

**STATEMENT OF  
JAMES WATSON, DIRECTOR  
BUREAU OF SAFETY AND ENVIRONMENTAL ENFORCEMENT  
UNITED STATES DEPARTMENT OF THE INTERIOR**

**COMMITTEE ON NATURAL RESOURCES  
SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES  
HOUSE OF REPRESENTATIVES**

**OVERSIGHT HEARING ON THE “EFFECT OF THE PRESIDENT’S FY 2013 BUDGET  
AND LEGISLATIVE PROPOSALS FOR THE BUREAU OF OCEAN ENERGY  
MANAGEMENT (BOEM) AND BUREAU OF SAFETY AND ENVIRONMENTAL  
ENFORCEMENT (BSEE) ON PRIVATE SECTOR JOB CREATION, DOMESTIC  
ENERGY PRODUCTION, SAFETY AND DEFICIT REDUCTION”**

**March 8, 2012**

Mr. Chairman and members of the Subcommittee, thank you for the opportunity to appear here today to discuss the President’s Fiscal Year (FY) 2013 Budget request for the Bureau of Safety and Environmental Enforcement (BSEE) in the Department of the Interior (DOI).

The bureau has an enormously critical mission - providing safety and environmental oversight of offshore oil and gas operations on the U.S. Outer Continental Shelf (OCS). More fundamentally, however, our mission is to restore the confidence of the American people that offshore operations can be carried out without the tragic human and ecological costs that were borne by the people of the Gulf of Mexico region nearly two years ago.

The budget request for BSEE strengthens and advances the reform efforts begun in the aftermath of the *Deepwater Horizon* tragedy. This request advances the President’s vision of maintaining and expanding responsible oil and gas production on our OCS as part of an all-of-the-above approach to addressing our Nation’s energy challenges, while providing the funding necessary to be the world leader in offshore safety and environmental oversight. The resources provided by Congress over the past two years have been instrumental in laying the foundation and building a framework for a revitalized and enhanced offshore regulatory regime. This request continues the development of that framework, allowing us to continue the critical tasks that the President, Congress, and the American people have rightly demanded of us.

Let me be clear: the employees of the former MMS were, with isolated yet well-publicized exceptions, an extremely committed group of public servants that dedicated their lives to their communities and their Nation, often foregoing much higher salaries they could have earned in the oil and gas industry. The need for reform did not stem from the actions of these dedicated professionals. It arose from outdated regulations, an inability to match the pace and scope of the offshore industry’s growth, and leadership that was often forced to focus on one of several fundamentally different priorities to the detriment of the others. The reorganization of MMS by Secretary Salazar into BSEE, the Bureau of Ocean Energy Management, and the Office of

Natural Resources Revenue was designed to address these issues and allow the employees of each agency to apply their expertise with clarity of mission. The BSEE employees I have met in the past three months have made it clear to me that they believe in, and are passionate about, our mission, and I am fully confident that we have the right core of people in place to start this agency off in the right direction.

Overseeing safety and environmental regulations on the OCS includes issuing drilling permits, and managing the orderly development of the Nation's offshore oil and gas resources. A great deal of attention has been paid to our pace of permitting recently, and I greatly sympathize with the people who depend on these permits for jobs. It is in our country's interest to have a robust offshore oil and gas industry, and I am pleased to see a constant stream of new rigs coming into the Gulf and an industry becoming increasingly optimistic about both the short and long-term outlook for their industry. However, I will not measure success for this agency by the rate at which we issue permits. Permitting is an essential part of our safety mission: we issue permits only when companies have demonstrated that they can conduct their proposed operations safely and responsibly. We will not rush permits out the door; we will conduct thorough reviews that ensure that the applicant is meeting all the enhanced safety standards put in place after the *Deepwater Horizon* explosion and oil spill, and that they can respond effectively in the event of a worst case scenario. Those who believe that the pace of permitting should automatically be the same as before the *Deepwater Horizon* are ignoring the lessons of that disaster. I will commit to rooting out inefficiencies and making the permitting process as straightforward and understandable for the industry as possible, and these efforts, when coupled with increased hiring and training of engineers, scientists, inspectors, and other personnel, may very well enhance the permitting process. But our primary responsibility is ensuring safe and responsible operations on the OCS.

