

Administration lifts 6-month oil drilling freeze

Matthew Daly, Associated Press, 10-12-10

WASHINGTON – The Obama administration, under heavy pressure from the oil industry and others in the Gulf Coast, on Tuesday lifted the moratorium on deep water drilling that it imposed in the wake of the disastrous BP oil spill.

The six-month ban had been scheduled to expire Nov. 30, but Interior Secretary Ken Salazar said he was moving up that deadline because new rules imposed after the spill have strengthened safety measures and reduced the risk of another catastrophic blowout.

"The policy position that we are articulating today is that we are open for business," Salazar told a news conference.

The action comes as a federal judge weighed a drilling company's bid to overturn the moratorium.

It also comes less than a month before midterm elections in which Democrats face widespread criticism for overextending government actions on the economy, including the health care overhaul, the economic stimulus plan and the drilling moratorium.

A federal report said the moratorium likely caused a temporary loss of 8,000 to 12,000 jobs in the Gulf region.

While the temporary ban on exploratory oil and gas drilling is lifted immediately, drilling is unlikely to resume for at least a few weeks.

Drilling companies must meet a host of new safety regulations before they can resume operations — including a requirement that the CEO of the company responsible for the well certifies it has complied with all regulations. That could make the person at the top of the company liable for any future accidents.

"Operators who play by the rules and clear the higher bar can be allowed to resume," Salazar said.

The secretary said he knows that some people in the oil industry and along the Gulf Coast will say the new rules are too onerous. "Others will say that we are lifting the deep water drilling suspension too soon. They will say there are still risks involved with deep water drilling," he said.

The truth is, there will always be such risks, Salazar said. "As we transition to a clean energy economy," he added, "we will still need oil and gas from the Gulf of Mexico to power our homes, our cars, our industry."

The new rules imposed by the administration will make oil and gas drilling in the Gulf "safer than it has ever been," Salazar said.

Rep. Charlie Melancon, D-La., called the end of the drilling ban great news for Louisiana's economy and workers.

Louisiana Sen. Mary Landrieu, a Democrat, has blocked a Senate vote to confirm President Barack Obama's choice of Jacob Lew to head the Office of Management and Budget to protest the moratorium. She applauded the decision to lift the ban but said she would not release her hold on Lew.

"Today's decision is a good start, but it must be accompanied by an action plan to get the entire industry in the Gulf of Mexico back to work," Landrieu said, calling on the administration to accelerate permit approvals for drilling in shallow and deep water and provide greater certainty about regulations industry must meet.

Salazar emphasized that the move would include new requirements for those seeking to drill exploratory wells. Those entities and the companies they represent will have to prove they have the appropriate steps in place to contain a worst-case scenario.

The new rules include many recommendations made in a report Salazar released in May, including requirements that rigs certify that they have working blowout preventers and standards for cementing wells. The cement process and blowout preventer both failed to work as expected in the BP spill.

The April 20 spill, which was triggered by an explosion that killed 11 people, dumped an estimated 200 million gallons of oil in the Gulf. BP killed the well last month and expects to eventually pay at least \$32 billion to handle the cleanup and damage claims.

Under the new rules, a professional engineer must independently inspect and certify each stage of the drilling process. Blowout preventers — the emergency cutoff equipment designed to contain a major spill — must be independently certified and capable of severing the drill pipe under severe pressure.

Companies also will be required to develop comprehensive plans to manage risks and improve workplace safety.

Todd Hornbeck, CEO of Covington, La.-based Hornbeck Offshore Services, said lifting the moratorium would leave the industry in a "de facto moratorium stage" until the government fully explains how new drilling permits will be issued.

"We're still in the dark," said Hornbeck, who heads up one of the companies that sued to block Interior's initial moratorium. His company provides vessels and other services for the offshore industry.

"The devil is in the details, as they say, and the industry hasn't seen the final requirements for what we would have to do to be able to actually get a permit issued," he added. "Until that is done, lifting the moratorium may be just a moot or perfunctory act. ... Right now, I'm skeptical that it will be anytime soon that permits will be issued even if the moratorium is lifted."

Billy Nungesser, president of the Plaquemines, La., parish and outspoken critic of the moratorium, said lifting the ban "would be great news. At a time when the future is still uncertain on how quickly the fishing and shrimping and all will come back, we could use some good news."

EnSCO Offshore, which owns and operates offshore drilling rigs, asked a federal judge last month to overturn the moratorium. U.S. District Judge Martin Feldman set a Tuesday deadline for legal briefs in the case, but has not said when he would rule.