

ONE HUNDRED ELEVENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
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MEMORANDUM

July 16, 2010

To: Subcommittee on Energy and Environment and the Subcommittee on Oversight and Investigations Members and Staff

Fr: Committee on Energy and Commerce Staff

Re: Hearing on “The Role of the Interior Department in the Deepwater Horizon Disaster”

On Tuesday, July 20, 2010, at 10:00 a.m. in room 2123 of the Rayburn House Office Building, the Subcommittee on Oversight and Investigations and the Subcommittee on Energy and Environment will hold a joint hearing entitled “The Role of the Interior Department in the Deepwater Horizon Disaster.” This hearing will examine the Interior Department’s actions before and since the Deepwater Horizon explosion on April 20, 2010.

I. BACKGROUND

On April 20, 2010, the Deepwater Horizon, an oil rig contracted by BP to drill a deepwater well in the Gulf of Mexico, exploded. Eleven people died and 15 were injured. After a second explosion on April 22, 2010, the Deepwater Horizon sank, breaking the riser pipe running from the rig to the seafloor where it had been attached to the well’s blowout preventer (BOP). On April 24, 2010, remotely operated vehicles (ROVs) confirmed that oil was spewing from the site into the Gulf of Mexico.

After repeated efforts failed to activate the BOP at the wellhead and shut off the well, BP made various attempts to stem the flow of oil from the well site. In May, the company began drilling two relief wells to intersect the original well and plug it; it is estimated that these relief wells may be completed by mid-August.¹ BP’s interim measures have failed to stop the leak:

¹ *BP Oil Spill: Relief Well is Ahead of Schedule, Close to Target*, Christian Science Monitor (July 7, 2010) (online at www.csmonitor.com/Environment/2010/0707/BP-oil-spill-Relief-well-is-ahead-of-schedule-close-to-target).

- A containment dome, placed over the flow on May 7, 2010, became clogged with frozen gas and water;
- In late May, the “top kill” and “junk shot” procedures, in which liquid and objects were pumped into the well to clog it, did not stem the leak;
- Another cap, placed on June 3, 2010, began gathering a small fraction of the oil.

Preliminary tests yesterday of a new containment cap lowered on July 10, 2010, suggest that the new cap may have stopped the leak for the first time since April.

The Flow Rate Technical Group, a collection of scientists convened by U.S. Coast Guard Commandant Admiral Thad Allen, has estimated that oil is flowing into the Gulf at a rate of 35,000 to 60,000 barrels a day.² Under the top official estimate for leakage rates, this amounts to over 3 million barrels, of which approximately 750,000 has been collected.

President Obama has called the oil spill in the Gulf the “worst environmental disaster America has ever faced.” To date, response and recovery operations have cost an estimated \$3.5 billion,³ and the federal government has billed BP \$222 million.⁴ BP is strictly liable for cleanup costs. In June, BP committed \$20 billion to a fund that will be independently administered to pay damage claims resulting from the blowout.

II. COMMITTEE INVESTIGATION

The Oversight and Investigations Subcommittee has held three hearings on the Deepwater Horizon incident. On May 12, 2010, the subcommittee examined the causes of the explosion, hearing testimony from officials from the major companies involved: BP, which leased the rig; Transocean, which owned the rig; Halliburton, which performed the cement work on the well; and Cameron, which manufactured the BOP used at the wellhead. The subcommittee learned about the local impact of the spill at a field hearing in Chalmette, Louisiana on June 2, 2010. BP CEO Tony Hayward testified before the subcommittee at a hearing on June 17, 2010, where he was asked about decisions made on the rig that appeared to compromise safety in order to cut costs.

The Energy and Environment Subcommittee has held four hearings related to the oil spill. On May 27, 2010, the subcommittee examined the ongoing response to the spill, hearing testimony from representatives from EPA, NOAA, the Interior Department, the Army, and the

² Department of the Interior, *U.S. Scientific Team Draws on New Data, Multiple Scientific Methodologies to Reach Updated Estimate of Oil Flows from BP’s Well* (June 15, 2010) (online at www.doi.gov/news/pressreleases/Flow-Rate-Team-Updates-Estimate-of-Oil-Flowing-from-BP-Well.cfm).

³ *BP Says Oil Spill Costs Climb to \$3.5 Billion*, Associated Press (July 12, 2010).

⁴ Deepwater Horizon Incident Joint Information Center, *Administration Sends Fourth Bill to BP* (July 13, 2010) (online at www.deepwaterhorizonresponse.com/go/doc/2931/778879/).

