



Oilgram News/OPR Extra

A special edition from the editors of Platts

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(A note to our readers: You may have observed that our publication schedule of this special edition has slipped from its previous daily frequency the last few days. As the Macondo spill disaster winds toward what looks like closure at the wellhead during the next few weeks, expect that the publication frequency will be less than daily. We expect to stop publication of the special edition when the Macondo well is capped).

BP static kill test to begin after repair to ‘small leak’: Allen

■ Injectivity testing on BP’s blown-out Macondo exploration well may be delayed a couple of hours to repair a leak on the vessel assigned to conduct it, but US Incident Commander Thad Allen said August 2 that he still expected the test to begin in the evening. “We are scheduled in the next few hours to begin testing,” said Allen during a press briefing. Engineers must first contend with “a small leak on the Q4000 that may take a couple of hours to repair,” he said. The Q4000 is the Helix multi-purpose vessel BP will use for injecting drilling mud into Macondo in the static kill operation expected to begin August 3 after the testing provides more details about the optimal method to proceed. Allen’s afternoon briefing confirmed the information delivered earlier by BP Senior Vice President Kent Wells during his press briefing to explain the static kill process and outline a schedule for the operation. The retired US Coast Guard admiral also addressed the budding debate over BP’s use of chemical dispersants. His comments came just hours after the US Environmental Protection Agency issued a statement saying that its investigation has shown that Corexit 9500A, the dispersant used by BP, “is generally no more or less toxic than mixtures with the other available alternatives.” The EPA concluded: “The results also indicate that dispersant-oil mixtures are generally no more toxic to the aquatic test species than oil alone.” Asked about the dispersant controversy, Allen told reporters he would take full responsibility for the decisions made on a daily basis as the response team worked to confront the unprecedented crisis. The use of Corexit followed protocols established in the 1990s to give commanders the authority when needed, he said. “By May, it was clear we were using

dispersants on a scale never envisioned,” he said. “So we had to monitor that.” The result was the EPA investigation that produced Monday’s conclusion.

According to schedules outlined by BP July 30 and August 2, the company hopes to deploy the static kill operation August 3 and follow that with interception of the Macondo wellbore between August 11-15 as the first step toward a bottom kill by a relief well by the end of the month. Wells has warned that the company might need all of August to complete the bottom-kill operation. Static kill would pump drilling mud into the well from the top through Macondo’s malfunctioning blowout preventer (BOP) on the sea floor, while the relief well is designed to intercept and kill the well 13,000 feet below the sea floor at the reservoir. The runaway well leaked oil at an estimated rate of 35,000 to 60,000 b/d from the April 20 blowout until July 15, when BP successfully installed a sealing cap above the BOP in 4,993 feet of water. Besides working to stem the flow on the sea floor, BP, in conjunction with Coast Guard oversight, has also worked to contain the spill that has reached parts of the Gulf Coast from Florida to Louisiana with a combination of dispersants, skimming and burning.

Energy bill votes

■ The US Senate could hold procedural votes August 4 on two competing Democratic and Republican spill-related energy bills, Senate Majority Leader Harry Reid said August 2. “We are working...to have cloture votes on motions to proceed,” a spokeswoman for Reid, a Nevada Democrat, said. “We could have these votes Wednesday.” A cloture vote is a procedural vote to end a filibuster and if

the motion is rejected the Senate usually abandons efforts to proceed with consideration of a bill, at least temporarily. Even if the Senate agrees to take up the legislation, it is unlikely it could actually do so before the Senate adjourns for the August recess at the end of this week. Reid has left open the possibility that the Democratic energy bill could be taken up in September or after the November election in a lame-duck session. The likelihood of passage in either case is problematic given the partisanship that has characterized the issue, which would only be exacerbated by a lame-duck session. The House late July 30 passed its version of the energy legislation, with the measure lifting the liability cap on an oil spill and providing companies a way to seek relief from the federal six-month deepwater drilling ban. In the Senate posturing, the two sides already are firing brickbats at each other. “Under Senator Reid’s energy package, oil companies—including BP—will have to reimburse fishermen, families, businesses and workers harmed by their actions,” Senator Barbara Boxer, Democrat-California, said in a statement July 29. A major point of contention between Democrats and Republicans is the oil spill liability provision in the bills. Democrats would eliminate the existing \$75 million cap for economic damages caused by a spill. Republicans contend that lifting the cap would force small and medium-sized companies to quit offshore operations, leaving the field only to majors and national oil companies. Republicans are proposing to allow the president to determine a liability cap on a case-by-case basis, using a variety of criteria including the depth of the well and the safety record of the company. They also want any spill bill to end the current drilling moratorium



on deepwater operations in the Gulf of Mexico after safety concerns are met by individual drillers. The Democratic bill not only faces opposition from Republicans but also from within the party. Senator Mary Landrieu, Democrat-Louisiana, has said she will not support any energy bill unless it contains a provision for a dedicated revenue stream for the Gulf States to deal with coastal restoration. Landrieu also has proposed a compromise liability proposal that an aide said she has shared on a staff level with Reid's office and other key Democrats. Landrieu would eliminate liability caps on companies but create a mutual insurance system for offshore operators. "That preserves the ability of smaller operators to operate offshore while ensuring that taxpayers never have to pick up the tab for an oil spill from an offshore drilling facility," the aide said. Under the plan, companies purchasing leases on the Outer Continental Shelf would enter into an insurance fund. Companies would pay into the fund based on the amount of oil and gas they produce from the OCS and the amount they pay in bonus bids for each lease. Companies responsible for economic damages in a spill would be held liable for \$250 million. If costs exceed that amount, the fund would cover the next \$10 billion. If costs exceed \$10.25 billion, the responsible company would pay the rest of the costs, with no limit to its liability.

