

STATEMENT OF  
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BUREAU OF OCEAN ENERGY MANAGEMENT, REGULATION, AND ENFORCEMENT  
BEFORE THE  
COMMITTEE ON EDUCATION AND LABOR  
UNITED STATES HOUSE OF REPRESENTATIVES  
WORKER HEALTH AND SAFETY FROM THE OIL RIG TO THE SHORELINE  
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Thank you, Chairman Miller, Ranking Member Kline, and Members of the Committee for the opportunity to be here today. I appreciate the opportunity to discuss the Bureau of Ocean Energy Management, Regulation and Enforcement's (BOE) regulatory program on health and safety issues of workers on oil and gas drilling rigs and production platforms on the Outer Continental Shelf (OCS).

The tragedy and massive spill in the Gulf illustrates the need to improve safety on the OCS. To ensure the independence of the OCS inspections and enforcement mission, the Secretary announced the reorganization of the MMS, which will establish the Bureau of Ocean Energy Management and the Bureau of Safety and Environmental Enforcement under the supervision of the Assistant Secretary for Land and Minerals Management; and the Office of Natural Resources Revenue under the supervision of the Assistant Secretary for Policy, Management and Budget. On June 18<sup>th</sup>, 2010, Secretary Salazar issued Secretarial Order number 3302, and renamed the Minerals Management Service the Bureau of Ocean Energy Management, Regulation and Enforcement ("Bureau of Ocean Energy" or "BOE") as it undergoes this reorganization and reform.

Following the tragic and unprecedented explosion of the Deepwater Horizon drilling rig, Secretary Salazar ordered immediate inspections of all deepwater oil and gas drilling operations in the Gulf of Mexico, and directed the MMS to stop issuing all permits to drill new offshore oil and gas wells. The Department along with the U.S. Coast Guard also issued a joint safety alert to all rig operators reminding them of their responsibilities to follow our regulations and to conduct full and thorough tests of their equipment.

At the President's direction, on May 27<sup>th</sup>, the Secretary presented to the President his recommendations for measures to improve offshore drilling safety as part of a 30-day safety review. The purpose of that Safety Report was to evaluate oil and gas safety measures that could be put in place on an interim basis before the on-going investigations of the Deepwater Horizon accident and subsequent BP oil spill disaster have been completed. The report recommended a number of specific measures that can be taken on both a short and longer term basis to improve the safety of offshore oil and gas activities, including enhanced operating standards and requirements for offshore drilling activities. Key recommendations include: certification of all blowout preventers for new floating drilling operations; stronger well control practices, blowout prevention and intervention capabilities; more comprehensive inspections for drilling operations; and expanded safety and training programs for rig workers.

The President ordered the Department to immediately implement a number of actions. Accordingly, the Secretary issued a 6-month moratorium on deepwater drilling (for this purpose, defined as water depths greater than 500 feet) and a suspension of the issuance of permits to drill new deepwater wells. The Department immediately took those actions, and laid the groundwork for additional measures in the future. On June 8, the Department issued a "Notice to Lessees" that provides an initial set of new safety requirements that all offshore operators must meet.

The Department holds paramount the safety of all operations under its jurisdiction in the OCS. With over 35,000 people directly or indirectly involved in the exploration, development, and production of important energy resources for our Nation, BOE strives to ensure that risks to personnel are eliminated or mitigated to the greatest extent possible. This is accomplished through life cycle oversight that is driven by primarily prescriptive regulations.

The BOE derives its authority from the OCS Lands Act that established Federal jurisdiction over submerged lands. Through the Secretary of the Interior, MMS (now the BOE) was designated as the administrative agency responsible for mineral leasing of submerged OCS lands and for supervision of offshore operations after lease issuance. The OCS Lands Act states that the Secretary "... shall require on all new drilling and production operations, and, wherever

practicable, on existing operations, the use of the best and safest technologies which the Secretary determines to be economically feasible...”

Regulations governing offshore operations under BOE jurisdiction are unambiguous when it comes to offshore safety. These regulations also require the use of Best and Safest Technology (BAST) and that operators conduct their business in such a way as to “prevent injury or loss of life”. If operators fail to comply with BOE regulations, they are subject to Incidents of Non-Compliance (INCs), with enforcement actions ranging from a warning to the shut in of an entire production facility. In cases where a violation has created high potential for or resulted in injury to personnel, the responsible party is referred for civil and criminal penalty review. In the last five-year period, MMS issued 12,087 INCs for violations of MMS regulations. In the same time period MMS pursued and closed 154 civil penalty cases that resulted in fines of \$8.5 million. For chronic poor performance, MMS regulations allow for BOE to place an operator on probation or disqualify them from operating on the OCS or acquiring new leases.

