

White House Probe Blames BP, Industry in Gulf Blast

Stephen Power and Ben Casselman, Wall Street Journal, 1-6-11

The explosion that triggered last year's Gulf of Mexico oil spill was an avoidable disaster that resulted from management failures by BP PLC and its contractors, a presidential commission has concluded. But the accident also reflected systemic failures by oil companies and regulators to deal with the risks of deep-water exploration, the panel said.

A report by the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling castigates BP and two of the British oil giant's contractors—Transocean Ltd. and Halliburton Co.—for missteps that contributed to the worst offshore oil spill in U.S. history and the deaths of 11 rig workers.

The problems go far beyond BP, however, the report concludes—disputing oil-industry arguments that the April 20 explosion on the Deepwater Horizon rig was a one-time event caused by unusual and risky decisions by the oil company.

A presidential commission investigating the Gulf of Mexico oil spill has concluded that "systemic failures" and avoidable missteps contributed to the disaster. WSJ's Stephen Power discusses the implications for the oil industry in an interview with Kelsey Hubbard.

The panel said all three companies did a poor job of assessing the risks associated with their decisions and failed to adequately communicate, either with one another or with their own employees. Federal regulators lacked training and manpower to properly police the industry, the report finds.

The blowout "was not the product of a series of aberrational decisions made by rogue industry or government officials that could not have been anticipated or expected to occur again," according to a chapter of the report released Wednesday. "Rather, the root causes are systemic and, absent significant reform in both industry practices and government policies, might well recur."

The commission plans to issue the full report next week.

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That conclusion could give regulators more ammunition to pursue tougher safety rules. At the same time, such efforts may be muted by pressure from lawmakers in both parties to allow deep-water drilling to resume.

BP said the excerpt released Wednesday, like the company's own internal investigation, concluded the accident "was the result of multiple causes, involving multiple companies."

BP added that it was working to ensure that lessons learned led to improvements in deep-water drilling, and that it had already made changes to strengthen safety and risk management.

A Transocean spokesman said procedures at the well in the final hours were directed by BP and approved by regulators. "Based on the limited information made available to them, the Transocean crew took appropriate actions to gain control of the well," he said.

Halliburton, which handled a cement seal on the well, said cement jobs "can go wrong even under optimal conditions." The company added that its cement mixture was designed to BP's specifications and passed its final laboratory test.

President Barack Obama, in setting up the seven-member panel last summer, said he wanted it to recommend safety and environmental precautions the government should take to prevent mishaps. Several other government entities, including the Justice Department, are conducting their own investigations.

A U.S. Department of Interior spokeswoman said the Obama administration had announced a slew of new safety regulations since the accident, including requirements that drilling projects meet new standards for well design, casing and cementing, and be independently certified by a professional engineer.

But the economic and political environment has changed since the summer, when images of oil fouling Gulf beaches provoked outrage toward BP and rekindled worries about the safety of offshore oil drilling.

Since then, U.S. gasoline prices have risen to an average of more than \$3 a gallon, unusually high for winter. Republicans, who are generally more supportive of the oil industry and domestic exploration, have regained control of one chamber of Congress.

The report is likely to turn attention back to BP after several months in which the oil giant sought to turn the spotlight on its contractors.

In September, BP issued its own internal investigation into the disaster, which concluded that although its workers bore partial responsibility for misinterpreting a key pressure test, most of the blame for the disaster lay with its contractors. In particular, BP blamed a bad cementing job by Halliburton and the failure of Transocean workers to detect and react to signs that explosive natural gas was entering the well.

The commission's report criticizes all three companies, but focuses most heavily on BP, which owned the well and oversaw drilling operations.

The report identifies nine decisions that increased risk while potentially saving time, and said BP was responsible for at least seven of them. The report doesn't accuse BP of actively choosing cost savings over safety, but says the company failed to put in place procedures to ensure that efforts to curb costs didn't compromise safety.

The report slams BP for making repeated alterations to the well design and procedure and says the company didn't "adequately identify or address risks" created by the changes. Among the changes: delaying setting a final plug in the well, which might have stopped gas from reaching the rig.

The report also criticizes BP for its "long-string" well design, which the commission says made it difficult to get a good cement seal at the bottom of the well. BP's internal report dismissed criticisms of the design as irrelevant.

The report does echo BP's criticism of Halliburton, however, arguing that the cement seal that should have prevented gas from entering the well failed. The commission chides Halliburton over what it says was the company's failure to immediately review the cement used at the well and to alert BP after tests indicated the mixture was unstable. Halliburton has previously said a final test showed the cement would work.

The panel also criticizes Transocean for failing to detect signs of trouble and for not adequately communicating to its crew lessons learned from "an eerily similar" near-mishap on one of its rigs in the North Sea four months before the Gulf blowout.

"Given the documented failings of both Transocean and Halliburton, both of which serve the offshore industry in virtually every ocean, I reluctantly conclude we have a system-wide problem," commission co-chairman William K. Reilly said in a statement Wednesday.