bathroom, on
17 the mirror, there's signs about safety. But in
18 reality, they don't fully believe in safety and
19 that's fine. I mean, their goal is to do space
20 exploration and they don't think safety is a
21 very high priority for it, except in terms of
22 getting more government dollars. So mere
23 sloganeering is not enough.

24 After the Columbia accident, the
25 head of the shuttle program said to the

1 newspaper, "Safety is our number one priority.
2 This is our most important thing." And then he
3 sent out an E-mail the next day to everyone in
4 the shuttle program. Of course, someone
5 immediately sent it to me, "Don't get me wrong,
6 safety is not number one. Safety is number
7 two. To go is number one." So people
8 understand, the attitude of the leaders is
9 important.

10 In this industry or, at least
11 within BP, I should say, I know BP better,
12 there's this tremendous confusion between
13 occupational safety and system or process
14 safety. Using things like days off from work
15 as a measure of safety means that you can't
16 manage something that you're not measuring.
17 If you're measuring the wrong thing, you're
18 managing to the wrong thing. And so everybody
19 said, Well, gee, our days off from work are
20 going down there, therefore, our safety is
21 going up. Well, occupational safety may be
22 going up but not your process safety. You got
23 to get better measurements and measured are the
24 things that are going to involve process
25 safety.

1 Another common major factor is
2 inadequate hazard analysis, inadequate design
3 safety. You design safety into things and
4 safety can be very -- actually not cost very
5 much money at all. But instead, people -- if
6 you only focus on recovery from adverse events,
7 instead of preventing the adverse events in the
8 first place, you're not going to have a very
9 successful safety program.

10 Another common major factor is
11 flawed communication and problem reporting
12 systems. There were reports in April before
13 Deepwater Horizon occurred from workers on the
14 safety culture on the rigs and they didn't feel
15 -- they felt that they could report problems
16 and safety issues to their immediate boss but
17 they couldn't go outside of the rig, that they
18 would be punished and they would not be
19 rewarded for this thing. We have to do
20 something about that.

21 And it appears also, and I only
22 have a newspaper report so I may be wrong but
23 this happens in every industry, that you set up
24 elaborate management of change procedures and
25 then you make changes and you're in a hurry,

1 there's a lot of pressure, productivity
2 pressure, time pressure, schedule pressure.
3 And so what you do is you just don't follow it
4 in that case. And after most major accidents,
5 we find there was somekind of a change that
6 occurred and management changed procedures and
7 it just went out the window for that because
8 there was just -- this was just so important
9 and then they end up being down for years.

10 There also tends to be a focus on
11 changing humans. The idea that this was caused
12 by human error. Well, all accidents are caused
13 by human error. Even if there's a technical
14 design problem, that design was created by a
15 human, or that device wasn't maintained well by
16 humans. There's always humans involved unless
17 it was totally an Act of God. There's just not
18 too many Acts of God around.

19 What we tend to do is to design
20 systems where human error is inevitable and
21 then blame it on the operators when they make
22 it.

23 What we need to do is just do a
24 much better job of designing systems so that
25 humans who make mistakes, and we all make

1 mistakes, doesn't cause a tragedy or a
2 catastrophe. It can be done. It's not
3 impossible. Engineers aren't taught to do it
4 very well but we know how to do it.

5 And then finally inadequate causal
6 analysis of accidents and incidents, you tend
7 to focus on technical failure, human operative
8 errors and they don't look at the systematic
9 problems, management factors in accidents. And
10 so what we do is we keep fixing symptoms. And
11 we see an accident, we saw that valve design
12 has failed. Well, fix that valve design
13 without looking at why do we have a bad valve
14 design. How did this ever get through the
15 hazardous analysis process, how did it get
16 through the review process, how did it get
17 through the engineering process, how do we
18 change that so we don't have -- so we fix
19 symptoms instead of the systemic problems and
20 we ended up with, as I say, a sophisticated
21 wacamo thing where we're continually fighting
22 and fighting and we have the same accident
23 really over and over again. The symptoms are
24 -- the details are different but the causes are
25 the same.

1 There's one other additional
2 misconception and then I'll stop. I keep
3 hearing the phrase in this industry,
4 particularly other places but mostly here it
5 says high consequence, low probability
6 accidents. There's nothing low probability
7 about them. There's low frequency. Major
8 losses occur because you're operating under
9 conditions of high risk. It's not a matter of
10 if. It's usually only a matter of when. We
11 start acting in ways that become riskier and
12 riskier. And because it takes a while for
13 accidents to occur, for things to be specific
14 instances to come up, what happens is we think
15 things are getting safer or that it's okay and
16 we keep taking off more safety devices and
17 minimizing our margins even more.

18 Before the Columbia accident, I was
19 on the what's called the Aerospace Advisory
20 Panel which reports to Congress and is a NASA
21 administrator about safety for NASA and we knew
22 about -- they were having all kinds of
23 problems, flow liner cracks with the shuttle,
24 tons of problems with the shuttle. They kept
25 fixing the problem and saying, well, we fixed

1 it so things are getting better and we haven't
2 had an accident yet.

3 The fact that it was the foam was
4 just coincidence. It doesn't really matter if
5 it was the foam falling off. We know about the
6 foam. They were working with about 3,000 known
7 hazards in the accident at the time of the loss
8 of the Columbia. It could have been any of
9 those 3,000 that actually did it.

10 But the problem is the complex
11 systems tend to migrate towards states of high
12 risk and accidents take a while so we readjust,
13 as I said, our estimates of the risk
14 probability down and we start to think things
15 are really safe and then we become more -- less
16 careful about our behaviors and we, yeah, we
17 can make this change. If this little change is
18 the last minute, we change the procedures,
19 we're behind, we have pressures, we have all
20 sorts of -- it's costing a million dollars a
21 day to do this, speed this up. Let's skip
22 these steps. And this we see over and over
23 again. It has to be some way of dealing with
24 this kind of identifier.

25 And you were talking about leading

1 indicators. The leading indicators what you
2 want to do is identify these kinds of ways --
3 this migration, these high risk state that
4 you're in.

5 And just a plug of the book I just
6 finished this week. There's a free draft
7 downloadable. It's not edited quite yet but
8 it's readable. And this will be in the notes
9 for the talk if you're interested.

10 Thank you.

11 DIRECTOR MICHAEL R. BROMWICH:

12 Thank you very much.

13 Mr. Spackman.

14 MR. ALAN SPACKMAN:

15 Thank you, Director.

16 I want to thank you for the
17 opportunity to speak to you about the Health,
18 Safety and Environment case or HSE case for
19 deep water drilling operations using subsea
20 blowout preventers in the United States.

21 The International Association of
22 Drilling Contractors, IADC, is a trade
23 association representing the interests of
24 drilling contractors worldwide. IADC's
25 membership includes all drilling contractors

1 working offshore areas under jurisdiction of
2 the U.S. as well as virtually all drilling
3 contractors offering their services
4 competitively worldwide. Our membership also
5 includes oil companies and service companies.

6 Earlier today you heard the report
7 on the work of the joint industry task force
8 regarding the development of guidelines for the
9 Well Construction Interface Document, WCID. You
10 will recall that the WCID is supported on one
11 side by the oil companies HSE, Management
12 System, and on the other side by the drilling
13 contractors, HSE case, which includes an HSE
14 management system.

15 By using a risk base approach to
16 analysis of hazards, an HSE case allows for the
17 assessment of new technology and the
18 development of controls to manage the
19 associated risk without the protracted delays
20 adherent in the development of prescriptive
21 regulations.

22 I will address why many have chosen
23 to implement an HSE case, what are the
24 prerequisites to successfully implementing an
25 HSE case, how an HSE case is developed,

1 challenges to implementing an HSE case for deep
2 water operations in the U.S. and offer some
3 recommendations.

4 Historically, the safety case has
5 served three principal functions. It's primary
6 use allows companies to identify hazards in the
7 workplace and establish risk management
8 controls needed to meet their internal health,
9 safety and environment objectives.

10 As the capability of safety case to
11 meet internal objectives was recognized, its
12 use was broadened and companies began to ask
13 that their contractors use and implement an HSE
14 case. Regulatory bodies were not far behind
15 establishing their own objectives.

16 With respect to offshore drilling,
17 each of the regulatory bodies that have adopted
18 the safety case approach has taken a different
19 approach. The approach is different not only
20 with respect to the regulators' involvement
21 with the review or acceptance of the safety
22 case but also with respect to the activities
23 that are expected to be formally addressed
24 within the safety case, ranging from a major
25 hazards approach to an all hazards approach.

1 And also differing on this review period of the
2 review of the safety case by the regulator.

3 In developing the IADC HSE
4 case guidelines, IADC has attempted to provide
5 a single set of guidance that will allow a --
6 to develop a single risk specific HSE case that
7 can meet the regulatory expectations or in some
8 case requirements of the regulators that have a
9 requirement for HSE case. As well as those of
10 our members' clients that have a demand for an
11 HSE case.

12 What are the prerequisites?

13 Firstly, a company implementing a safety case
14 must have a robust and effective management
15 system. The management system is the delivery
16 tool for the risk analysis. To assure the
17 output of the HSE case, development process is
18 reflected in the workplace. It must have a
19 commitment to implementing the safety case and
20 it must be an ongoing commitment. There must
21 have a constant learning at the workplace and
22 feedback into the risk management process.

23 Finally, if an HSE case is to
24 effectively address external goals, that is
25 those of a client or regulator, there must be a

1 dialogue leading to a clear understanding and
2 incorporation of those external expectations
3 into the HSE case.

4 Three main elements in the
5 development of the HSE case are the
6 identification of the major hazards and events,
7 the identification and assessment of the risk
8 control measures to prevent or mitigate those
9 hazards and the integration of those measures
10 into the design and if possible operations.

11 While each HSE case will be unique
12 for offshore drilling, there are a number
13 commonly recognized hazards. Fourteen such
14 major hazards are shown on this slide. In the
15 United States as elsewhere, regulatory
16 jurisdiction over these hazards is spread
17 across multiple agencies. Jurisdictional
18 issues among the agencies cannot only
19 complicate but adversely influence the
20 effective development and implementation of an
21 HSE case.

