

Testimony
Before The Committee On Natural Resources
United States House of Representatives
May 27, 2010

***Outer Continental Shelf Oil and Gas Strategy and Implications
of the Deepwater Horizon Rig Explosion***

Steven Newman, Chief Executive Officer, Transocean, Ltd.

Chairman Rahall, Ranking Member Hastings, and other members of the Committee, I want to thank you for the opportunity to speak with you today.

My name is Steven Newman, and I am the Chief Executive Officer of Transocean, Ltd. Transocean is a leading offshore drilling contractor, with more than 18,000 employees worldwide. I am a petroleum engineer by training, I have spent considerable time working on drilling rigs, and I have worked at Transocean for more than 15 years. I am proud of the Company's historical contributions to the energy industry during that time. Today, however, I sit before you with a heavy heart.

The last few weeks have been a time of great sadness and reflection for our Company – and for me personally. Nothing is more important to me and to Transocean than the safety of our employees and crew members, and our hearts ache for the widows, parents and children of the 11 crew members – including nine Transocean employees – who died in the *Deepwater Horizon* explosion. These were exceptional men, and we are committed to doing everything we can to support their families as they struggle to cope with this tragedy.

We have also seen great courage and kindness since April 20 that has reaffirmed our faith in the human spirit. That spirit is embodied by the 115 crew members who were rescued from the *Deepwater Horizon* and were as worried about the fate of their colleagues as they were about themselves. It is embodied by the brave men and women of the U.S. Coast Guard who led search-and-rescue efforts for the injured and missing crewmembers, and the emergency workers waiting for the injured crew members when they arrived ashore. And it is embodied by the friends and colleagues who have rallied to help the families of those who were lost at sea.

While this has been a very emotional period for all of us at Transocean, it has also been a period of intense activity and effort.

Immediately after the explosion, Transocean began working with BP (in BP's role as operator/leaseholder of the well) and the "Unified Command" (which includes officials from the U.S. Coast Guard, the Department of the Interior's Minerals Management Service (MMS), and the National Oceanic and Atmospheric Administration (NOAA)) in the effort to stop the flow of hydrocarbons. Our finest operational personnel and engineers have been working with BP to identify and pursue options for stopping the flow as soon as possible. Our drilling rig, the *Development Driller III*, is involved in drilling the relief well at the site, and our drillship, the *Discoverer Enterprise*, is involved in the unique oil recovery operations in the Gulf. In addition, a third Transocean drilling rig, the *Development Driller II*, is moving into position to drill a second relief well or otherwise assist in operations to stop the flow. We will continue to support BP and the Unified Command in all of these efforts.

We have also been working hard to get to the bottom of the question to which the Members of this Committee – and the American people – want and deserve an answer: What happened the night of April 20th, and how do we assure the American public that it will not happen again?

As is often the case after a tragedy of this kind, there has been a lot of speculation about the root cause of this event. Although it is premature to reach definitive conclusions about what caused the April 20 explosion, we do have some clues about the cause of the disaster. The most significant clue is that the events occurred after the well construction process was essentially finished. Drilling had been completed on April 17, and the well had been sealed with casing and cement. For that reason, the one thing we do know is that on the evening of April 20, there was a sudden, catastrophic failure within that basically completed well. It is also clear that the drill crew had very little (if any) time to react. The initial indications of trouble and the subsequent explosions were almost instantaneous.

What caused that sudden, violent failure? And why weren't the blow-out preventers able to squeeze, crush or shear the pipe and thereby shut in the flow? These are some of the critical questions that need to be answered in the coming weeks and months.

The well construction process is a collaborative effort, involving various entities and many personnel – the well operator, government officials, the drilling

contractor, the mud contractor, the casing contractor, the cement contractor and others. For the same reason, the process of understanding what led to the April 20 explosion must also be collaborative. We agree that this is not the time for finger-pointing – instead, all of us must work together to understand what happened and prevent any such accident in the future.

Ours is an industry that must put safety first. And I can assure you that Transocean has never – and will never – compromise on safety. In 2009, Transocean recorded its best ever Total Recordable Incident Rate (TRIR). And MMS, the federal agency charged with enforcing safety on deepwater oil rigs, awarded one of its top prizes for safety to Transocean in 2009. The MMS SAFE Award recognizes “exemplary performance by Outer Continental Shelf (OCS) oil and gas operators and contractors.” In the words of MMS, this award “highlights to the public that companies can conduct offshore oil and gas activities safely and in a pollution-free manner, even though such activities are complex and carry a significant element of risk.” In awarding this prize to Transocean, MMS credited the Company’s “outstanding drilling operations” and a “perfect performance period.”