In March 2011, the Director of the former Bureau of Ocean Energy Management, Regulation and Enforcement came before you to discuss the reforms that agency had implemented to address the many safety, environmental protection, and regulatory oversight weaknesses highlighted in many reviews of the *Deepwater Horizon* spill, including those identified in the final report of the National Commission on the BP *Deepwater Horizon* Oil Spill and Offshore Drilling (Commission). Congress responded by passing the FY 2012 Consolidated Appropriations Act that provided BSEE with new resources needed to institutionalize these fundamental reforms and implement additional regulatory measures needed to improve the safety of offshore drilling, as well as to enhance protection of the ocean and coastal environments. I would like to update you on the progress our agency has made in the last year.

#### Recruitment of Key Positions

Although BSEE began operations as an independent agency only a few months ago, the recruitment for key management positions began last year after the reorganization effort received Congressional support and resources. As a result, all key senior management positions have been filled. As part of our commitment to provide more comprehensive oversight of offshore oil and gas operations, we have increased the number of inspectors by 50 percent since April 2010, and the number of engineers, who also perform critical safety functions, by nearly 10 percent. There are still a considerable amount of positions yet to be filled, including additional inspectors, engineers, regulatory specialists, environmental specialists, and other critical disciplines. While

recruiting is a time consuming process, we are confident that we will continue to show significant strides in building out the new organization.

### Regulatory Change

We are continuing to update and enhance Federal regulations and ensure compliance through our offshore regulatory programs. We plan to update the Interim Drilling Safety rule, which was issued shortly after the *Deepwater Horizon* spill, in the near future to increase regulatory clarity while maintaining the same enhanced level of safety. Also, the Safety and Environmental Management Systems rule, or SEMS, which was finalized in September 2010, will be enhanced with the completion of the “SEMS II” rule. We are currently addressing comments received on the SEMS II proposed rule. We are also reviewing recent recommendations from the National Academy of Engineering as we continue to update regulations and enhance safety requirements.

### Permitting

With significant new safeguards designed to reduce the chances of a loss of well control, and a new focus on capping and containment capabilities in the event that one occurs, the permitting environment is completely different now than it was before *Deepwater Horizon*. Comparing the pace of permitting pre- and post-*Deepwater Horizon* does not consider the current reality that applications must now meet a suite of new requirements that receive extremely close scrutiny by the bureau’s engineers.

We have worked very hard to help industry better understand the requirements and improve the efficiency of the application process. Perhaps most significantly, BSEE held permit processing workshops for industry, which has improved the quality and thoroughness of applications. We published a permit application completeness checklist to make it clear to industry what information is required and to reduce the frequency with which operators submit incomplete applications. We have established priorities for reviewing permit applications – assigning the highest priority to permits for ongoing operations or emergency operations. We have begun to balance workloads for our engineers by taking some permit applications and moving them around to different districts. We have also allowed authorized users of our online permit application system to track the status of their applications. This answered the call from many operators for greater transparency in our permitting process. As a result of these steps, and the industry’s increasing familiarity with the process, permit review times have decreased significantly in the past year. Rigs that had left the Gulf of Mexico are returning, new rigs are being contracted, and we are starting to see a small inventory of unused drilling permits develop.

While staying focused on our primary objective – ensuring that enhanced safety requirements are met – we plan to continuously monitor and improve our permitting processes throughout the upcoming year, to give industry increased confidence in the timeliness of the process, while rebuilding the American people’s confidence that these permitted operations can be performed safely and responsibly.

### Inspection and Compliance Program

The BSEE continues to expand its capacity to maintain a robust and fair inspection and compliance program. With the additional resources provided by Congress, BSEE has been able to add 28 new inspectors in the Gulf of Mexico region since the *Deepwater Horizon* spill, and we

are continuing our efforts to hire additional inspectors. The bureau's inspectors now witness far more activity on drilling rigs than before the *Deepwater Horizon* explosion and spill, including critical tests of blowout preventers.

The BSEE has also begun to set up its new National Offshore Training and Learning Center and has put two groups of new inspectors through a core curriculum in offshore inspections. We are also supplying our inspectors with new equipment and tools, including handheld computers, to make our inspection process more efficient and effective. Both of these initiatives were initiated using the 2010 oil spill supplemental funding, but will need base resources to continue. Those resources are specifically requested in FY 2013.

### Environmental Enforcement

The Environmental Enforcement program was established as a separate division within BSEE to elevate the importance and visibility of the program, both internally and externally, to a level on par with safety and regulatory compliance.

This program will ensure compliance with all applicable environmental requirements, ensuring that operators keep the promises they make at the time they obtain their leases, submit their plans, and apply for their permits. The funding requested in FY 2013 will support the full build-out of this critical function.

