United States House of Representatives
Committee on Natural Resources
Lamar McKay
Chairman & President, BP America
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Chairman Rahall, Ranking Member Hastings, members of the committee, I am Lamar McKay, Chairman and President of BP America.

We have all experienced a tragic series of events.

I want to be clear from the outset that we will not rest until the well is under control. As a responsible party under the Oil Pollution Act of 1990, we will carry out our responsibilities to mitigate the environmental and economic impacts of this incident.

We ─ and, indeed, the entire energy sector ─ are determined to understand what happened, why it happened, take the learnings from this incident, and make the changes necessary to make our company and our industry stronger and safer. We understand that the world is watching and that we will be judged by how we respond to these events.

Five weeks ago, eleven people were lost in an explosion and fire aboard the Transocean Deepwater Horizon drilling rig, and seventeen others were injured. My deepest sympathies go out to the families and friends who have suffered such a terrible loss and to those in Gulf Coast communities whose lives and livelihoods are being impacted.

This was a horrendous accident. We are all devastated by this. It has profoundly touched our employees, their families, our partners, customers, those in the surrounding areas and those in government with whom we are working. There has been tremendous shock that such an accident could have happened, and great sorrow for the lives lost and the injuries sustained. The safety of our employees and our contractors and the protection of the environment are always our first priorities.

Even as we absorb the human dimensions of this tragedy, I want to underscore our intense determination to do everything humanly possible to minimize the environmental and economic impacts of the resulting oil spill on the Gulf Coast.

1 The data described throughout this testimony is accurate to the best of my knowledge as of 8pm, Tuesday, May 25, 2010, when this testimony was prepared. The information that we have continues to develop as our response to the incident continues.

From the outset, the global resources of BP have been engaged. Nothing is being spared. We are fully committed to the response. And from the beginning, we have never been alone. On the night of the accident, the Coast Guard helped rescue the 115 survivors from the rig. The list of casualties could easily have been longer without the professionalism and dedication of the Coast Guard.

Even before the Transocean Deepwater Horizon sank on the morning of April 22, a Unified Command structure was established. Currently led by the National Incident Commander, Admiral Thad Allen, the Unified Command provides a structure for BP's work with the Coast Guard, the Minerals Management Service and Transocean, among others.

Immediately following the explosion, in coordination with the Coast Guard and in accordance with our spill response plan, BP began mobilizing oil spill response resources including skimmers, storage barges, tugs, aircraft, dispersant, and open-water and near-shore boom.

Working together with federal and state governments under the umbrella of the Unified Command, BP's team of operational and technical experts is coordinating with many agencies, organizations and companies. These include the Departments of Interior, Homeland Security, Energy, and Defense, the National Oceanic and Atmospheric Administration (NOAA), US Fish & Wildlife Service (USFW), National Marine Fisheries Service (NMFS), EPA, OSHA, Gulf Coast state environmental and wildlife agencies, the Marine Spill Response Corporation (an oil spill response consortium), as well as numerous state, city, parish and county agencies.

"BP has been relentless and we've been relentless in our oversight because we all understand the stakes here," said Adm. Allen on May 14. "This has never been done before. This is an anomalous, unprecedented event."

The industry as a whole has responded in full support. Among the resources that have been made available:

- Drilling and technical experts who are helping determine solutions to stopping the spill and mitigating its impact, including specialists in the areas of subsea wells, environmental science and emergency response;

- Technical advice on blowout preventers, dispersant application, well construction and containment options;

- Additional facilities to serve as staging areas for equipment and responders, more remotely operated vehicles (ROVs) for deep underwater work, barges,

support vessels and additional aircraft, as well as training and working space for the Unified Command.

The actions we're taking

As Chairman and President of BP America, I am part of an executive team that reports directly to our Global CEO, Tony Hayward. I am BP's lead representative in the US and am responsible for broad oversight and connectivity across all our US-based businesses.

BP itself has committed tremendous global resources to the effort. Including BP, industry and government resources – nearly 17,000 personnel are now engaged in the response, in addition to thousands volunteers.