Despite a strong safety record, Transocean is not complacent about safety. We believe that any incident is one too many. Last year, our Company experienced an employee accident record that I found unacceptable. As a result, I recommended to our Board of Directors that they withhold bonuses for all executives in order to make clear that achieving stronger safety performance was a basic expectation – and fundamental to our success. That recommendation was accepted, and our Company paid no executive bonuses last year, in order to send a loud message that we evaluate our success in large part based on the safety of our operations.

Until we fully understand what happened on April 20, we cannot determine with certainty how best to prevent such tragedies in the future. But I am committed – for the sake of the men who lost their lives on April 20, for the sake of their loved ones, for the sake of all the hard-working people who work on Transocean rigs around the world, and for the sake of people in each of the affected states and worldwide who rely on our oceans and waterways for their livelihood – to work with others in the industry, with Congress and with all involved federal agencies to make sure that such an accident never happens again.

Wellhead System with 18.500" ID

16" Supplemental Adapter
in 22" Extension Joint

36" Casing

28" Casing

22" Casing

18" Casing

16" Casing

13-5/8" Casing

11-7/8" Liner

9-7/8" Liner

7" x 9-7/8"

seawater

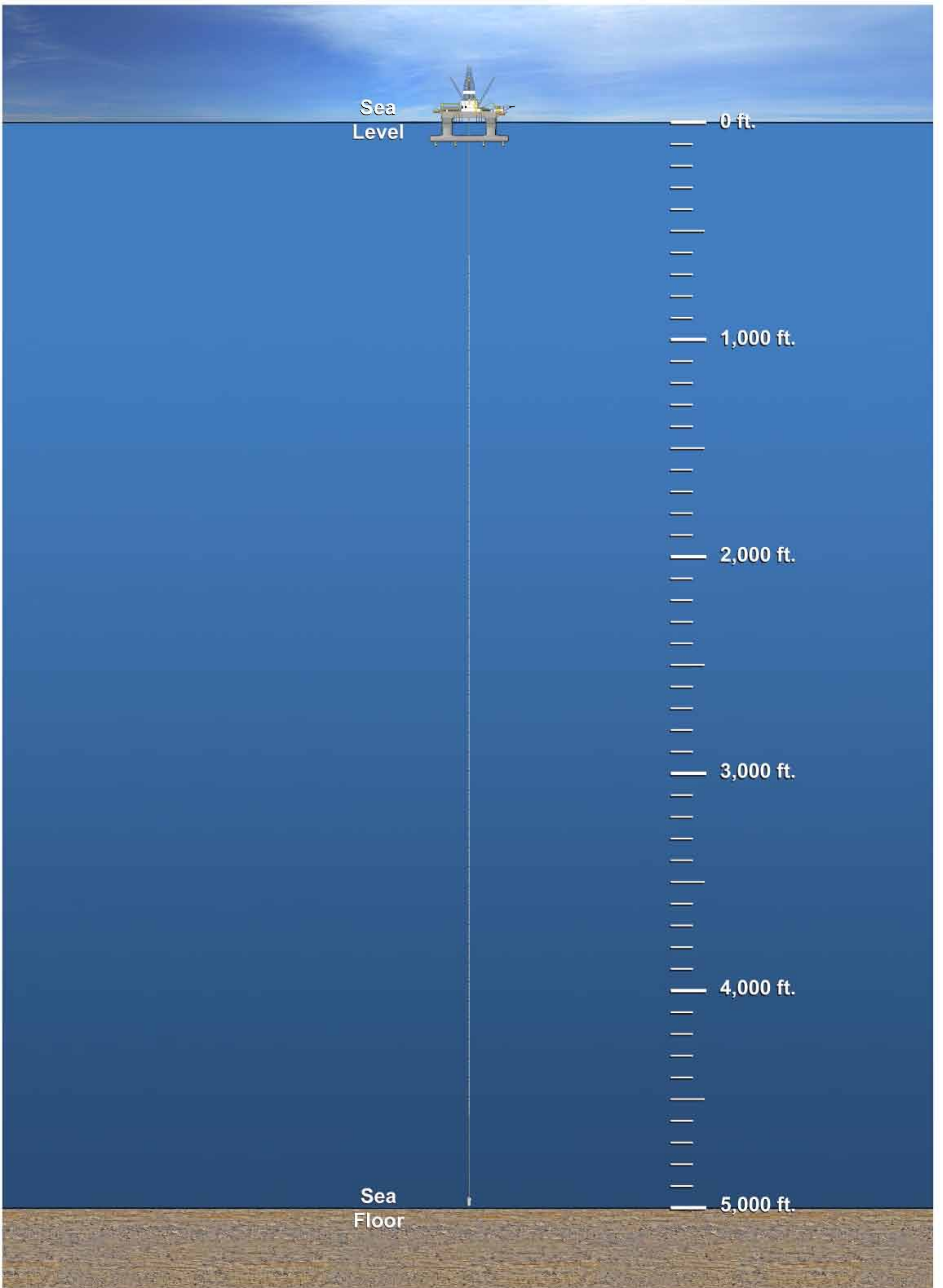
14.0 SOBM

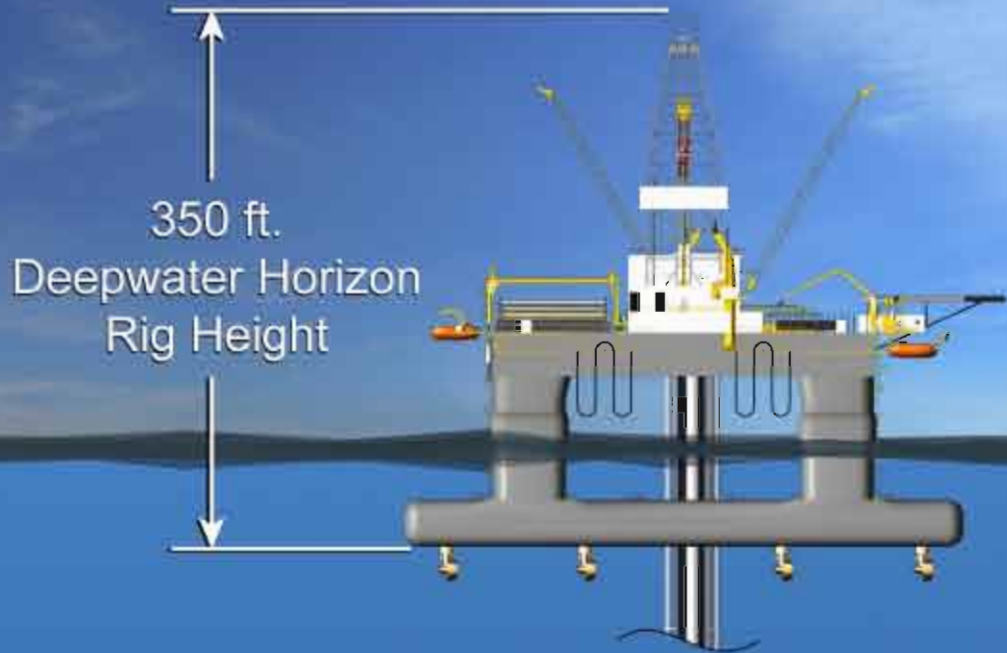
Top of Casing

Estimated Top of Cement



The Hydrocarbons flow from pore to pore within the rock

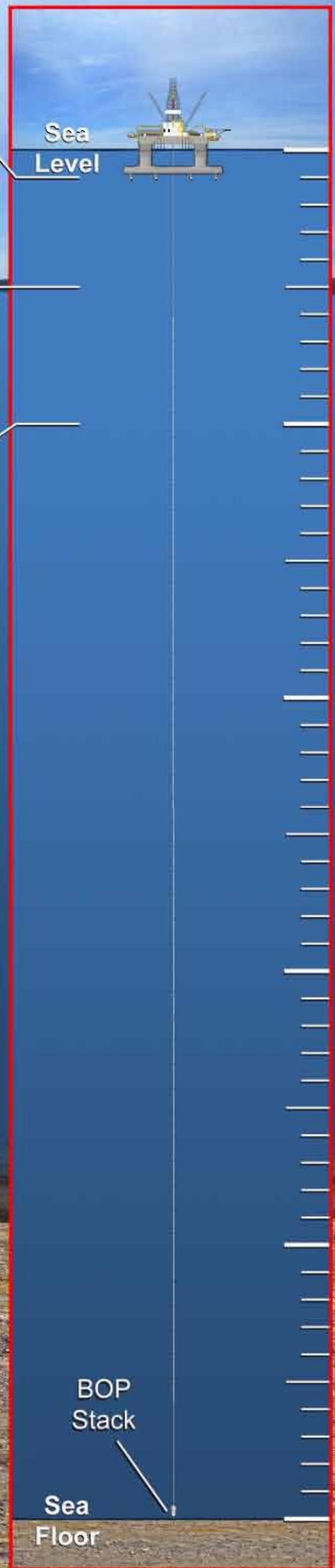
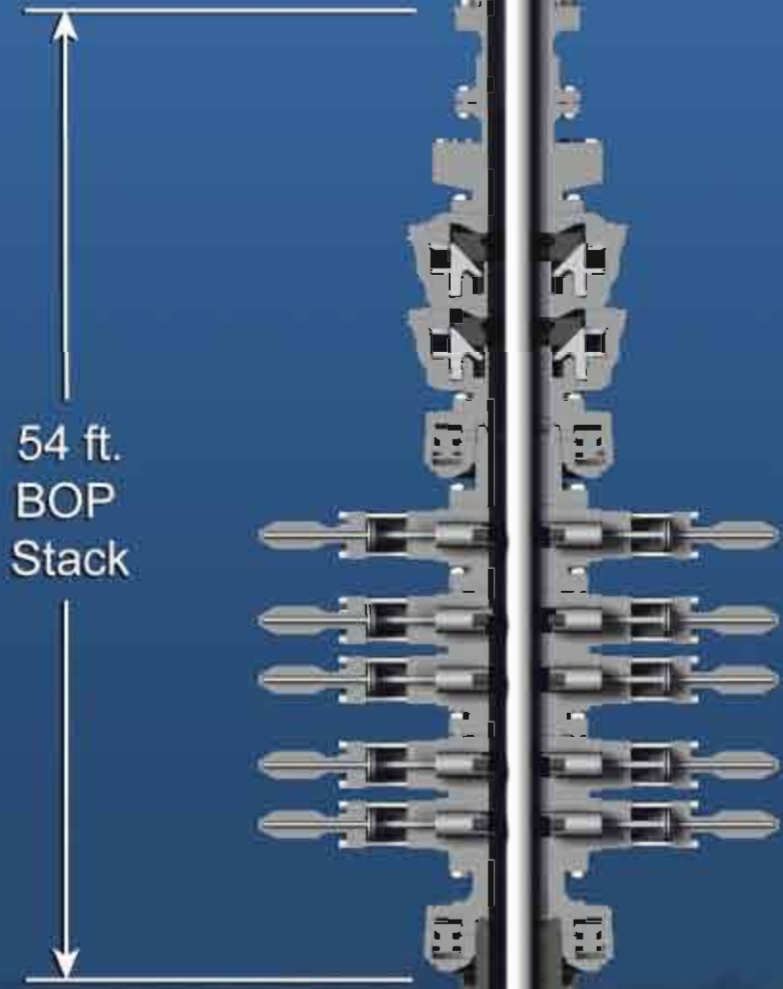