The OCS Lands Act delegated certain responsibilities for safety on offshore facilities to the U.S. Coast Guard (USCG). The USCG is responsible for the inspection of personal protective equipment, such as safety belts and harnesses; life vests; respiratory protection; personal flotation devices; deck openings; slipping and tripping hazards; lights and fog horns; guards, rails, and fences; communications equipment; fire extinguishers; emergency drills; means of escape; and lifeboats and escape capsules. Through a regulatory change in 2002, the authority to conduct safety inspections on behalf of the USCG was delegated to MMS. This was done in an effort to optimize the use of government resources and improve safety compliance. Since 2003, the MMS conducted almost 4,000 fixed-platform inspections on behalf of the USCG.

As both MMS and the USCG have been given authority through the OCS Lands Act to ensure worker safety, these two agencies have necessarily had to work together closely where these jurisdictions overlap. In 2004, a Memorandum of Understanding (MOU) was signed by both agencies for the purpose of addressing individual areas of mutual jurisdiction through a series of topic-specific Memoranda of Agreements (MOAs). The MOU provides the basis by which the two agencies clearly articulate lines of authority and address how we can work together most

efficiently. The MOAs are more technical in nature, providing detailed guidance on topics such as civil penalties, incident investigations, and floating offshore facilities. The MOAs provide guidance to regulators for consistent oversight and enforcement action, and provide offshore operators and contractors with clear direction about what is expected of them as lease holders or operators.

The regulations and inspections are designed to eliminate or minimize accidents, but as the Deepwater Horizon incident vividly illustrates, accidents do still occur. When they do, a series of reporting activities are triggered. Reporting requirements for BOE were updated with the publication of a new regulation in 2006. Fatalities, injuries that require the evacuation of the injured person, losses of well control, fires and explosions, and other similar significant events must be reported immediately via oral communication to the BOE District Manager. Beyond whatever immediate action may be necessary to respond to a significant event, a written follow-up report is required within 15 calendar days. Oral presentation of information for events required to be reported is limited to information that can be transferred quickly due to a potentially ongoing emergency. This information includes the date and time of occurrence, name and contact data, lease and block data, the name of the facility involved, and the type of incident and injury or fatality. Written reports, however, require submittal of data that has been verified after the response, and involve discussion of any corrective actions taken and data on monetary damage.

During the five-year period prior to publication of the 2006 rule, MMS received an average of 210 incident reports per year. Following rule publication, incident reports increased by an average of 285 percent, providing the agency with improved reporting mechanisms on the types and severity of accidents that were occurring. The increase in the number of reports reflected an increase in reportable accidents due to changes in the reporting threshold. An analysis of the data indicated increasing trends related to crane and lifting incidents. This in turn has informed how staff conducts offshore inspections and regulatory development. Safety alerts are issued by BOE or jointly with USCG to alert operators of incidents that have occurred and provide recommendations to operators so they can immediately mitigate through improved work process management at their facilities.

The OCS Lands Act requires BOE and USCG to investigate and prepare a public report of each incident that includes fatalities, major fires, spills over 200 barrels, or serious injuries. The BOE and the USCG conduct investigations for many other incidents as well. Since 2005 the MMS has completed 21 major-panel investigations and 378 district investigations. The two agencies coordinate incident investigations through an MOA signed on March 27, 2009. The MOA identifies the responsibilities of both BOE and USCG for incident investigations on the OCS. As detailed in the MOA, these responsibilities are delineated by the type of facility involved in the incident (fixed, floater, MODU) and type of system involved in the incident (i.e. drilling, production, unit stability, fire protection, etc). The MOA identifies which agency has investigative jurisdiction for various types of equipment, processes, and facility systems. It also provides processes for determining who will conduct the investigation and for the coordination and conduct of joint investigations when appropriate.

The BOE conducts an initial onsite investigation for many of the incidents reported. Formal investigations are then conducted for the more serious or significant incidents as determined by the actual and potential outcome of the accidents as well as the complexity of the circumstances associated with the accident. The BOE District investigations are conducted by a team appointed by the District Manager of the office responsible for the area where the incident occurred. Teams are primarily composed of District office personnel, but may involve other BOE or non-BOE personnel. Occasionally, the District Manager may appoint an individual to conduct an investigation, rather than a team.

For more serious accidents, Panel Investigations are conducted by a team appointed by the BOE Regional Director for the region where the incident occurred. A panel leader is designated to direct the work of the team. Teams are primarily composed of Regional and District personnel, but may involve other BOE or non-BOE personnel. Panel investigations are usually conducted when a more in-depth investigation is needed and may involve more comprehensive investigation techniques such as formal hearings. Such is the case with the on-going Deepwater Horizon investigation, in which the BOE and USCG are working together, bringing their respective expertise together in an effort to determine the root cause of the incident.

I would like to reiterate that the BOE places a high priority on the safety and health of workers on the OCS. Again, the tragic and massive oil spill in the Gulf illustrates the need for improved safety in this area. We will continue to cooperate with OSHA and the U.S. Coast Guard to maximize the safety and health protection of oil rig personnel.

Mr. Chairman, this concludes my prepared statement. I would be happy to respond to questions you or Members of the Committee have.