22 Generally, a team is organized to
23 look at each hazard shown on the center of the
24 Bow Tie in the slide, identify the risk control
25 measures to prevent the unwanted event shown on

1 the left-hand side of the Bow Tie from
2 occurring, as well as measures to mitigate the
3 effect should it occur despite the precaution
4 shown on the right-hand side.

5 The team then reviews the
6 equipment, design, operating instructions,
7 training plans or emergency response plans, et
8 cetera, in order to provide a means to
9 implement control measures. This will result in
10 the identification, responsibilities for
11 maintaining the necessary risk control
12 barriers, identification of the operational
13 boundaries necessary to effect the proper
14 control, integration of necessary risk controls
15 into operational procedures and communication
16 of the information to the work force regarding
17 the hazard analysis process, responsibilities
18 for hazard mitigation and the need to conform
19 to establish operational procedures. And
20 finally, an establishment of a process for
21 ensuring feedback from the work force to client
22 and regulators.

23 What are our immediate challenges?
24 Most drilling contractors operating in deep
25 water in the United States have experience with

1 an HSE case or safety case in other
2 jurisdictions. However, it will be necessary
3 for them to translate this experience to the
4 U.S. and to whatever regulatory requirements
5 are developed.

6 IADC has been working with the
7 joint industry task force to develop WCID. The
8 WCID is a new concept and will need work to
9 assure that there is a mutual understanding of
10 expectations regarding the guidance.

11 Similarly, we'll need to continue
12 contact with the Bureau to assure that there is
13 a mutual understanding with the agency's goals
14 regarding the HSE case and the WCID.

15 The Bureau is already faced with
16 resource constraints. The agency's approach,
17 the implementation of the WCID and HSE case may
18 take place additional advance on the agency's
19 resources. Review of an HSE case, if that
20 approach is adopted, will require a quadrate of
21 personnel with the knowledge and experience to
22 address the full scope of identified hazards
23 and risk control measures addressed in the
24 document.

25 Again, depending upon the approach

1 adopted, there may be also be a need for
2 auditors to assess the implementation of HSE
3 case, both at onshore and offshore locations.

4 Any resource limitations cannot
5 serve as a further excuse for delays and permit
6 issuance. The Coast Guard shares jurisdiction
7 over offshore drilling operations with the
8 department. This is particularly the case with
9 respect to offshore workplace safety.

10 The former Minerals Management
11 Service has worked with the Coast Guard to
12 clearly identify boundaries on areas of
13 individual and mutual regulatory concern.
14 Implementation of an HSE case may shift or blur
15 these boundaries.

16 IADC would make the following
17 recommendations:

18 The Bureau should honestly assess
19 the agency's resources to develop the approach
20 of implementation of HSE case and WCID. From
21 our experience in other jurisdictions that have
22 adopted a safety case or HSE case requirement,
23 there is a need for an ongoing dialogue with
24 industry to establish a mutual understanding of
25 the tolerability of the risks presented within

1 the HSE case.

2 Implementation cannot be
3 accomplished overnight. The Bureau should
4 establish a multiyear implementation road map
5 that recognizes the complexity of the task and
6 the resource limitations. While IADC believes
7 that the implementation of WCID supported by an
8 HSE case on the drilling contractors' side and
9 a safety and environmental management system on
10 the operator's side can foster near term
11 improvement in operator contractor or
12 operations, we also believe that it is
13 important to recognize and give credit to both
14 operators and contractors for a consistent
15 trend in improvement of workplace safety
16 associated with offshore operations in U.S.

17 With some trepidation, I put up the
18 next slide which reflects what was earlier
19 referred to as the difference between process
20 safety and workplace safety. The IADC's safety
21 performance is reflected in this slide shows
22 the incidence -- from our incidence statistics
23 program shows a consistent improvement in
24 workplace safety in the lighting indicators
25 involved.

1 Finally, for its part, IADC is
2 committed to working with the stakeholders to
3 ensure the HSE case and WCID are understood and
4 implemented. In engaging with the Bureau to
5 facilitate a mutual understanding of HSE case
6 expectations. IADC has completed a preliminary
7 review of the SIMS rules from a copy that was
8 provided to Congress and has found no
9 significant gaps between the SIMS requirements
10 that would be imposed by the new rule and the
11 guidance provided in the IADC, HSE case
12 guidelines.

13 We have also prepared some initial
14 recommendations for changes to our HSE case
15 guidelines that will be presented for our
16 membership early next month for adoption.

17 Thank you.

18 DIRECTOR MICHAEL R. BROMWICH:

19 Thank you very much.

20 Finally, Dr. Pitblado.

21 DR. ROBIN PITBLADO:

22 Thank you very much, Director.

23 We did want to talk today about an
24 Enhanced Regulatory Regime which will lead to a
25 step change in safety and environmental

1 performance.

2 Two key points to say a little bit
3 about DNV. It is easy to stumble on our name.

4 I'll say a little bit about us.
5 The vision for how we think a step change can
6 be attained. A little bit about our future
7 regulations which we think should be a blend of
8 prescription and performance, neither one nor
9 the other. A risk informed decision based and
10 clear rules for BOEMRE and the industry.

11 Just a little bit about DNV. This
12 is not an ad. We have been around a long
13 time, since 1864. 9000 staff, 800 are here in
14 the U.S. We do lots of work in the safety area
15 for both maritime and offshore. And I list
16 there five publications in the last few months
17 dealing with kind of issues that were raised by
18 the Deepwater Horizon. Public documents that
19 are readily available. We also integrate and
20 share global best practices. That's our goal.

21 We've heard a lot about is safety
22 improving or not and part of the reason is what
23 we already heard there's a confusion between
24 occupational safety and process safety. Process
25 safety is saying major accident safety.

1 And clearly occupational safety has
2 improved tremendously over the last 20 years
3 roughly by a factor of ten-step change which I
4 was talking about. The graph shows the last
5 ten years where there's been a factor of about
6 three. Still a big difference between leaders
7 and laggards but they are all improving.

8 But what isn't being improved is
9 major accidents safety. And we see this with
10 PSM approach which OSHA introduced here in the
11 U.S. and the Seveso approach in Europe.
12 Neither has reduced major accidents. And
13 that's proven by the statistics. The U.S.,
14 maintains the RMP star database, Europe
15 maintains the MARS, Major Accident Employee
16 System database, neither of those databases
17 show reduction in major accidents in the last
18 20 years. So PSM does work on occupational
19 safety. It doesn't work as well on major
20 accidents.

21 And if we look around for what does
22 work, the only place that really stands out
23 around the world is the North Sea where they
24 really have a proven reduction in major
25 accidents. And what I show up there is major

1 leaks. And if you're not having major leaks,
2 then you're not likely to have the escalations.

3 It's not to say they are not having
4 major leaks. You can see they are still having
5 them. But the other thing is there were three
6 major events in 2007 which no one has heard of
7 them. And reason no one has heard of them is
8 because all of the safe systems worked.
9 Although there was a major release, the systems
10 controlled the event.

11 What is our vision for step change.
12 As we said, the industry has already achieved a
13 factor of ten, improvement for occupational
14 health, and that was from the starting position
15 where most people felt they were doing well.

16 When I first joined the industry
17 which was a long time ago, 1970, I was told
18 safety was the number one priority. And from
19 that excellent starting position, or at least
20 people thought it was excellent, they have been
21 able to do ten times better. And I think the
22 industry can also do ten times better on major
23 accidents.

24 But I think they have to use
25 different tools. And these tools exist today

1 but no one company has assembled all of them
2 and deployed them all with the same objective.
3 And I think if they do, they will get the same
4 kind of improvements they've already achieved
5 on occupational safety. And I'll give the list
6 here but I won't go through it line by line.

7 But there is a mixture of these
8 five different kinds, and I've got slides on
9 each one of these coming up so I'll deal with
10 them one at a time.

11 But we do believe it's practical
12 and economically feasible and the tool is
13 described all exist today, in pieces but not
14 assembled.

15 The revised regulatory regime, both
16 BOEMRE and the Coast Guard, have specialist
17 manpower but it is limited in number. And
18 certainly when I talk to some people in
19 Congress, they were not particularly anxious of
20 you becoming a joint department. And,
21 therefore, you've got to optimize the skilled
22 people you have in a way which achieves as much
23 regulatory control as is feasible. And we
24 think that's best done through the mixture of
25 prescription and performance style regulation.

1 The industry has deeper knowledge
2 of hazards and mismanagement. They have a
3 global perspective. They are developing wells
4 in different conditions all over the world and
5 they can bring more experience to bear on
6 specific problems and through a more resourced
7 data and more time than the regulator can. So
8 we think ultimately, of course, the operator
9 also carries the responsibility.

10 And I think there are lessons to be
11 learned from the North Sea and from the nuclear
12 experience, particularly around safety defined
13 barriers and with required performance
14 standards for each one of those barriers,
15 proper ownership for all of those barriers.

16 The regulator needs to ensure
17 confidence of those doing inspections. They
18 can't necessarily do all the inspections
19 themselves. This is good for all parties. And
20 we think this is captured in a safety case
21 regulatory regime and there's a big push
22 towards demonstrating you have a high level of
23 safety not just describing your safety systems
24 so there's a whole emphasis shifting a gear,
25 you might say, in safety case from the earlier

1 days of describing your systems to
2 demonstrating your systems.

3 Address technical, human and
4 organizational factors. We've already heard
5 that from prior speakers and I don't work that
6 one to death. But clearly technical -- solely
7 technical solutions won't work. We do need to
8 mix all aspects, human, technical and
9 organizational.

10 There needs to be a fully
11 integrated risk model. You're dealing with
12 events which are in most cases beyond anyone's
13 experience on a facility. No one probably has
14 experienced a blowout on a facility so you have
15 to do a risk assessment, to capture all the
16 knowledge that exists and make that available
17 to everyone. And to properly design out threats
18 so risk models are now becoming a global
19 approach for enhancing safety.

