

**United States House of Representatives
Committee on Natural Resources**

**“Oversight Hearing on the ‘BOEMRE/U.S. Coast Guard
Joint Investigation Team Report’”**

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Chairman Hastings, Ranking Member Markey, members of the Committee, my name is Ray Dempsey, and I am Vice President for BP America. I am pleased to participate in today’s hearing regarding the final report of the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) and the U.S. Coast Guard Joint Investigation (Joint Investigation Team Report) regarding the April 20, 2010 *Deepwater Horizon* accident and resulting oil spill. The *Deepwater Horizon* accident was a tragic event that profoundly affected us all. From the outset BP has been committed – and remains committed today – to meeting its obligations in the Gulf Coast.

My testimony is focused on the important lessons BP has learned from this accident – lessons that BP has been sharing with industry participants and government officials across the globe in a continuing effort to enhance safety throughout the oil and gas industry. As we have communicated to this Committee, while we respect and appreciate the Committee’s attention to the release of the Joint Investigation Team Report, we cannot discuss and comment on the report’s findings in any detail because the facts regarding the causes of the accident are the subject of ongoing litigation and investigations regarding the accident. As you can appreciate, these legal proceedings will make it challenging to respond to questions the Committee may have about the Joint Investigation Report or the accident. That said, I appreciate the opportunity to share with the Committee what BP has learned from the accident and the changes we have made.

¹ The information provided in this testimony is accurate to the best of my knowledge as of Tuesday, October 11, 2011, when this testimony was prepared.

I have worked for BP for more than twenty years. Since joining the company in 1990, I have held a variety of management and operational roles in engineering, strategy, and financial areas of BP's operations in the United States and abroad. On May 6, 2010, while serving as Vice President for Strategy and Portfolio for BP's Fuels Value Chain Strategic Performance Unit, I joined the St. Petersburg Unified Command, which directed spill response efforts for the west coast of Florida and worked together with incident command centers throughout the Gulf region. As part of my responsibilities, I oversaw the St. Petersburg Joint Information Center, where BP worked with the Coast Guard and other federal and state government representatives to share information on spill-related efforts. I volunteered for this position because I wanted to contribute to BP's response efforts and assist in addressing the needs of the people of the Gulf Coast region. I assumed my current role, in which I continue to be involved in information-sharing with external stakeholders regarding response issues, in October 2010.

Today I would like to share with you and the Committee some of the actions that BP has taken, not only to contain and respond to the spill, restore the affected environment, and pay all legitimate claims, but also further to improve safety. These initiatives to improve safety include organizational changes within BP to facilitate enhanced company-wide process safety, operational integrity, and risk management programs; the implementation of voluntary performance standards for deepwater drilling that go beyond existing regulatory obligations; strengthening contractor management; and continuing the implementation of the recommendations from BP's investigation report.

A Complex Accident With Multiple Causes Involving Multiple Parties

Consistent with the findings of every official investigation, the Joint Investigation Team Report makes clear that the *Deepwater Horizon* accident was the result of multiple causes, involving multiple parties, including BP, Transocean, and Halliburton. This finding is also consistent with the report of BP's own non-privileged investigation, commissioned immediately after the accident and released publicly more than a year

ago. BP has consistently acknowledged its role in the accident. BP continues to encourage other parties to acknowledge their roles in the accident and to step forward to fulfill their obligations to Gulf communities.

BP's Response and Restoration Efforts

From the first day of the *Deepwater Horizon* accident, BP took action to contain and respond to the spill, restore the affected environment, and pay legitimate claims. At its peak, the response involved nearly 48,000 people, scores of aircraft, and thousands of boats. To date, BP has spent approximately \$14 billion on response efforts. In addition, BP established a \$20 billion Trust to enhance public confidence in the availability of funds for economic and environmental restoration. That Trust was established in 2010 to satisfy legitimate individual and business claims resolved by the Gulf Coast Claims Facility (GCCF), state and local government claims resolved by BP, final judgments and settlements, state and local response costs, and natural resource damages (NRD) and related costs. As of October 11, 2011, BP has paid more than \$7 billion in individual, business, and government claims and advances.

BP has also committed significant amounts to initiatives beyond paying claims received under the Oil Pollution Act of 1990. BP voluntarily committed \$1 billion to fund early restoration projects and has committed more than \$250 million to support tourism and seafood testing and marketing in the Gulf region. BP has committed \$500 million to the Gulf Research Initiative, a research program to be conducted by independent experts from academic institutions to study the environmental and public health impacts of the accident. BP has also provided \$52 million to five public health agencies and \$10 million to the National Institutes of Health; established a \$100 million fund for, among others, unemployed rig workers in the Gulf region; and made significant financial contributions to social service organizations in the Gulf. In total, BP's efforts to date have exceeded \$20 billion.