Coast Guard. It studied some of the spill's potential impacts on people and the environment at a June 10, 2010 hearing. On June 15, 2010, heads of five major oil companies – BP, Chevron, ConocoPhillips, ExxonMobil, and Shell – responded to questions about the safety of deepwater drilling and their preparedness for a spill. The subcommittee held a legislative hearing on June 30, 2010, to discuss a draft of the “Blowout Preventer Act of 2010,” which provides solutions to some of the problems revealed by the Deepwater Horizon incident.

III. DEPARTMENT OF THE INTERIOR

Following the explosion of the Deepwater Horizon, the Interior Department has taken action to learn about what went wrong on the rig. A few weeks after the accident, the Minerals Management Service (MMS) and the Coast Guard launched a joint investigation to determine the cause of the Deepwater Horizon incident and to make safety recommendations.⁵ The joint investigation's third round of hearings commences on July 19, 2010.

In addition, addressing concerns that MMS' duties to collect royalties, ensure safety, and conduct oversight were in conflict with one another, Secretary Salazar issued a Secretarial Order on May 19, 2010, dividing MMS into three new and separate organizations – the Bureau of Ocean Energy Management, the Bureau of Safety and Environmental Enforcement, and the Office of Natural Resources Revenue.⁶ On July 14, 2010, the Interior Department issued a report on implementation of the Secretary's Order.

The Interior Department has taken several steps to ensure that offshore drilling is safer in the future. Shortly after the explosion, MMS and the Coast Guard issued safety recommendations to operators and drilling contractors, directing them to examine well control equipment, drilling and casing practices, lifesaving, firefighting, and other emergency equipment, and to ensure that personnel are properly trained.⁷ In response to a directive from President Obama, Secretary Salazar issued a 30-day safety report outlining measures to promote safety in drilling in the Outer Continental Shelf.⁸ His recommendations included new safety measures regarding BOPs, well control, and personnel. In addition, the report announced a temporary six-month moratorium on new wells being drilled with floating rigs. MMS directed lessees and operators to implement the safety measures outlined in the Secretary's report through

⁵ Deepwater Horizon Joint Investigation, (online at www.deepwaterinvestigation.com/go/site/3043/)

⁶ Department of the Interior, Order No. 3299, *Establishment of the Bureau of Ocean Energy Management, the Bureau of Safety and Environmental Enforcement, and the Office of Natural Resources Revenue* (May 19, 2010) (online at www.doi.gov/deepwaterhorizon/loader.cfm?csModule=security/getfile&PageID=32475).

⁷ MMS/USCG Joint Safety Alerts No. 2 (Apr. 30, 2010) (online at www.mms.gov/safetyalerts/joint_2.htm).

⁸ Department of the Interior, *Increased Safety Measures for Energy Development on the Outer Continental Shelf* (May 27, 2010) (online at www.doi.gov/deepwaterhorizon/loader.cfm?csModule=security/getfile&PageID=33598).

a Notice to Lessees (NTL).⁹ In another new NTL, Secretary Salazar reversed a 2003 decision by the Interior Department that had exempted many lessees from submitting a blowout scenario.¹⁰

Secretary Salazar's initial moratorium was halted by the 5th Circuit Court of Appeals. On July 12, 2010, Secretary Salazar issued a new suspension of deepwater drilling on wells that use a subsea or surface BOP on a floating facility in the Outer Continental Shelf.¹¹ This new "temporary pause" is narrower than the first, focusing on drilling configurations and technologies rather than drilling depth. In his memorandum announcing the decision, Secretary Salazar weighs the economic impact of the suspension, but states that the temporary suspension is necessary because of the serious threat presented by continued drilling.

IV. WITNESSES

The following witnesses have been invited to testify:

The Honorable Gale Norton
Secretary of the Interior, 2001-2006

The Honorable Dirk Kempthorne
Secretary of the Interior, 2006-2009

The Honorable Ken Salazar
Secretary of the Interior

⁹ Minerals Management Service, NTL No. 2010-N05, *Increased Safety Measures for Energy Development in the OCS* (June 8, 2010) (online at www.doi.gov/deepwaterhorizon/loader.cfm?csModule=security/getfile&PageID=34536).

¹⁰ Minerals Management Service, NTL No. 2010-N06, *Information Requirements for Exploration Plans, Development and Production Plans, and Development Operations Coordination Documents in the OCS* (June 18, 2010) (online at www.doi.gov/deepwaterhorizon/loader.cfm?csModule=security/getfile&PageID=35724).

¹¹ Department of the Interior, Decision Memorandum Regarding the Suspension of Certain Offshore Permitting and Drilling Activities on the Outer Continental Shelf (July 12, 2010) (online at www.doi.gov/deepwaterhorizon/loader.cfm?csModule=security/getfile&PageID=38375).