20 And as you can see, we say risk is
21 a mixture of the risk assessment, the controls
22 deployed and the condition of those controls.

23 The kind of risk models we're
24 talking about are a mixture of both the
25 quantitative tools which is sometimes called

1 PRA in the nuclear industry and QRA in the oil
2 industry and qualitative tools like bowties
3 which we've heard of. We think you need both.
4 They deliver different things.

5 The picture there shows an oil
6 spill model over the coast of Norway, just from
7 the public report but it shows a very large
8 scale event, that's about six or 700 miles of
9 coastline and it covers over a four-month
10 period, to make sure you've got a properly
11 dimensioned response capability. And by
12 changing different parts of your design or
13 operation, you can affect the probability and
14 the scale of the event.

15 On the right-hand side, we've got
16 the Bow Tie kind of model where you have in
17 paltry terminology, it's the top event but it's
18 really the middle event, and that's your loss
19 of containment and you have your various
20 threats and your controls. Those controls are
21 owned by somebody. And you need to know that
22 they are working and that they have the
23 appropriate reliability and functionality in
24 the event of an emergency.

25 So those are quite well developed

1 models but not necessarily everyone is
2 deploying both of those.

3 Clear rules and responsibilities, I
4 think we've heard about that as well,
5 particularly this morning from the API joint
6 group and also from Alan. I think it's clearly
7 very important.

8 There's a role for the regulator
9 and there's a role for the operators. We think
10 the Bow Tie model is a very effective tool and
11 should see greater use than it has up to date.

12 Shared performance monitoring and
13 decision making. Sometimes you hear the concept
14 of decision rooms but the idea is that all the
15 people with the knowledge should work together
16 as a team to solve unexpected situations. And
17 then use one IT to be able to bring together
18 people offshore, onshore, the operator, the
19 contractor, the regulator, all could be
20 involved in solving problems.

21 We talk about five Ps, people,
22 process, plant, performance and perspective.
23 That's using modern IT tools to actually know
24 -- I showed you before the Bow Tie model. It
25 would be nice to have that in realtime to know

1 exactly the status of all your barriers. So
2 when people are in a decision room trying to
3 decide what to do, they actually know some of
4 their barriers are degraded or not available
5 instead of assuming that they are going to work
6 when they aren't going to work.

7 So we think the job is over to you
8 to develop suitable regulations which allow
9 risk base approach to happen successfully,
10 which we say is a blend of prescription and
11 performance. We think it requires a safety
12 case approach because that's the strongest way
13 of delivering a risk assessment which, in
14 effect, becomes prescription towards site.
15 Once they've written their safety case, they've
16 written their own rules and regulations which
17 the regulator needs to sign off on.

18 The industry needs to support
19 updates to prescriptive regulations and we
20 heard about the API task forces which are doing
21 exactly that. But they also need to develop
22 simple performance regulations and that means
23 helping put together these tools which all
24 exist which happened to be put together in an
25 integrated way before.

1 They also include the human
2 organizational aspects better than has been
3 done in the past. And finally to implement a
4 means to monitor barriers essentially in
5 realtime through the lifetime of the facility.

6 So we think that's our view for how
7 step change can be achieved and we think it's
8 quite feasible and practical, won't necessarily
9 be easy to do, won't necessarily be quick to
10 do. These things can't happen overnight. And
11 if you look after other major accidents, often
12 the response was three or four years. And also
13 I think it will take three or four years to get
14 some of this in place.

15 Those are our thoughts.

16 DIRECTOR MICHAEL R. BROMWICH:

17 Thank you very much. Again, I want
18 to thank the entire panel for their
19 presentations.

20 We have time for just a few
21 questions. Let me start with one for Dr. Haut
22 and this question could elicit an answer that
23 could take an hour. I'll ask you to limit it
24 instead to one or two minutes.

25 You talked about a distinction

1 between a safety culture and a culture of
2 safety. What can a regulator do to instill or
3 require a culture of safety?

4 DR. RICHARD HAUT:

5 I think the big thing, what you're
6 looking at is to incorporate your performance
7 safety regulations into your requirements to
8 compliment for prescriptive type. So to look
9 back and say, Okay, operator, prove to me that
10 this is going to be safe. And in so doing, you
11 are then helping that culture of safety.

12 MR. TROY TROSCLAIRE:

13 How do you go about proving this
14 safety, just based on our inspections?

15 DR. RICHARD HAUT:

16 There are several different
17 requirements incorporated into a culture of
18 safety. If you look at performance base
19 regulation where you looking at identification
20 of hazards, hazard and operation, submitting a
21 safety case, then the people within your
22 organization, the regulators, must also go up
23 that steep learning curve to understand how to
24 interpret those and ensure that different
25 aspects of safety are addressed in these

1 documents.

2 DIRECTOR MICHAEL BROMWICH:

3 Ms. Epstein, you mentioned the NTSB
4 external investigations model. I know you're
5 familiar with that from your time working with
6 the Office of Pipeline Safety. We're in the
7 process of creating something a little bit
8 different, a hybrid. We created investigations
9 in review units that's going to be staffed by
10 lawyers and people with law enforcement
11 backgrounds. And they are going to be joined
12 with specialists in the field who have
13 technical background and expertise. That has
14 the advantage of keeping it within the agency
15 and you have bringing together the different
16 parts of expertise of the agency and then
17 culminating in external reports. The reason
18 for that is that you keep it within the agency,
19 make things public and you keep yourself
20 accountable by insisting from the Director on
21 down these investigations be done in a specific
22 kind of way. Why is that a superior model to
23 the NTSB model?

24 MS. LOIS EPSTEIN:

25 Well, the NTSB and the Chemical

1 Safety Board model is an independent agency.
2 The reason that's important, especially for
3 major accidents, is to ensure that there's no
4 reluctance to criticize oneself, to find your
5 own inadequacies and your own processes and
6 procedures. This is not to say that the Office
7 of Pipeline Safety doesn't have some of its own
8 investigative capability. There's no way the
9 NTSB can investigate all the accidents that
10 could be learning experiences so there is also
11 a role for some sort of internal capability but
12 you need to recognize that there could be some
13 problems with that. Particularly, if there are
14 instances where there are regulatory gaps, for
15 example, or some inspector did overlook
16 something. Maybe that can be identified, maybe
17 not. If it's done internally, it's hard to
18 know.

19 MR. TROY TROSCLAIRE:

20 Do you believe there's an
21 disadvantage in that approach as far as skill
22 sets required to be able to identify it? I'm
23 assuming the problems that may have gone wrong?
24 You might have some folks in this event that we
25 just did -- I mean most of the BOEM, our role,

1 was just sitting there educating others on how
2 things are done, how the systems work, how the
3 equipment works.

4 MS. LOIS EPSTEIN:

5 Professionally, I can see that
6 being valuable.

7 The other difference I think is
8 important to remember is as a regulator you do
9 have the enforcement tools at your disposal.
10 NTSB and Chemical Safety Board does not have
11 that. There are things they can find out in
12 nonadversarial setting given that they are not
13 going to be involving the lawyers in their work
14 there.

15 Their whole role is safety. It's
16 not a role in terms of keeping production. The
17 Bureau has a multiple set of things that they
18 are trying to accomplish. I guess when you
19 have the independent analysis, it's a single
20 sharp focus and what you're doing is broader
21 than that and that can be valuable but it's
22 just different. One doesn't exclude the other.

23 DIRECTOR MICHAEL R. BROMWICH:

24 Bill?

25 MR. BILL HAUSER:

1 You mentioned the improvements that
2 the Office of Pipeline system has made in the
3 last ten years. They have a very limited
4 inspection staff. How do you see them ensuring
5 compliance and is there something there that we
6 can learn from?

7 MS. LOIS EPSTEIN:

8 Yes. And I would love to stay and
9 continue dialogue. In fact, some of the
10 retired managers from that office would be
11 valuable contacts for you, all in terms of
12 understanding how they were able to do that.

13 But one of the things that they are
14 requiring is annual performance reporting and
15 there are only four or five different things
16 that are reported but they are valuable pieces
17 of data and input so you can see how a
18 particular operator is doing, whether there are
19 any flags that might come up in terms of
20 backsliding, et cetera, et cetera.

21 So getting the information to
22 supplement the actual inspections is absolutely
23 important and it's a way for the public and --
24 in general to be used as operators compare
25 themselves to improve their performance.

1 And I would agree with the last
2 speaker that what we are talking about is a
3 combination of prescriptive requirements, but
4 also bearing in mind that some things don't
5 lend themselves well to prescriptive
6 requirements and there is some flexibility
7 there as well. But be careful because that
8 flexibility could come also back and bite you
9 if it's too great.

10 DIRECTOR MICHAEL R. BROMWICH:

11 Dr. Leveson, you talked in your
12 presentation about a culture of denial that
13 exists in many industries. Again, buried among
14 the question I asked to Dr. Haut, how does a
15 regulator deal with a culture of denial? It's
16 enough of a challenge for a company executive
17 to deal with it or somebody in the company, a
18 compliance person to deal with it but how does
19 an outsider do it?

20 PROFESSOR NANCY LEVESON:

21 This sounds a bit pessimistic, I
22 don't think you can. I'm not sure the
23 regulator can change the culture in the
24 industry.

25 The regulatory agencies that have

1 been most effective have been the ones that
2 have worked in industries where the industry
3 got it and the industry knew that safety was
4 really important for them and didn't have the
5 sense of denial.

6 In the industry, mining and ---
7 the -- regulators I'm sure everyone is trying
8 to do the best they can but there is very
9 little that I think you can do. You can force
10 people to try and comply and you can have them
11 write all kinds of safety cases, all of these
12 things.

13 I mean, we just had a big accident
14 in England with an aircraft, and the accident
15 report said one of the problems was the safety
16 case added to -- just make the safety case and
17 everything is fine. There's a lot more to it.
18 And I'm not sure that you can solve all of the
19 problems of this industry. You can do the best
20 job you can and it's an important job.

21 The FAA plays an important role,
22 especially in making people -- while the
23 industry sees the long term effects, sometimes
24 in the short term, they don't operate exactly
25 the way that they should.