EPA mostly supported oil spill waivers

■ The US Environmental Protection Agency largely supported the spraying of chemical dispersants to break up oil in the Gulf of Mexico from BP's runaway Macondo well, a top government scientist said August 2, as debate raged about government oversight of their use. "While it may be true that EPA may not have concurred on every decision or waiver of the amounts of dispersants being used – that is a decision of the federal on-scene coordinator – we do believe that overall the use of dispersants was one important tool in the overall response to this tragic oil spill," Paul Anastas, EPA assistant administrator for research and development, said during a press conference available via telephone. An EPA spokesman said the agency was not at first directly involved in granting the waivers to BP. "Initially, EPA was not involved in day-to-day decisions about granting such waivers, and EPA staff were notified after waivers were granted," spokesman Brendan Gilfillan said in a statement. "That process changed following a meeting in late June between Administrator [Lisa P.] Jackson

and representatives from the Coast Guard, after which EPA became more involved in the day-to-day decisions on waivers." On July 30, US Representative Edward Markey, Democrat-Massachusetts, revealed that congressional investigators found that BP routinely asked and was approved for waivers to a federal limit on the use of chemical dispersants to cut through the plumes of oil in the Gulf. Congressional investigators working for Markey, chairman of the House Energy and Commerce's subcommittee on energy and environment, last week uncovered 74 waivers for daily applications granted by the Coast Guard, allowing BP to exceed federal limits on dispersant use. BP also frequently under-reported the amount of dispersants being used each day, according to the investigators. In some cases, Markey wrote in a July 30 letter to National Incident Commander Thad Allen, BP applied between two and three times as much dispersant as sought under the waivers. While EPA scientists found the dispersants, when applied alone, had little impact on marine wildlife in testing completed more than a month ago, when combined with oil, they were roughly as toxic as the oil itself, according to EPA's second round of test results released August 2. But because the dispersants increase the speed at which oil degrades in the water, that ultimately makes the chemicals' use a benefit in cleaning up the Gulf, EPA said. BP did not immediately respond to a request for comment. Senator Bill Nelson, a Florida Democrat, meanwhile, announced a proposal to make it harder for dispersants to be used in future oil spills. The combination of oil and dispersants creates a "toxic brew," Nelson told members of the Florida press corps, in an August 2 press conference, according to reports by local media. Members of the Senate Environment and Public Works Committee plan to hear about the use of dispersants Wednesday, with testimony from chemical experts including Anastas.

BP deepwater drill plans in Libya, UK

■ BP is continuing with preparations for new deepwater drilling offshore Libya and the UK despite calls from the EU and Italy to postpone such activities in light of the Macondo blowout and spill, the company said August 2. BP said it had no plans to alter its drilling plans and would only respond to legislation from national governments regarding a possible moratorium on new deepwater drilling. "It is up to individual governments to make decisions" on whether to allow drilling in their

deepwater, a BP spokesman said. He said BP was still carrying out its preparations for drilling a deepwater well offshore Libya in the Mediterranean despite calls from the Italian government August 2 for a drilling moratorium in the sea following the Macondo spill. Italian Environment Minister Stefania Prestigiacomo told the UK's Financial Times the Mediterranean's 21 littoral states should find a "common voice" and implement a drilling moratorium. "A moratorium could be a right approach for potentially dangerous drilling...to give Europe time to define a new and specific strategy for the Mediterranean especially in light of the risk exposed by the Deepwater Horizon spill," Prestigiacomo said. The BP spokesman, when asked if the company continued with its preparations to drill offshore Libya, said: "Yes, that's right." The spokesman stressed, however, that BP has yet to decide on when to begin drilling the well. "We've given no specific timings on this well, that still needs to be decided. No final decision has been made," he said. BP signed an exploration and production deal with Libya's National Oil Corp. in May 2007 worth at least \$900 million for the onshore Ghadames and offshore Gulf of Sirte areas. The Sirte offshore exploration well would be the first to be drilled under the agreement. Italy was the first European country to propose limits on offshore drilling following the Macondo spill. At the start of July, Rome approved new legislation to ban offshore drilling within five miles of its coastline and 12 miles around the perimeter of protected marine parks. Prestigiacomo said at the time the country's Council of Ministers had adopted the decree to protect the Italian environment in the wake of the Macondo spill. Another BP spokesman said August 2 the company was still planning to drill a deepwater well on the North Uist prospect off the coast of the UK, West of the Shetland Islands. At a depth of around 1,290 meters (4,230 feet) the well would be one of the deepest offshore the UK, where the water depth is generally "much shallower" than in areas like the deepwater Gulf of Mexico, the spokesman said. The BP spokesman said there was no definite time set yet for the start of drilling, which would depend on factors including the weather and rig availability, adding that it was up to the UK government to rule on the issue if it thought the well should not go ahead on environmental grounds. BP's Canadian partner at the block, Nexen, said earlier this year the first drill at North Uist was expected in the second half of this year.