

# Regulators, Oil Firms Still in Uneasy Alliance

Siobhan Hughes, Wall Street Journal, 9-23-10

WASHINGTON—Oil-industry executives and Obama administration officials debated Wednesday how best to avoid a repeat of the Gulf of Mexico oil spill, circling an issue that's uncomfortable for both sides: The industry and government need each other.

"We need to understand this is always going to be a collaboration," said Coast Guard Adm. Thad Allen, who led the federal response to the spill from BP PLC's Macondo well. "Industry needs to be there—they have the technology."

Federal oil-industry regulators have come under fire in the aftermath of the deadly April 20 Deepwater Horizon rig explosion, which killed 11 workers and set off the worst offshore oil spill in U.S. history, for deferring too often to the industry's wishes, and for relying too heavily on the industry for information on technology critical to preventing or cleaning up deep-water oil spills.

Michael Bromwich, the director of the Interior Department's offshore-drilling oversight agency, has said that must change. But Mr. Bromwich has also said that his agency lacked the expertise to effectively monitor increasingly complex offshore drilling operations.

The government has long relied on the industry to provide the technology and materiel to contain spills, and that reliance will continue.

"Just as the U.S. industry respects the role that government plays in oil-spill response, so too government should encourage and support the strengths of the industry and utilize our unique capability in incident prevention and response," said Exxon Mobil Corp. Chief Executive Officer Rex Tillerson.

Exxon Mobil, Chevron Corp., Royal Dutch Shell PLC and ConocoPhillips announced in July that they were forming a joint venture to design, build and operate a rapid-response system to capture and contain up to 100,000 barrels of oil a day flowing 10,000 feet below the surface of the sea. The companies' plan is to create a strike force to stanch oil spills in the deep waters of the Gulf of Mexico in a bid to regain the confidence of the White House.

Administration officials who led Wednesday's meeting at the Interior Department didn't say specifically what it would take to bring an early end to a moratorium on new deep-water wells, which is scheduled to expire Nov. 30. But they indicated that the industry had more work to do to reassure regulators.

"The oil and gas industry's inadequate preparedness is one of the reasons the current deep-water drilling pause is so important," said Interior Secretary Ken Salazar. Mr. Salazar is expected to receive a report by the end of the month from Mr. Bromwich on whether the government should lift the moratorium early, and under what circumstances.

Mr. Bromwich didn't indicate what his report would say and left the meeting without taking questions from reporters.

Energy Secretary Steven Chu said some "simple retrofits" of deep-water-drilling equipment could help.

Citing BP's own report of what caused the April 20 oil-well blowout, Mr. Chu said rig workers had misread signs that the cement in the well had problems because two tests "were in direct contradiction to one another." The rig equipment should have indicators that can warn workers when valves or critical lines aren't working properly, he said.

Exxon Mobil's Mr. Tillerson said spills such as the BP Macondo disaster were preventable.

"When you properly design the wells for the range of risks anticipated; when you follow steps and procedures, when you build in and follow whatever redundancy; when you properly inspect and maintain equipment; when you properly train operators; when you conduct testing drills; when you focus on safe operations and risk management—tragic accidents like this that occurred in the Gulf of Mexico simply do not occur," he said.

Mr. Tillerson said that the use of chemical dispersants to break down oil spills was pivotal. BP put into the ocean 1.8 million gallons of dispersant, including taking a novel approach of applying the chemicals underwater, in an effort to break up oil and prevent it from reaching shore.

"History will show that one of the most significant learnings from the Macondo incident was the comprehensive and effective use of dispersants," Mr. Tillerson said. Environmentalists have called for more studies on the effect of such a large amount of chemical dispersants on fish and other wildlife.

None of the speakers explicitly called for a lifting of the moratorium, but Mr. Tillerson pointed out the Gulf's significance to the nation's economy. Gulf of Mexico offshore oil production accounts for 30% of total U.S. crude oil production, according to the Energy Information Administration.