1 So you can make sure that in the
2 short-term that there are complying, that they
3 are doing the best job they can but I don't
4 think any regulatory or outside agency can
5 change a culture.

6 DIRECTOR MICHAEL R. BROMWICH:

7 Has any of your research focused on
8 whether an enhanced fine structure and more
9 aggressive enforcement can have an impact on
10 that culture of denial?

11 PROFESSOR NANCY LEVESON:

12 I don't know of any real research.
13 I'm not sure that fining and punishment is the
14 most effective way to get people to behave
15 differently.

16 Education is a much better -- you
17 were saying the role of your agency is
18 education. Education and having people
19 understand the risks, the things that they are
20 doing are much more effective than punishment
21 and blame which -- just if you start punishing
22 people -- what happens is they -- before you
23 come into inspect -- this happens with OSHA and
24 it's why it's not very effective. They come in
25 and in every industry, you know, you're going

1 to be inspected, you change your behavior and
2 then after they leave, you go back to the way
3 you were operating before.

4 See, one of the most successful
5 programs has been Subsafe. It's an
6 astoundingly effective program. It's a nuclear
7 submarine program. They were submarines --
8 every two or three years before the (inaudible)
9 went down in '63. And Hyman Rickover, who was
10 a very strong willed man, called his
11 lieutenants and said, "You will have a program
12 in place in three months and this will never
13 happen again," and it hasn't in 45 years.

14 DIRECTOR MICHAEL R. BROMWICH:

15 Even though he's not even around
16 anymore?

17 PROFESSOR NANCY LEVESON:

18 But the people are so committed to
19 this in this industry. It's an amazingly
20 effective things.

21 And there are ways of changing
22 culture and getting rid of complacency but it
23 can't all be on an outsider.

24 MR. TROY TROSCLAIRE:

25 You made a statment that said rules

1 don't improve safety. I just wanted you to
2 elaborate on --

3 PROFESSOR NANCY LEVESON:

4 Oh, compliance culture. Yes, you
5 end up complying to rules. And all you're doing
6 is complying. Look, when you drive safely, do
7 we drive safely only because of rules when
8 there's a policeman there? Yeah. When there
9 is a policeman there we follow the rules.

10 But some people who don't have
11 accidents when there isn't a chance of having
12 -- being caught will also behave safely because
13 they understand the reason is to save their own
14 lives and other people's lives.

15 And so if you're just complying,
16 you just follow the rules. And you figure out
17 ways that you never really do the extra stuff
18 because you can't put everything in a rule.

19 FAA is changing. FAA was a very
20 regulation compliance oriented agency. And
21 they're finding that it's not effective any
22 more. What they're changing to an organization
23 where they are helping people create their own
24 safety management systems and ensuring that
25 each company has an effective safety management

1 system within their own company instead of just
2 following a few set rules. And we think it's
3 probably because it will be much more
4 effective.

5 DIRECTOR MICHAEL R. BROMWICH:

6 My final question is for both
7 Mr. Spackman and Dr. Pitblado. Both of you
8 focused in your presentation on safety case and
9 the merits of it. Many of the companies who
10 have adopted safety cases, whether operations
11 abroad, have not adopted it voluntarily in the
12 United States. If it's such a successful
13 system, what is your understanding of why that
14 has not occurred?

15 MR. ALAN SPACKMAN:

16 To be truthful, I think you would
17 have to address that question to those
18 companies. I suspect that in many cases for
19 existing equipment in terms of drilling rigs,
20 it becomes very difficult to perform the hazard
21 analysis that's required for the safety case.
22 It's not impossible but there's a difficulty.

23 And then if your client isn't going
24 to be cooperative in the process of
25 implementing an HSE case, there's little point

1 in it. I mean, the safety management system
2 that the company has is going to be fairly
3 effective in controlling the workplace and the
4 hazards within the workplace.

5 But again, without the client's
6 involvement, it sort of falls apart.

7 DIRECTOR MICHAEL R. BROMWICH:

8 Dr. Pitblado, if the safety case is
9 a superior model on the whole, why hasn't it
10 been more voluntarily adopted more widely?

11 DR. ROBIN PITBLADO:

12 Again, it has be to some degree.
13 One of the companies that was represented on
14 the first panel uses safety cases globally,
15 including here in the gulf of Mexico. But it
16 is a complete change in mind-set.

17 It isn't just a simple switch from
18 today it's prescription, tomorrow it's
19 performance. You have to educate the entire
20 workforce and the regulator as well. This is
21 what it means. And it's not a simple thing to
22 achieve.

23 So a lot of companies just say the
24 system is compliance. We understand how it
25 works. It's a less costly approach. It takes

1 us less effort so let's just carry on and do it
2 and we haven't had too many bad accidents here
3 in the Gulf of Mexico. That was yesterday.

4 DIRECTOR MICHAEL R. BROMWICH:

5 Any questions for either of these
6 gentlemen?

7 MR. TROY TROSCLAIRE:

8 Well, I guess one of the things
9 with drilling, it's always about time. How do
10 you manage saving that time? And with this
11 safety case, I guess, there's an advantage of
12 creating safety and understanding all the
13 hazards. And you can hazard something to
14 death, and at the same time on drilling it's
15 always been about time, time, time. How do you
16 all change that culture with this safety case?

17 MR. ALAN SPACKMAN:

18 I don't think that the safety case
19 by itself is going to do that. WCID, the
20 guidelines are going to do, I believe, emphasize
21 the fact that you're going to have to be more
22 deliberate in the changes that you make and the
23 process you undertake in drilling the well and
24 there's going to have to be a better
25 understanding and dialogue between the drilling

1 contractor and the client before the well is
2 drilled to assess the particular hazards by
3 that well. And that is very likely going to
4 extend the timeline on that project.

5 DR. ROBIN PITBLADO:

6 It's good to look at some of the
7 overseas regulators. In Norway they have an
8 acceptance of AIC regime. An operator needs to
9 demonstrate to the regulator they truly
10 understand the risks and that they have an
11 appropriate way of managing all those.

12 And when you're given a license to
13 drill, it's a gift of paperwork, but it's a
14 privilege and you have to demonstrate you have
15 the competence and resources to handle that
16 risk properly. And a safety case regime is a
17 stronger way of making that demonstration
18 complying with a fixed list of requirements.

19 Although both are useful but the
20 safety case takes it another step. And as I
21 said, we are looking for a step change.

22 DIRECTOR MICHAEL R. BROMWICH:

23 Any other questions? Thank you
24 very much. We really appreciate your
25 presentations. We're going to take a 20-minute

1 break now and then come back with our final
2 panel of elected officials, so 20 minutes.

3 Thanks very much.

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1 PANEL III:

2 DIRECTOR MICHAEL BROMWICH:

3 Welcome back.

4 For our final panel, we have four
5 distinguished elected officials from the
6 Houston and Texas area. Let me give brief
7 introductions to them, and then they will
8 provide us with their presentations.

9 Sitting to the far right is
10 Congresswoman Sheila Jackson Lee. She's
11 serving her seventh term as a member of the
12 House of Representatives. She represents the
13 18th Congressional District of Texas, which is
14 centered in Houston. And she has been, as I
15 said, a Congresswoman for -- this is her
16 seventh term. I've known Congresswoman Jackson
17 Lee probably 16 years now. We worked together
18 in my prior life when I was with the Justice
19 Department. So it's a pleasure to have you
20 here.

21 She currently sits on three
22 congressional committees, House committees on
23 the Judiciary, Homeland Security, and Foreign
24 Affairs.

25 Sitting to Congresswoman Jackson

1 Lee's right is Congressman Gene Green.
2 Congressman Green was first elected to Congress
3 from the 29th Congressional District of Texas
4 in 1992, after 20 years in the Texas House of
5 Representatives and the Texas Senate. In 1996,
6 Congressman Green was appointed to the House
7 Energy and Commerce Committee and currently
8 serves on four of its subcommittees; Health and
9 Energy Environment, Commerce, Trade and
10 Consumer Protection, and Oversight and
11 Investigations. He's also a member of the House
12 Committee on Foreign Affairs.

13 Sitting to Congressman Green's
14 right is Commissioner Elizabeth Ames Jones.
15 She is a member of the Texas Railroad
16 Commission. She was appointed in 2005 by
17 Governor Perry. And in November 2006, she was
18 elected to serve a six-year term. She
19 currently serves as the Railroad Commission's
20 representative for the Coastal Coordination
21 Council, the Coastal Land Advisory Board, and
22 is a member of the Interstate Oil and Gas
23 Compact Commission. She was appointed by the
24 IOGCC to represent its interests in the
25 Research Partnership to Secure Energy for

1 America, a non-profit corporation, RPSEA,
2 partners with energy-related industries and
3 research organizations to help meet the
4 nation's needs for hydrocarbons.

5 Last, but not least, to
6 Commissioner Jones' right is Railroad
7 Commissioner Victor Carrillo. He joined the
8 Texas Railroad Commission in February of 2003
9 when Governor Perry appointed him to fulfill
10 the unexpected -- unexpired term of Tony Garza.

11 So it's a very distinguished group.
12 I welcome all four of you.

13 And Congresswoman Jackson Lee, why
14 don't you begin?

15 CONGRESSWOMAN SHEILA JACKSON LEE:

16 Thank you very much, Director
17 Bromwich, for your presence here today, and let
18 me welcome you to the 18th Congressional
19 District and, of course, to a community that
20 sees these hearings as very crucial to its
21 survival and as well to its longevity and, of
22 course, to the talents of the many workers that
23 we have in this community.

24 Let me, first of all, say that as I
25 look at the PowerPoint that was presented, two

1 points or three points, I think, are important
2 to repeat.

3 It indicates that the agency and
4 the industry have shared objectives, and I
5 think it's important to repeat that; make
6 improvements to reduce risk and increase
7 environmental protections so a tragedy like the
8 Deepwater Horizon never happens again; return
9 to drilling in the Gulf of Mexico.

10 Then when we speak about direction
11 that we should all take, improvements that
12 should be brought about, I agree with these
13 three points: Prevention of another blowout,
14 demonstrate increased intervention capability,
15 and demonstrate increased oil spill response
16 capability.