Indeed, we have received many offers of help and assistance, and we are grateful for them. The outpouring of support from government, industry, businesses and private citizens has truly been humbling and inspiring. It is remarkable to watch people come together in crisis.

Our efforts are focused on two overarching goals:

- Stopping the flow of oil; and

- Minimizing the environmental and economic impacts from the oil spill.

Subsea efforts to secure the well

Our first priority is to stop the flow of oil and secure the well. In order to do that, we are using multiple deepwater drilling units, numerous support vessels and Remotely Operated Vehicles (ROVs) working on several concurrent strategies:

- **"Top kill:"** Our primary focus over the last week has been on what is known in the industry as a "top kill." It is a technique for capping wells which has been used worldwide, though never in 5,000 feet of water. The technique, if utilized, will inject heavy drilling mud into the blowout preventer (BOP) and well bore in an attempt to kill the well. The well would then be capped with cement.

  It cannot be predicted how long it will take for the operation to prove successful or otherwise. BP will report on the progress of the operation as and when appropriate.

If necessary, we are also preparing a “junk shot” technique to clog the BOP and stop the flow. This involves the injection of fibrous bridging material into the BOP followed by drilling mud to kill the well.

- **Lower Marine Riser Package (LMRP) Cap:** In parallel with the top kill is development of a lower marine riser package cap containment option. This would first involve removing the damaged riser from the top of the BOP, leaving a cleanly-cut pipe at the top of the BOP’s LMRP.

  The LMRP cap, an engineered containment device with a sealing grommet, would be connected to a riser from the Discoverer Enterprise drillship and then placed over the LMRP with the intention of capturing most of the oil and gas flowing from the well and transporting it to the drillship on the surface.

  The LMRP cap is already on site and it is anticipated that this option will be available for deployment should it be necessary.

- **Riser Insertion Tube:** Nearly two weeks ago, we successfully inserted a tapered riser tube into the end of the existing, damaged riser and drill pipe, which is a primary source of the leak. Gas and oil is now moving up the riser tube to the Enterprise drillship on the surface, where it is being separated and flared. The oil will eventually be transferred to another vessel or vessels for transportation to one of three different locations on land for treatment.

  We are continuing to optimize the flow from the damaged riser up to the drillship. This remains a new technology, however, and both its continued operation and its effectiveness in capturing the oil and gas remain uncertain.

- **Containment Recovery System:** Initial efforts to place a large containment dome over the main leak point were suspended as a build-up of hydrates, essentially ice-like crystals, prevented a successful placement of the dome over the spill area. The dome is sitting on the ocean bottom 200 meters from the leak while we continue to evaluate the impact of the hydrates.

  A second, smaller containment dome, measuring four feet in diameter and five feet high, called a “top hat,” is being readied to lower over the main leak point, if needed. The small dome would be connected by drill pipe and riser lines to a drill ship on the surface to collect and treat the oil and is designed to mitigate the formation of large volumes of hydrates. It is important to note once again, however, that this technology has never been used at this depth, and significant technical and operational challenges must be overcome.

- **”Hot tap:”** This is another containment option on the seabed. This would involve tapping into the riser near the well head and funneling off oil and gas.

- **Dispersant injection at the sea floor**: We are continuing to work closely with the Environmental Protection Agency (EPA) on the subsea application of dispersant. Working through the Unified Command, ROVs are currently injecting approximately 14,000 gallons of dispersant at the sea floor per day. Dispersant acts by separating the oil into small droplets that can break down more easily through natural processes before it reaches the surface.

- **Drilling relief wells:** We are currently drilling two relief wells to permanently secure the well. These wells are designed to intercept the original MC252 #1 well. Once this is accomplished, a specialized heavy fluid will be injected into the well bore to stop the flow of oil and allow work to be carried out to permanently cap the existing well. Each of these operations could take approximately three months.

Attacking the spill

We are attacking the spill on two fronts: in the open water and on the shoreline, through the activation of our pre-approved spill response plans.

• **On the open water**

On the open water, more than 1,255 response vessels are deployed, including 80 skimmers, as well as storage barges, tugs, and other vessels. The Hoss barge, the world's largest skimming vessel, has been onsite since April 25. In addition, there are 15, 210-foot Marine Spill Response Corporation Oil Spill Response Vessels, which each have the capacity to collect, separate, and store 4000 barrels of oil. To date, approximately 262,100 barrels of oil and water mix have been recovered and treated.