100 ft.
Recommended
recreational
diving limit
for divers.

509 ft.
Record for
scuba dive with
compressed air.

1,044 ft.
World record
for deepest dive
on SCUBA.





Drilling Rig
(Transocean,
Sub-contractor)

Well and Well Plan
(BP, Operator)

BOP Stack
(Cameron,
Manufacturer)

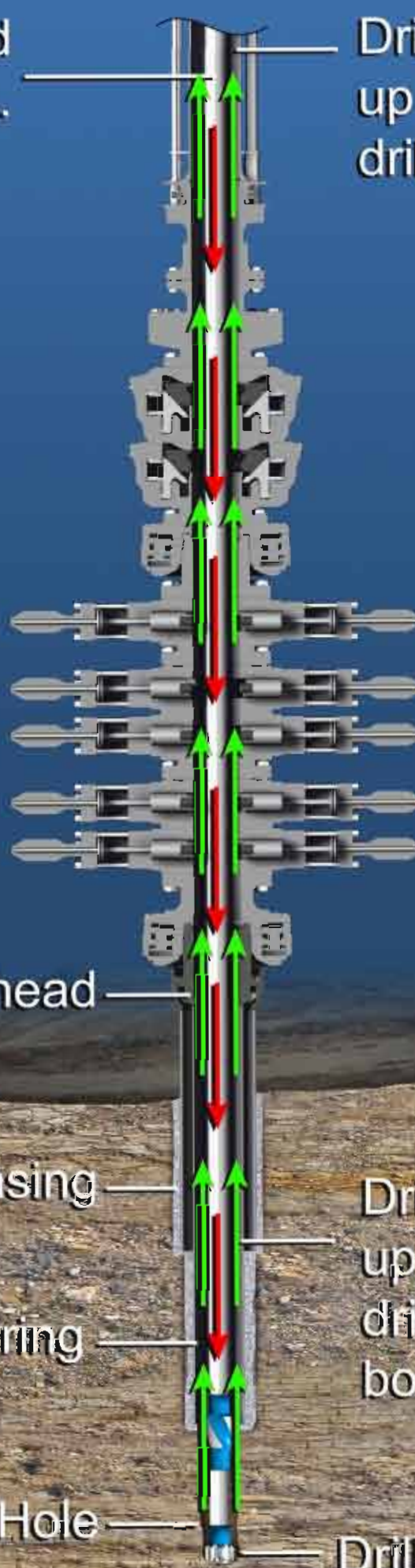
Casing
(Weatherford,
Sub-contractor)

Cementing
(Halliburton,
Sub-contractor)



Drilling fluid is pumped down through drillpipe.

Drilling fluid flows up between the drillpipe and the riser.



— BOP Stack

Wellhead

Conductor Casing

Second Casing String

Open Hole

Drilling fluid flows up between the drillpipe and the borehole or casing.

Drill Bit