17 At the same time, I would define
18 myself and many of my constituents as
19 individuals who have a strong record on the
20 environment, believe very heavily in safety,
21 and then, of course, believe in the
22 opportunities for this industry.

23 This is a job creator. This
24 industry has a strong record of creating jobs.
25 And I might cite for the record just these

1 numbers that I think are enormously important:

2 For the oil and natural gas
3 industry, one trillion dollars in the economy,
4 9.2 million jobs. In particular, the natural
5 gas industry 4 million jobs, 385 billion
6 dollars to the economy.

7 So I guess the question would be
8 for those of us who are in policy positions is
9 "how do we proceed from here."

10 First of all, I think there should
11 be no divide in our determination. I know that
12 the agency and the Obama administration don't
13 have that divide between any of us who wear
14 different political hats.

15 We should all be supporting what I
16 call a seamless energy policy that recognizes
17 the petroleum and fossil fuel, from nuclear to
18 solar and wind, which, by the way, Texas has
19 quite an opportunity for a number of those
20 industries.

21 With that in mind, I think, as you
22 go forward, I think it's important to look at
23 regulation in this format.

24 First of all, there are a number of
25 overlapping jurisdictions. And as you begin to

1 refine the rules of the agency, Director
2 Bromwich, that you've come to supervise, I
3 think we need to look at clearly the work of
4 the DOT, the Interior -- and I would like to
5 add one other agency that I think is crucial --
6 Homeland Security.

7 I chair the Transportation Security
8 and Infrastructure Protection Committee, and I
9 will be advocating that Homeland Security
10 should have an expanded role in responsibility
11 in ensuring the safety of offshore drilling and
12 the industry in its entirety.

13 Certainly, a lot of that
14 responsibility comes now to the Energy
15 Committee. And by the way, I'm delighted to be
16 here with my fellow panelists, and particularly
17 with Congressman Gene Green who has given
18 enormous leadership to this issue, and I
19 consider him a partner in making a simple
20 statement: We would like to see the moratorium
21 ended as soon as possible, and we would like to
22 have implemented what we call, and what I've
23 heard, is a "culture of safety."

24 The witnesses beforehand made some
25 important statements, and I would like to just

1 recite some of them and tell you some of the
2 experiences that I've had.

3 I visited the Deepwater Horizon
4 shortly after the incident on more than one
5 occasion. I visited with certainly the impact
6 areas, such as oysterman, fisherman, and
7 shrimpers. I've talked to restaurant owners
8 who felt they were jeopardized as well.

9 That's, generally speaking, the
10 wide parameters of the industry. But likewise,
11 I think it's important that we note today that
12 there were lost lives, and we offer to their
13 families our deepest sympathy.

14 In fact, as a member of the House
15 Judiciary Committee, we met on several
16 occasions to try to find ways to expand the
17 liability coverage to protect those families
18 who lost loved ones and those that are injured.

19 That's an important part that
20 should be changed as we move forward. And
21 certainly, that jurisdiction falls not only
22 under Interior, but it also falls under the
23 Department of Transportation and, in some ways,
24 the Department of Justice. "How do we go
25 forward with the liability question?"

1 What I would like to suggest as we
2 go forward that we find a way to balance
3 safety, the environment, and, of course, this
4 whole idea of the growth in this industry that
5 would include the ability to do offshore
6 drilling. We need to recognize the distinction
7 between small independence and large companies.

8 I would also offer to say,
9 Mr. Director, that we need to recognize the
10 far-reaching impact that the industry has. The
11 impact is diverse.

12 The industry is not very reflective
13 of diversity. You don't see very many
14 African-Americans and Hispanics, but they are
15 impacted. They are either workers that you
16 seen on the offshore drilling, but, in effect,
17 there is a great deal more that we can do in
18 educating the public, in educating the
19 industry, and making us work together with this
20 new culture, if you will, of safety.

21 I've introduced legislation that I
22 would like to recount for you just very briefly
23 to tell you the direction that I think it's
24 important to go.

25 First, we must press forward on new

1 technology. There is no reason why this
2 industry can't be at the cutting edge of
3 technology. We happen to be sitting in this
4 particular city, in the midst of institutions
5 of higher learning ranging from Rice
6 University, Houston Baptist, the University of
7 Houston, Texas Southern University, and the
8 Houston Community College System, along with
9 other community colleges -- San Jac and what
10 was called North Harris, now Lone Star.

11 All of those institutions can be
12 part of the broader picture of the Department
13 of Interior looking at how this nation can
14 confront the issue of safety.

15 I believe that as we look forward,
16 we can't count the industry out. We must count
17 it in and force it to do the right thing. We
18 must force it to also look broadly at how it
19 includes more people into the research and the
20 going forward.

21 The Remedies Act, which is HR5676
22 that I've introduced, has several important
23 aspects of it that I would like to share with
24 you very briefly.

25 It makes changes to the Oil Spill

1 Liability Trust Fund, increasing the size of
2 the fund from 1.6 billion, which is now, to ten
3 billion; increasing the per-barrel tax that
4 pays for the trust fund from 0.08 barrel to
5 0.30, which has been agreed to by the industry;
6 increasing the per-incident payout cap from one
7 billion to ten billion; and repealing the
8 sunset of the financing rate.

9 In addition, it includes under
10 Section 3 to have a three-tier format to
11 protect independence. The first tier of
12 cleanup costs and damages differing from vessel
13 type to -- for offshore facilities, will be
14 paid solely by the responsible party; after the
15 first tier, the next 10 billion in cleanup
16 costs will come out of the Oil Spill Liability,
17 which is also an enlarged fund, which is sort
18 of builds on Section 4.

19 We also provide changes, as my
20 Judiciary Committee hat, to allow individuals
21 who work on the rig besides seamen to be
22 covered, such as the engineers who lost their
23 life as well.

24 We allow family members other than
25 a related relative or dependent relative to

1 specifically file an action for their loss,
2 such as a spouse, a parent, a child, a sibling,
3 or a dependent relative.

4 In addition, we want to have
5 redundancy in plans that are there to ensure
6 that we don't have a BOP with no backup, and so
7 I've added under Section 7 that the permitting
8 process to specify response actions that will
9 be taken if other response actions, specified
10 plans fail.

11 In essence, you have a response
12 plan, but you are obligated to have successive
13 response plans. What will be your backup?
14 What will be your backup? And it should be
15 vetted by experts, and the federal government
16 should be assured that this vetted plan has
17 continuous backup so that we go from one step
18 to the next.

19 In addition, in any case in which
20 five or more violations of Occupational Safety
21 and Health Act or regulations are violated,
22 then we have the ability to cease operations.

23 Much of the facts suggest, as we
24 have heard in the Deepwater Horizon, that that
25 were many indicators that the operation should

1 have stopped many days before the tragedy
2 occurred. I would think the industry would
3 agree with that in it's self-policing and have
4 that something as very important.

5 We add information about class
6 acts, allow states to bring lawsuits, but one
7 in particular that I think is important to
8 emphasize and to have it be ongoing, shortly
9 after I testified in the Energy, where I was an
10 invited guest, if you will, to sit on the
11 Energy Committee, I posed the question of the
12 industry organizing itself and investing in new
13 technology. That's why I believe that we can
14 go forward with offshore drilling in the
15 deepwater because we have to insist on the
16 highest kind of technology.

17 One of the aspects of the
18 legislation that I put in place too, one is to
19 require the President to establish an ongoing
20 emergency scope coordination team composed of
21 the commandant of the Coast Guard, the
22 administrator of the Environmental Protection
23 Agency, the Secretary of Energy, the Secretary
24 of Commerce, the Secretary of Interior, and the
25 Chief of the Army Corps of Engineers.

1 Imbedded in that is to ask the
2 industry to establish a one billion dollar
3 fund, which independently some weeks later they
4 did develop.

5 The question is what is the
6 relationship with development of that
7 technology and the federal government? What
8 kind of oversight or interrelatedness comes
9 about where the federal government can say,
10 "This is what we're needing." This is the kind
11 of technology that we should have and,
12 therefore, have some sort of working together
13 that we can focus on.

14 In the course of being involved in
15 this Deepwater Horizon spill, I've seen many
16 people who have been damaged and many people
17 who are still hurting, particularly in the Gulf
18 region.

19 Texas was fairly lucky, except for
20 the fact that we are now impacted by the
21 moratorium on deepwater drilling. I would like
22 us to move as fast as we possibly can to
23 recognize that we can develop in our internal
24 souls a culture of safety.

25 I think one of the speakers,

1 Professor Leveson, made a very, very good point
2 as it related to the aviation industry. It
3 would collapse if it had a history of the kind
4 of tragedy that occurred, particularly around
5 the Deepwater Horizon.

6 They've had accidents, yes, but
7 there certainly is this high level that I
8 believe that should be developed by this
9 industry, and there should be a rallying around
10 the industry.

11 We all recall after 9/11, to no
12 fault of their own, planes tragically fell out
13 of the sky because of terrorist acts, and there
14 was a great deal of fear of flying by the
15 American public; but the Congress, without a
16 single objection, of course -- both parties,
17 both philosophies -- rallied around the
18 industry to bring it back.

19 In this instance, I think we do
20 ourselves a great disservice if we begin to
21 divide along party lines, around an industry
22 that provides millions and millions of jobs,
23 and frankly, in my own 18th Congressional
24 District just a few blocks from here, several
25 of the offices of many, many people who are

1 employed.

2 So I would like the message to
3 come, particularly from my message, is that I
4 think there is a role, as I've taken from the
5 Panel No. 2, a lot of good quotes, a role for
6 regulators in the industry. I think that we
7 can develop a culture of safety. We must find
8 it within the industry to develop that safety
9 culture so deeply imbedded that it is not
10 grounded in compliance.

11 And if I might add my own
12 editorial comment, I think you made a very good
13 point about asking about the HSE as to why it
14 is not used as much by domestic companies.
15 There's no reason why we in Congress should not
16 ask that question and why the department should
17 not ask that question.