Fourteen controlled burns were conducted on Monday.

Working through the Unified Command, we continue to attack the spill area with Coast Guard-approved biodegradable dispersants, which are being applied from both planes and boats. To date, over 705,000 gallons of dispersant have been applied on the surface.

• **Actions to protect the shoreline**

Near the shoreline, we are implementing with great urgency oil spill response contingency plans to protect sensitive areas. According to the Coast Guard, the result is the most massive shoreline protection effort ever mounted.

To ensure rapid implementation of state contingency plans, we have made block grants of $25 million each to Louisiana, Mississippi, Alabama, and Florida.

To date, we have approximately 1.9 million feet of boom deployed in an effort to contain the spill and protect the coastal shoreline. Another 1.28 million feet are staged and ready for deployment and 1.16 million feet is on order. The Department of Defense is helping to airlift boom to wherever it is needed across the Gulf coast.

The Area Unified Command Center has been established in Robert, LA. Incident Command Centers have been established at Mobile, AL; St. Petersburg, FL and Houma, LA.

Eighteen staging areas are also in place to help protect the shoreline:

• **Alabama:** Dauphin Island; Orange Beach; and Theodore;

• **Florida:** Panama City, Pensacola, Port St. Joe and St. Marks.

• **Louisiana:** Amelia; Cocodrie; Grand Isle; Port Fourchon; Shell Beach; Slidell; St. Mary; and Venice.

• **Mississippi:** Biloxi; Pascagoula; and Pass Christian.

Highly mobile, shallow draft skimmers are also staged along the coast ready to attack the oil where it approaches the shoreline.

Wildlife clean-up stations are being mobilized, and pre-impact baseline assessment and beach clean-up will be carried out where possible. Rapid response teams are ready to deploy to any affected areas to assess the type and quantity of oiling, so the most effective cleaning strategies can be applied.

A toll-free number has been established to report oiled or injured wildlife, and the public is being urged not to attempt to help injured or oiled animals, but to report any sightings via the toll-free number.

Contingency plans for waste management to prevent secondary contamination are also being implemented.

Additional resources, both people and equipment, continue to arrive for staging throughout the Gulf states in preparation for deployment should they be needed.

Communication, community outreach, & engaging volunteers

We are also making every effort to keep the public and government officials informed of what is happening and are regularly briefing Federal, state, and local officials.

We are making a live webcam feed of the leak available.

On the ground, in the states and local communities, we are working with numerous organizations such as fishing associations, local businesses, parks, wildlife and environmental organizations, educational institutions, medical and emergency establishments, local media, and the general public.

On Monday, BP announced it would make available up to $500 million to fund an open research program to study the impact of the Deepwater Horizon incident, and its associated response, on the marine and shoreline environment of the Gulf of Mexico.

In addition to the block grants mentioned earlier, we are also making available $70 million in tourism grants to Alabama, Florida, Louisiana and Mississippi.

BP is leading volunteer efforts in preparation for shoreline clean-up. We have helped and will continue to help recruit and deploy volunteers, many of whom are being compensated for their efforts, to affected areas. Volunteers are being trained in such areas as beach clean-up, wildlife monitoring, handling of hazardous materials and vessel operation for laying boom.

There are seven BP community-outreach sites engaging, training, and preparing volunteers:

• **Alabama:** Mobile;

• **Florida:** Pensacola;

• **Louisiana:** Pointe-a-la-Hache and Venice;

• **Mississippi**: Biloxi, Pascagoula and Waveland.

A phone line has been established for potential volunteers to register their interest in assisting the response effort.

Coping with economic impacts

We recognize that beyond the environmental impacts there are also economic impacts on many of the people who rely on the Gulf for their livelihood. BP will pay all necessary clean up costs and is committed to paying legitimate claims for other loss and damages caused by the spill.

We believe it is inevitable that we will spend more than the $75 million liability cap established by the Oil Pollution Act of 1990.