### FY 2013 Budget Request Specifics

BSEE's FY 2013 request is \$222.2 million; an increase of \$24.8 million over the FY 2012 enacted level. The request is offset by \$52.5 million in eligible OCS rental receipts, \$8.4 million in cost recovery fees, and \$65 million in inspection fees, resulting in a net request of \$96.3 million in direct appropriated funds. These additional resources are essential to effectively protect our nation's natural resources as well as to address industry's need for an efficient, effective, transparent, and stable regulatory environment.

The BSEE 2013 budget fully supports the President's *Blueprint for a Secure Energy Future* by enabling the safe and environmentally responsible development of the Nation's vast offshore energy resources. Until offshore renewable energy facilities are constructed, BSEE will focus its resources on conventional energy programs. Funds will be used to recruit expert engineers, scientists, and oil spill response specialists to support the development of strong scientific information and timely and thorough review of permits. The 2013 budget request increases funding for operational offshore safety, oil spill response initiatives, environmental enforcement, and the development of modern electronic systems to increase the efficiency and effectiveness of offshore inspection and oversight activities.

The FY13 budget includes funding to maintain the gains made to date, and proposes the following specific changes:

*Critical Funding Needs for the Environmental Enforcement Division (+\$4,177,000; +14FTE):* BSEE will further develop and manage an expanded environmental oversight role arising out of efforts to reform offshore operations and regulations as recommended by many external national investigative reports.

*Research and Development for Offshore Drilling Safety (+\$2,000,000; 0 FTE):* BSEE will utilize this funding to perform additional, and more in-depth, research relating to safety systems and operations such as well cementing, blowout preventer (BOP) research, methods of shallow gas containment, and well control methods.

*Operational Safety (+\$4,495,000; +29 FTE):* Funds will support ongoing reorganization efforts identified as critical to the success of BSEE in strengthening post-*Deepwater Horizon* regulatory and oversight capabilities. It represents a cross section of staffing for newly identified efforts and increased activities such as development of regulations, safety management, structural and technical support, and oil spill response.

*National Offshore Training and Learning Center for Inspection Program (+\$3,685,000, +11FTE):* This will provide base funding for the National Offshore Training and Learning Center (NOTLC). The NOTLC supports the Bureau's goals by providing upfront and ongoing learning and development opportunities to Bureau staff.

*e-Inspections for the Enforcement Program (+\$2,300,000; 0 FTE):* This multi-faceted initiative would allow BSEE to replace the existing outdated paper-based process with a modern electronic system for conducting the inspections mandated by the OCS Lands Act.

*Wellbore Integrity (+\$1,395,000; +9 FTE):* The requested funding will provide resources needed for BSEE to meet current requirements to evaluate whether operators have submitted adequate information demonstrating access and deployment capabilities for surface and subsea containment.

*Sustain Administrative Operations (+\$5,000,000; 0 FTE):* Funding is needed to sustain the necessary level of support services for both BSEE and BOEM and to adjust the base to provide sufficient administrative services to both bureaus

*Fixed Costs (+\$1,772,000; 0 FTE):* This request fully funds increased personnel-related costs and other fixed costs such as rent.

*Inspection Fees (-\$3,000,000; 0 FTE):* This request partially offsets programmatic funding increases by increasing industry inspection fee revenue. This is not an increase in the amount of the fees, but rather increased revenue attributable to a full year collection at the current fee levels. The additional revenue will defray the cost of inspection and oversight activities.

*Offsetting Collections (-\$1,800,000; 0 FTE):* BSEE anticipates a net increase in offsetting collections including rental receipts and cost recoveries. These collections reduce the need for direct appropriations and offset the cost of programmatic funding increases.

In addition to its continued focus on operational and environmental safety and compliance, the FY 2013 request will further the completion of the reorganization of the former MMS and establish a base operating level consistent with the recommendations from the National Commission on the BP *Deepwater Horizon* Oil Spill and Offshore Drilling and the National Academy of Engineering's report on the *Deepwater Horizon* tragedy.

In FY 2012, Congress made a commitment to offshore safety and environmental protection by providing the necessary resources to complete our reorganization, hire additional people, and provide the necessary oversight to allow for the continued growth of offshore energy development while giving the American people confidence that their government is doing everything it can to prevent another catastrophe like the *Deepwater Horizon*. The FY 2013 request builds on these efforts by providing necessary training for our employees, and the tools to increase the efficiency of our processes and operations. As the Nation looks to expanding domestic energy development, we must provide the leadership and the expertise to ensure offshore oil and gas development operations are conducted in a safe and environmentally responsible way. The BSEE provides that leadership and expertise, and we very much appreciate your commitment to the bureau's mission and success.

Thank you again for the opportunity to be with you today.