18 Having met with the Secretary of
19 the Interior, Salazar, I know that he is
20 committed to working through this problem, and
21 that should be very clear, that we're not each
22 other's enemies. And if we recognize that,
23 then we can move this whole issue of the
24 moratorium on deepwater drilling as quickly as
25 possible.

1 But more importantly, the industry
2 can present to the American public its
3 commitment to the best technology to safety
4 culture that will help everyone.

5 We can't throw away a trillion
6 dollars or 385 billion dollars or millions of
7 jobs of natural gas or 9 million plus jobs in
8 the oil or petroleum industry.

9 I close simply by saying that no
10 one should challenge our commitment to the
11 environment, bar none.

12 I think you would be foolish not to
13 be concerned about the environment, but you
14 also would be foolish not to be concerned about
15 safety and jobs.

16 This effort that you are weighing,
17 the challenges that you're weighing, count us
18 as allies in moving forward and moving this
19 industry forward.

20 I missed on one point of my
21 remedies act, which I think that I mentioned
22 generally, is that Homeland Security really
23 should be a strong part of this. And in my
24 legislation, I establish them as a body that
25 deals with claimants, because claims certainly

1 have not been the best -- have not been handled
2 in the best manner for so many of the
3 constituents who are now seeking to be made
4 whole.

5 But your efforts here today are
6 much welcomed. I look forward to your
7 questions. And I frankly believe, as
8 Americans, there is nothing that we cannot do
9 and do right.

10 And, therefore, this is something
11 that we can do right: Have a seamless energy
12 policy, create the jobs that are here in
13 Houston, in Texas, around the world, in the
14 petroleum, fossil fuel industry, and do it
15 safely and securely and protect the very people
16 we're concerned about. They are our neighbors,
17 our family, and our friends.

18 Thank you very much.

19 DIRECTOR MICHAEL BROMWICH:

20 Thank you. Thank you for your very
21 thoughtful comments. We really appreciate
22 them.

23 Congressman Green.

24 CONGRESSMAN GENE GREEN:

25 Thank you.

1 Thank you for being here. My name
2 is Gene Green. I'm proud to represent the 29th
3 Congressional District of Texas and thank you
4 for allowing me to participate.

5 Before I go into my statement, I
6 have a statement from Congressman Solomon Ortiz
7 who represents a district from north of Corpus
8 to Brownsville, and he's the dean of our
9 delegation. He couldn't be here, and I would
10 like to make sure it's part of the record.

11 DIRECTOR MICHAEL BROMWICH:

12 Absolutely. Thank you.

13 CONGRESSMAN GENE GREEN:

14 This is perhaps the most pressing
15 issue facing our area and our country, and I
16 appreciate the opportunity to air my concerns
17 with the ongoing moratorium.

18 This moratorium has the potential
19 to devastate the Gulf Coast economy, affect our
20 energy security by increasing our reliance on
21 foreign oil, and result in the loss of
22 thousands of jobs right when our economy is
23 turning the corner, we hope.

24 Many of these jobs will be lost
25 forever as production equipment moves overseas.

1 In Houston, in our district, and even in the
2 Northeast and North Houston, Harris County, we
3 do everything energy, both upstream and
4 downstream, including being a home of many
5 offshore workers. So I thank you for holding
6 this forum to hear our concerns.

7 I can't emphasize enough how we
8 need resolution to the issue.

9 Since May, I sent four letters to
10 the Department of Interior detailing my concern
11 with the deepwater moratorium and the de facto
12 shallow water moratorium. All of these letters
13 have been bipartisan because this is not a
14 partisan issue.

15 On June 24th, I co-wrote a letter
16 with my fellow Houston area representative,
17 Kevin Brady, joined by 22 of our colleagues
18 from across the aisle. We suggested a low risk
19 development and appraisal wells to be produced
20 while department continues its assessment on
21 deepwater exploratory wells.

22 These type of wells offer the
23 assurance of much smaller and minimal risk
24 because the delineation and sidetrack drilling
25 that accompanies these wells merely serve to

1 define the parameters of the then known
2 reservoir.

3 This modification would address the
4 administration's call for safe and secure
5 drilling, protect an estimated 75 percent of
6 the jobs that have been lost under the
7 moratorium, and help prevent the future energy
8 supply shortages in years of 2011 and 2012. I
9 strongly urge you to look at this option before
10 we lose any more jobs.

11 Finally, I'm concerned with the
12 pace of the issuance of new shallow water well
13 permits since the moratorium on shallow water
14 drilling was lifted May the 28th. Since this
15 moratorium was lifted, the BOEM has issued only
16 four new well permits in contrast to the pace
17 of ten or 15 per week pre-spill.

18 While we all support the safe
19 production of our offshore resources, I
20 encourage the department to work with the
21 industry on whatever issues is holding up these
22 permits.

23 In fact, I joined in a letter just
24 last Tuesday by 38 of my colleagues on both
25 sides from across the country asking you and

1 Secretary Salazar that if you do not feel
2 you're getting the information you need during
3 the application process, then specifically
4 outline what you do need so the companies can
5 desperately get back to work.

6 In the last 15 years, only a total
7 of 15 barrels of oil were spilled -- 15
8 barrels. Additionally, oil and gas drilling
9 account for one percent of all petroleum
10 discharges in the marine environment and not
11 North America. We must keep this in mind as we
12 work toward a resolution on the issue.

13 And again, I appreciate your
14 holding this forum literally in the heart of
15 the energy sector to hear our concerns, and I
16 look forward to continue working with you to
17 resolve the issue.

18 And thank you again for being in
19 Houston.

20 DIRECTOR MICHAEL BROMWICH:

21 Thank you. Thank you very much for
22 your comments.

23 Commissioner Jones.

24 COMMISSIONER ELIZABETH AMES JONES:

25 Good morning, Director Bromwich.

1 Let me make sure I can be heard.

2 Chairman Carrillo, Congresswoman,
3 and Congressman Green, I appreciate the
4 opportunity to participate on this panel with
5 the three of you and to express some concerns
6 that I have and to share any constructive
7 processes or ideas that I have with the new
8 BOEM agency.

9 And I appreciate the opportunity to
10 be here in Houston -- yes, the energy capital
11 of the world, I would suggest, to those who are
12 not from Texas.

13 And I would just like to say that
14 in the interest of time, I'll just cut down on
15 some of my comments related to the moratorium,
16 and I have only one thing to say to the
17 comments of the prior Congressman, and that is
18 "ditto" regarding the moratorium.

19 And I have been writing and
20 speaking about this, and I think I have
21 probably buried the Congressman's,
22 Congresswoman's office in certain letters and
23 resolutions related to the moratorium, because
24 we see firsthand here in Texas as
25 stakeholders, and we care as much as anybody

1 because any of the repercussions related to
2 environmental cleanup, we would see, as well as
3 any of the repercussions related to the lost
4 jobs we also see.

5 So I think that we look at it from
6 a perspective. Obviously, it's bipartisan, I
7 suspect, at least on this panel, and so we are
8 a good template to look to for the federal
9 government on how you can achieve a meaningful
10 energy policy as we allow drilling, the
11 exploration and production of those
12 hydrocarbons in our Gulf of Mexico, which is
13 such a treasure to this country.

14 I'm delighted to share with you my
15 comments as a member of the Texas Railroad
16 Commission, Texas' energy agency. I appreciate
17 being here with my fellow Commissioner,
18 Chairman Carrillo.

19 I think that the experience that
20 the Railroad Commission brings to this issue is
21 far more than people can imagine, because we
22 have, of course, been regulating the oil and
23 gas energy industry in the state of Texas, the
24 largest oil and gas producing state for over a
25 hundred years.

1 Our inland experience, in addition
2 to our unique regulatory jurisdiction in Texas,
3 is State waters, up to three leagues offshore,
4 can shed light on how energy exploration and
5 production can be handled responsibly when the
6 appropriate regulatory tactics are in place.

7 Although I'm not here to discuss
8 the nitty-gritty of technical regulations and
9 best practices as they relate to offshore
10 drilling at this time -- certainly, we don't
11 have time to do that today -- but I look
12 forward to a forthright dialogue with you,
13 Dr. Bromwich, and your associates on BOEM to
14 discuss and to get to a meaningful policy that
15 can benefit all of the United States of
16 America, not just the state of Texas.

17 I would like to take it from a
18 different perspective, if you would allow me,
19 and that is to focus a little bit more on
20 suggestions of process which you might
21 entertain in your deliberations moving forward.

22 I base this on my previous
23 experiences with the MMS, and as you have been
24 -- you're entertaining this fact-finding
25 mission so that you can come up with processes

1 that serve the public. And so to that end, I
2 would just like to just tell you what mine is
3 based on.

4 As a member of the Coastal Land
5 Advisory Board for the State of Texas, a
6 Governor-appointed position, I serve on that;
7 our Land Commissioner, Jerry Patterson, and TCQ
8 commissioner as well, the three of us. And we
9 let the federal grants that come to the states
10 that work force written into the Energy Act of
11 2005, those CIAP funds, Coastal Impact
12 Assistance Program grants. These funds pay for
13 the projects that protect our wetlands and help
14 us form a barrier island that's necessary when
15 mitigating environmental consequences on the
16 coast.

17 I would like to tell you that in
18 our workings with the MMS, mine over the last
19 five years as a member of the Coastal
20 Coordination Council, and now the CCC, All I
21 can tell you is that I am really delighted that
22 you all are looking closely at the inner
23 workings of this agency and the new agency,
24 because I can tell you that I was sometimes
25 troubled by what seemed to be an overbearing

1 red tape in issuing these grants -- for all of
2 the states, I suspect -- and I just speak as a
3 Texan. But the other coastal states also are
4 the recipients of those grants, those states
5 that allow drilling in the deeper
6 outer-continental shelf.

7 So I'm delighted that you're
8 looking at ways to improve the system and be
9 mindful of allowing us to provide our coastal
10 citizens and our environment with the
11 protection they need is also a great safeguard
12 to mitigate coastal damage to any threat,
13 whether it be man-made from drilling offshore,
14 which is much, much more rare than those acts
15 of God like hurricanes, which are quite
16 frequent here in our coast, as you have seen
17 today.