We are providing expedited interim payments to those whose income has been interrupted. The interim payment is intended to replace roughly one month’s lost

income, based on the documentation provided by the claimant. The check for the advance payment will be available at the nearest BP Claims Center, the location of which will be communicated to the claimant. Alternative arrangements can be made if this method of check delivery is not feasible.

Claimants will continue receiving income replacement for as long as they are unable to earn a living as a result of injury to natural resources caused by the spill.

Over 25,000 claims have been filed and approximately 12,000 have been paid, totaling nearly $30 million. These are mostly in the form of lost income interim payments. We intend to continue replacing this lost income for those impacted as long as the situation prevents them from returning to work. We have yet to deny a claim.

BP has enlisted a company called ESIS to help administer claims. . The company is well known as a leader in its field and is trained to respond quickly and professionally to significant events.

Twenty four walk-in claims offices are open in Alabama, Florida, Louisiana and Mississippi:

Alabama: Bayou La Batre; Foley; Orange Beach.

Florida: Apalachicola; Crawfordville; Fort Walton Beach; Gulf Breeze; Panama City Beach; Pensacola; Port St. Joe; Santa Rosa Beach;

Louisiana: Belle Chasse; Cut Off; Grand Isle; Hammond; Houma; New Orleans; Pointe-a-La-Hache; St. Bernard; Slidell; Venice;

Mississippi: Bay St. Louis; Biloxi; Pascagoula.

Our call center is operating 24 hours a day, seven days a week. We also have in place an on-line claims filing system. Nearly 700 people are assigned to handle claims, with approximately 400 experienced claims adjusters working in the impacted communities. Spanish and Vietnamese translators are available in some offices.

We are striving to be efficient and fair and we look for guidance to the established laws, regulations and other information provided by the US Coast Guard, which frequently handles and resolves these types of claims.

We will continue adding people, offices and resources as necessary.

Understanding what happened

BP is one of the lease holders and the operator of this exploration well. As operator, BP hired Transocean to conduct the well drilling operations. Transocean owned and was responsible for safe operation of the Deepwater Horizon drilling rig and its equipment, including the blowout preventer.

The question we all want answered is, “What caused this tragic accident?”

A full answer to this and other questions will have to await the outcome of multiple investigations which are underway, including a joint investigation by the Departments of Homeland Security and Interior (Marine Board), The National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, and an internal investigation that BP is conducting.

BP’s investigation into the cause of this accident is being led by a senior BP executive from outside the affected business. The team has more than 70 people, including engineers, technical specialists, and external consultants. The investigation is ongoing and has not yet reached conclusions about incident cause. This week, the team briefed the Department of Interior and other U.S. government officials on the initial perspectives based on the data and witnesses available to them so far, as well as areas of focus for further inquiry.

There is a lot more work to do, including more interviews and analysis, and full forensic examinations of the BOP, the wellhead, and the rig itself, all of which are currently on the sea bed. But the investigation team’s work so far suggests that this is a complex accident involving the failure of a number of processes, systems, and equipment. There were multiple control mechanisms – procedures and equipment – in place that should have prevented this accident or reduced the impact of the spill. Put simply, there seems to have been an unprecedented combination of failures.

Only seven of the 126 onboard the Deepwater Horizon at the time of the incident were BP employees, so we have only some of the story, but the BP investigation team is working to piece together what happened from meticulous review of the records of rig operations that they have as well as information from those witnesses to whom they have access. We are looking at our own actions and those of our contractors, as is the Marine Board, and as will the National Commission.

Conclusion

BP is under no illusions about the seriousness of the situation we face. In the last five weeks, the eyes of the world have been upon us. President Obama and members of his Cabinet have visited the Gulf region and made clear their

expectations of BP and our industry. So have governors, members of Congress, and the general public.

We intend to do everything within our power to bring this well under control, to mitigate the environmental impact of the spill and to address economic claims in a responsible manner.

Any organization can show the world its best side when things are going well. It is in adversity that we truly see what it is made of.

We know that we will be judged by our response to this crisis. No resource available to this company will be spared. I can assure you that we and the entire industry will learn from this terrible event, and emerge from it stronger, smarter and safer.