18 I would like to talk a little bit
19 before I go into some of the current policy
20 initiatives that I see in Washington. I would
21 like to suggest and basically applaud the Texas
22 plan that even members of Congress -- with all
23 due respect, all of our plates are so full, and
24 we have been elected by the State, by the
25 people of Texas, to tend to these matters here.

1 But I think it is important as you
2 move forward in looking at how you fund this
3 agency, I want to get into some nitty-gritty,
4 because I think it is something that is
5 meaningful for you all to look at, and also the
6 fact that we have divided interests and maybe
7 the MMS -- and I know that now you are looking
8 at several, putting things under different
9 groups, but I will say it works very well.

10 The General Land Office in Texas is
11 a leasing agent for the royalties that belong
12 to the people of Texas, and those royalty
13 interests are on State-owned land out to three
14 leagues offshore.

15 We're one of the only states --
16 only Florida on the western coast has the same
17 jurisdictional boundaries. The State of Texas
18 went into the union in 1845, thanks to Sam
19 Houston's negotiations, maintaining our
20 jurisdiction offshore to three leagues, a
21 little over ten miles. That was upheld by the
22 Supreme Court in the mid 1900s in a very, very
23 contested case called the Tidelands.

24 The State of Texas has maintained
25 our jurisdiction off the three leagues

1 offshore, and the Railroad Commission permits
2 the wells in those waters.

3 However, the Land Commission is the
4 one who leases them, who raises the money for
5 the people of Texas, and so we are totally
6 separate. We are not even in the same
7 building.

8 Our interests and our missions are
9 completely different to the extent that while
10 they are leasing those blocks for the benefit
11 of Texans and Texas school children, we in fact
12 have the permitting of the operations of the
13 well, and we maintain the archives, the
14 geology, and the permits for all of the
15 operators to use best practice and the rules
16 and regulations related to that.

17 I would also suggest that the
18 Railroad Commission, we do not derive our
19 funding necessarily, a hundred percent of that
20 funding and very little -- until recently, any
21 of the funding has come from fines.

22 We have to go through the general
23 appropriations process every legislative
24 session and prove up our expenses, our revenue
25 needs, if you will, and those are not based on

1 fines.

2 And so I think it is critical to
3 ensure that the confidence of the industry and
4 the people, that the agenda of that person,
5 that agency -- BOEM in your case -- is really
6 only looking and focused on best practices in
7 drilling and exploration. And if the fines are
8 coming into the agency, that they be kept total
9 and separate from the revenue that it takes to
10 achieve your mission statement.

11 I would like to drive -- I can't
12 express to you how important it is to maintain
13 the trust of the people to the extent that
14 you're regulating, that your mission really is
15 just safety and not raising money.

16 And so I think that people look at
17 that and would feel like the best interest,
18 safety interest, of the American people was
19 truly at heart if you can make that
20 distinction.

21 I would like to discuss a bill that
22 was recently passed out of the United States
23 House of Representatives called the CLEAR Act.
24 That bill -- it's quite clear in the CLEAR Act
25 that parts of that legislation actually usurp

1 this State's authority as it relates to
2 regulating the oil and gas industry.

3 And I would like the discussions in
4 Washington to be mindful of the fact that the
5 BP rig was supposed to be regulated by the MMS,
6 although I'm not saying that MMS could
7 necessarily have prevented the catastrophe, and
8 you will be looking at that comprehensively to
9 use best practices to ensure that it never
10 happens again.

11 What I'm saying is that restricting
12 the State's regulatory authority in response to
13 a crisis that happened on federal regulatory
14 agency's watch, I believe, was
15 counterproductive.

16 We the Railroad Commission share no
17 fault or blame in the disaster that happened in
18 the Gulf of Mexico. And in spite of the fact
19 that we are very much directed as a State, or
20 affected by it -- and are a stakeholder in
21 these decisions -- we at the Railroad
22 Commission have a good record of permitting and
23 overseeing the drilling in our State waters,
24 which are quite different actually than
25 drilling in the deep, deep waters offshore.

1 So I would urge you all -- and, of
2 course, I've got two Congressmen sitting right
3 here with me -- three now? Okay. I'm sorry.
4 -- to be very mindful of the fact that BOEM,
5 you will have enough on your plate as it is.
6 And I would like to promote, in fact, to my
7 fellow Texans that they have an agency here at
8 home that they can count on and that has proven
9 jurisdiction three leagues offshore, and that
10 it is counterproductive, in fact, to have
11 another regulatory agency looking at something.

12 And, in fact, I would like to offer
13 up our expertise to the federal -- I would like
14 to offer up the help upstairs, not downstairs,
15 so that you can achieve your mission of safety
16 just as we do ours, I think, very, very well.

17 We have written many letters. My
18 fellow commissioners and I have sent a
19 resolution protesting any extension of this
20 moratorium, and I would like to urge you to
21 take those comments into consideration, because
22 they were not written lightly, I might add.

23 And to that end, I would like to
24 say that best practices know no depth, whether
25 you are in the bay, in the estuaries, in the

1 shallow waters or the deep offshore in the
2 outer continental shelf.

3 And I am eager to work with the
4 federal government in crafting a policy related
5 to their jurisdiction so that all the states in
6 the country can enjoy the benefits of the
7 energy that we are so rich in right here at
8 home.

9 Thank you very much, gentlemen.

10 DIRECTOR MICHAEL BROMWICH:

11 Thank you very much for your
12 comments. We appreciate them.

13 Commissioner Carrillo.

14 COMMISSIONER VICTOR CARRILLO:

15 Thank you, Director Bromwich.

16 Until a few months ago, I was
17 chairman of the Department of Interior's Outer
18 Continental Shelf Policy Committee, and that's
19 a federal advisory committee charged with
20 advising the U.S. Secretary of the Interior on
21 all aspects of oil and gas leasing of the
22 nations offshore. I understand the charter
23 expired in June, and there are ongoing
24 discussions as to the future of that committee,
25 if any.

1 I am a Texas-licensed geoscientist.
2 I'm a geologist by training. I'm also an
3 attorney, a formerly locally-elected city
4 councilman from my community of Abilene and
5 elected county judge. I currently chair the
6 Texas Railroad Commission, along with Elizabeth
7 Jones and Michael Williams.

8 Our agency -- and I've said this
9 before -- is unquestionably one of the
10 worst-named state agencies in Texas. We have
11 nothing to do with railroads, absolutely
12 nothing, but very much to do with energy.

13 We are the chief regulatory
14 authority over oil and gas exploration and
15 production here in this state. And as
16 Elizabeth mentioned, Texas remains the premiere
17 energy-producing state in the country,
18 producing over 340 million barrels of oil and
19 7.6 trillion cubic feet of natural gas last
20 year in 2009, more than any other state in the
21 nation and ranking us third globally in natural
22 gas production -- well, behind the United
23 States and Russia, but ahead of Canada, if we
24 were to be considered our own country, which
25 we're not, of course.

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DIRECTOR MICHAEL BROMWICH:

Thank you for clarifying that.

COMMISSIONER VICTOR CARRILLO:

Today we're here in Houston, our energy capital, certainly, and while Texas has certainly diversified our economy from the 1980s, our oil, gas, and petrochemical sector still contributes over 200,000 direct jobs, with many more related, and over 200 billion into our Texas economy, making it a critically-important economic and jobs engine for our state.

As a key oil and gas sector regulator in the nation's largest petroleum-producing state, I'm proud of our State's record of strengthening our economy by developing our natural resources, while at the same time maintaining environmental protection.

Responsible production and environmental stewardship are not mutually exclusive. Imposing an offshore drilling moratorium through November -- and as was referenced, I guess -- a de factor shallow water moratorium, I believe, was ill-advised.

1 And I emphatically implore you, Director
2 Bromwich, and urge Secretary Salazar, and
3 supported by President Obama hopefully, to
4 immediately lift said moratorium.

5 The moratorium has caused and will
6 continue to cause severe damage to Gulf Coast
7 communities and states such as Texas,
8 Louisiana, et cetera.

9 Some of these negative effects
10 include that the ongoing activity in the Gulf
11 on multiple wells has been suspended. Offshore
12 rigs, unsure of the duration of the moratorium
13 and unable to sustain the cost of maintaining
14 rigs on hold indefinitely, will move the rigs
15 to non-U.S. regions.

16 I've read recent reports of rigs
17 moving off to Congo, to Egypt, to Nigeria,
18 Brazil perhaps.

19 Offshore rig crews have lost their
20 jobs and will continue to do so, with
21 potentially many thousands of jobs still to be
22 lost, also not only the crews themselves, but
23 in related endeavors, whether it's for service
24 companies, for helicopter flights, boat folks,
25 taking them out to the rigs and back and forth,

1 et cetera. And there's a ripple effect to
2 that, as you well know.

3 I believe that once this well-paid,
4 highly-specialized work force leaves the Gulf,
5 it may be impossible to get them back,
6 certainly any time soon; and with it, leaves
7 that loss of expertise that has developed over
8 a hundred years, as we've mentioned, at least
9 here in Texas and the Greater Gulf region.

10 The Gulf is a very significant
11 source of petroleum for the United States. An
12 exploration and reservoir appraisal has
13 already, because of the moratorium, been
14 severely limited in my estimation.

15 Precious oil and natural gas
16 resources and their economic benefit will not
17 be produced domestically offshore ultimately,
18 if this is carried on, and will lead to
19 increased oil imports from foreign sources.
20 This will ultimately lead to decreased national
21 energy security. And I firmly believe that we
22 need to drill, explore responsibly, and drill
23 domestically to diminish the effect on our
24 domestic energy security.

25 I'm concerned that imposing the

1 moratorium might have been a knee-jerk reaction
2 with little scientific basis. It has already
3 resulted in, and will continue to yield, dire
4 consequences that impact the economic vitality
5 of this already fragile region and the energy
6 security of our nation.

7 Exploration and production of oil
8 and gas can indeed be risky, as it is driving a
9 car or flying in a plane; but when a plane
10 crashes tragically, resulting in death, we
11 don't ground all flights and stop the public
12 from flying. That is simply not the right
13 answer.

14 Here the answer is not to prohibit
15 drilling altogether. Certainly, Interior
16 should take an internal look at regulatory
17 requirements to ensure safety and enact
18 appropriate changes, if necessary, but let's
19 not kill badly-needed jobs and economic
20 stimulus that exploration and production
21 generates.

22 With that, I will echo again what
23 Commissioner Jones has said and state that we
24 stand ready and willing to help in any way that
25 we can with our extensive database.

1 With that, I'll end my prepared
2 remarks.

3 DIRECTOR MICHAEL BROMWICH:

4 Thank you very much, Commissioner.
5 We very much appreciate it.

6 In mid panel, we were joined by a
7 third Congressman from the Houston area,
8 Congressman Al Green of the Ninth District of
9 Texas.

10 Congressman Green, welcome, and we
11 look forward to your remarks.

12 CONGRESSMAN AL GREEN:

13 Thank you very much.

14 You look forward to the remarks
15 right now is what I take it.

16 DIRECTOR MICHAEL BROMWICH:

17 Yes.

18 CONGRESSMAN AL GREEN:

19 Sometimes "forward" can be quite a
20 distance away in my world. But I do thank you
21 for the opportunity to speak. I'm honored to
22 be here with my colleagues; and, of course, I'm
23 honored to be here with the panelists.

24 These are very difficult times, and
25 we're honored that you would take the time to

1 come to Houston, Texas, and hear us, hear our
2 thoughts, hear our concerns.

3 I am absolutely convinced that we
4 have learned a lesson from the Deepwater
5 Horizon tragedy. It's a tragedy because you
6 had lives lost. Any time human life is lost,
7 it is a tragedy. Any time one life is lost,
8 we've lost one too many. Human life is
9 precious.

10 But we have learned also that this
11 circumstance has magnified something that we
12 knew but we didn't focus on, and it is this:
13 That we absolutely need the energy -- there's
14 no question about it -- but we also need the
15 jobs. We need both the jobs and the energy
16 produced from the deepwater drilling.

17 And because we need both the jobs
18 and the energy, we have to perfect a policy
19 that will allow us to continue to drill but
20 also that will provide the safety that we
21 expect our workers to have when they are on the
22 job. Worker safety is important. Jobs are
23 important. We have to provide both safety and
24 the jobs.

25 And I'm honored that you're here,

1 because I assume you're here to hear from us as
2 to how we can do this safely and continue to
3 provide the jobs and the energy that will
4 benefit not only Texas but the entire nation.

5 I thank you for the opportunity to
6 have these brief comments.

7 I'm here to listen, to learn, and
8 to do what I can to help effect policy in
9 Washington, DC, that will take into
10 consideration the comments that have been made
11 with reference to our Texas Railroad
12 Commission, the agent who is here today, take
13 into consideration the comments that have been
14 made, because Texans have good ideas, and we
15 want these good ideas to be a part of the
16 national dialogue.

17 So I thank you for sharing your
18 meaningful pearls of wisdom with us, and I look
19 forward to going back to Congress and sharing
20 what you have shared here with my colleagues.

21 Thank you again.

22 DIRECTOR MICHAEL BROMWICH:

23 Thank you very much, Congressman
24 Green.

25 Let me just make a couple of final

1 comments before we wind up today's public
2 forum.

3 I heard a number of you urge the
4 moratorium to be ended as quickly as possible
5 and the suggestion that it was a knee-jerk
6 response. I can assure you it was not a
7 knee-jerk response.

8 It was the step that the President
9 and Secretary Salazar believed was appropriate
10 in light of the Deepwater Horizon tragedy, the
11 loss of life, and the lack of understanding of
12 what the causes were.

13 The reason it's still in effect is
14 because we're conducting these forums in order
15 to explore whether we have enough information
16 on safety issues, on spill containment issues,
17 and on oil spill response so that we believe
18 that deepwater drilling can resume in the near
19 future.

20 As I said earlier, the deepwater
21 drilling moratorium is scheduled to expire on
22 November 30th, but it may be ended or modified
23 before then, depending on the information that
24 we're requiring in these forums. This is the
25 sixth of eight. We're winding them up next

1 week.

2 We've collected a vast array of
3 information that's going to be relevant in
4 making our recommendations to Secretary
5 Salazar. That report is due on October 31st.
6 I said earlier it's going to be delivered to
7 him well before that in order to facilitate the
8 expediting of making that decision.

9 But I do want to note that with
10 respect to this spill containment and spill
11 response components that supported the
12 moratorium up until the Deepwater Horizon spill
13 was contained and the spill response had been
14 successful, which was quite recent, industry
15 leaders acknowledged that they did not have
16 adequate means to contain a spill and they did
17 not have adequate resources to deal with a
18 second spill, should that have occurred. So we
19 have made progress because of the progress
20 that's been made on the Deepwater Horizon with
21 respect to spill containment and spill
22 response.

23 The issue that we're exploring most
24 carefully is the one that a number of you
25 commented on, which was, "Are there adequate

1 safety precautions currently in place that can
2 give us the assurance that we need?"

3 So I assure you that it wasn't a
4 knee-jerk response, and I assure you that
5 everything possible is being done to determine
6 whether it's safe to resume deepwater drilling.

7 Second, on the issue of rig
8 movement and job loss, my agency was
9 responsible for some of the high-end estimates
10 for what those would be, and it's been widely
11 quoted in the press.

12 Let me just advise you that there
13 will be a major study that will be released
14 next week being chaired by the Council of
15 Economic Advisors that will come in with
16 numbers well below that.

17 The fact is, as it's been
18 documented in the media articles, very few of
19 the rigs have left. And one of the surprises
20 is that many of the employers have kept people
21 on board and employed. That's a great thing.
22 We regret any loss of jobs.

23 But, in fact, the fallout has been
24 less than had been feared and less than had
25 been anticipated. So that's the positive.

1 That will not affect in any way our
2 deliberations on the moratorium. Just because
3 there's been less job loss than we feared does
4 not mean we're going to keep the moratorium in
5 place a day longer than is absolutely
6 necessary.

7 Finally, on the de facto, the
8 so-called de facto shallow water drilling
9 moratorium, there is no such de facto
10 moratorium. I've said that repeatedly.
11 Secretary Salazar has said that repeatedly.

12 There are new requirements that are
13 difficult for some operators to meet that have
14 slowed the process of their submitting
15 applications and, to some extent, has slowed
16 our ability to process them, because they raise
17 questions that we feel that for the safety of
18 the public we must answer.

19 But there's no slow walking any of
20 these. There's no de facto moratorium. And we
21 are working on them as we speak. There are
22 people at our offices right now reviewing and
23 processing shallow water drilling moratoriums.

24 I know there is frustration among
25 shallow water drillers, but it does no good to

1 state something that's simply false, that there
2 is a de facto shallow water drilling
3 moratorium.

4 I know none of you intended to
5 suggest anything you know to be false, because
6 that's the word out there, that there is such a
7 moratorium, but I assure you there is not.

8 With that, thank you very much, all
9 of you, for your comments here today.

10 Yes, ma'am?

11 CONGRESSWOMAN SHEILA JACKSON LEE:

12 Just a moment because I want you
13 to have the last word. I just -- first of
14 all, I think it's important that we are in the
15 mix of eight hearings as I understand it. I
16 guess I would be somewhat a champion of this
17 community to say the testimony that you heard
18 here is probably as unique as you might hear in
19 other areas, even though I know you've been in
20 the Gulf and I know there are others who are
21 involved in the industry, but I would just like
22 to -- we appreciate clarification, but I wanted
23 you to leave -- to see us as a team, and to
24 accept the offer given by Commissioner Jones to
25 use some of the expertise that we have here in

1 the State, to be able to help us as we move
2 forward.

3 But I would like to leave you with
4 this: One of the things that I think was
5 missing, and I hope you gleaned from my
6 remarks, is that I think the federal government
7 needs to develop its expertise as well. It is
8 very industry-dependent, and I know that
9 industry has been known to move in and out of
10 MMS, but I believe it's important to develop
11 that expertise. It would be very helpful,
12 which is one of the reasons why I asked the
13 President to form its own executive oil spill
14 team, even though there are different
15 departments that work on the issue.

16 I think that the jurisdiction
17 should be streamlined. We mentioned DOT and
18 the Interior. It looks like I'm not saying
19 that because I've added Homeland Security.

20 I frankly believe that's a very
21 important component, because it deals with
22 natural and man-made disasters, and we were out
23 of the loop except for the fact of the Coast
24 Guard.

25 The other issue is industry

1 technology. I think we need to set very high
2 bars, because the industry has the ability, and
3 that's what I think the four majors are now
4 doing with the billion dollars.

5 I frankly believe there should be
6 some interrelatedness between the federal
7 government and the agency as they look at the
8 types of technology that may be needed. We the
9 federal government should be involved in sort
10 of that guidance as to what is needed,
11 particularly as it relates to safety.

12 So I would hope -- we all hope that
13 we're much earlier than November 30th on ending
14 the moratorium, but I hope you leave here from
15 this place viewing this community as a partner
16 with the kind of expertise in technology.

17 And I hope that you will also view
18 the importance of the federal government not
19 being as dependent when it relates to
20 understanding what redundancies are and what
21 kind of technology that we should be using.

22 And I guess I'm advocating for our
23 universities that are in this community and in
24 the nation, that we need to be training more
25 people who have that expertise and are willing

1 to move into the government on their own as a
2 first glance of opportunity and career.

3 So let me just thank you and hope
4 that you go away with the fact that we are
5 truly partners in making this country better
6 and recognizing the value of this community
7 that is here.

8 DIRECTOR MICHAEL BROMWICH:

9 And I'm happy to say I agree with
10 everything you've just said.

11 So thank you very much.

12 That ends our sixth public forum.

13 So thank you very much for attending. We
14 appreciate it.

15 (THEREUPON, THE PUBLIC FORUM WAS
16 CONCLUDED.)

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C E R T I F I C A T E

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