BP's Initiatives To Improve Safety

In addition to its unprecedented efforts to respond to the spill, restore the environment, and pay legitimate claims, BP has worked intensively to implement enhanced company-wide process safety, operational integrity, and risk management programs. BP has dedicated itself to applying the lessons of the *Deepwater Horizon* accident, and is undertaking a range of actions to further strengthen risk management, process safety, and contractor oversight throughout the company, as well as sharing these lessons learned across the industry and the globe.

I explain below some of these initiatives.

Organizational Initiatives

In September 2010, BP announced the establishment of a new, centralized Safety and Operational Risk (S&OR) organization. S&OR drives implementation of mandatory safety-related standards and processes and provides checks and balances independent of the business line. One of its key objectives is to provide an independent check on safety-critical operational decisions. S&OR accomplishes its mandate at the BP Group and local business levels by: (1) setting clear requirements; (2) providing expert scrutiny of safety and risk—independent of line managers—and advising on, examining, and auditing operations; (3) providing deep technical support to the line businesses; and (4) intervening and escalating, as appropriate, where corrective action is needed. S&OR has the authority to intervene in operational and technical decisions in the company's line businesses.

BP has also reorganized its upstream business into three separate divisions—Exploration, Developments, and Production—each of which is led by an Executive Vice President reporting directly to the Chief Executive Officer. The new structure for BP's upstream business allows increased executive management visibility into each division and facilitates consistent implementation of BP's existing Operating Management System (OMS) – BP's comprehensive, company-wide management system that sets forth guiding principles, mandatory standards, and operating procedures – as well as closer connectivity with the S&OR organization. In addition, specialized personnel who were previously part of a separate, advisory drilling and completions function are being

integrated into the line operating businesses where they can share their knowledge and build capability. Within the Developments Division, BP has established a single Global Wells Organization, which has responsibility for drilling all BP's wells around the world according to high standards. Global Wells' agenda for assuring the safety of drilling operations covers seven areas: standards, compliance, risk management, capability-building, contractor management, redefining performance, and enhancing technology.

Voluntary Performance Standards

As we have announced, BP has implemented, on a voluntary basis, specific new performance standards applicable to our deepwater offshore drilling operations in the Gulf of Mexico. These new standards go beyond existing regulatory obligations. Specifically, BP has committed to four voluntary performance standards for deepwater offshore drilling operations conducted on leases for which BP Exploration & Production is the designated operator in the Gulf. BP will incorporate these voluntary performance standards in any future drilling permit application or proposed plan application that BP submits, and upon the regulator's approval of that permit or plan those standards will become conditions of operation and fully enforceable by the regulator.

First, BP will use, and will require its contractors involved in drilling operations to use, subsea blowout preventers (BOPs) equipped with no fewer than two blind shear rams and a casing shear ram on all drilling rigs under contract to BP for deepwater service operating in dynamic position mode.

Second, each time a subsea BOP from a moored or dynamically positioned drilling rig is brought to the surface and testing and maintenance on the BOP are conducted, BP will require that a third party verify that the testing and maintenance of the BOP were performed in accordance with manufacturer recommendations and API Recommended Practice 53.

Third, BP will require that laboratory testing of cement slurries for primary cementing of casing and exposed hydrocarbon bearing zones relating to drilling operations of deepwater wells be conducted or witnessed by a BP engineer competent to evaluate such laboratory testing, or a competent third party independent of the

cement provider. BP will provide laboratory results to the applicable BOEMRE field office.²

Fourth, BP's Oil Spill Response Plan will include information about enhanced measures for responding to a spill in open water, near shore response or shoreline spill response based on lessons learned from the *Deepwater Horizon* oil spill.

BP has also voluntarily undertaken six additional actions. *First*, BP has established a real-time drilling operations center in its Houston office which will be operational before the company begins drilling any new oil or gas wells in the Gulf. *Second*, BP will work to augment and improve industry response capabilities and technology in collaboration with groups such as Clean Gulf Associates and the Marine Spill Response Corporation. As a member of both organizations, BP will actively encourage and support additional investments in technology, training and people to continuously improve response capability and performance. *Third*, BP has joined the Marine Well Containment Corporation (MWCC) and has made its relevant procedures, expertise and available equipment developed during the *Deepwater Horizon* accident available to industry through the MWCC. *Fourth*, BP will share the company's increased remotely operated vehicle (ROV) and simultaneous operations (SIMOPS) monitoring capabilities with industry and government through an industry workshop. Longer term, BP will collaborate with BOEM/BSEE, the USCG, and other agencies and industry work groups to share new learning regarding ROVs and SIMOPS. *Fifth*, BP will collaborate with BOEM/BSEE, the Ocean Energy Safety Advisory Committee, the Center for Offshore Safety, and others in a joint technology development program to provide enhanced functionality, intervention, testing and activation of BOP systems, including acoustic and subsea communications capabilities. *Sixth*, BP will increase its well control competencies through assessments of its employees and agents who have authority to act on BP's behalf in overseeing drilling operations on BP-operated facilities and drilling rigs.

² Effective October 1, 2011, the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) was split into two independent entities: the Bureau of Ocean Energy Management (BOEM) and the Bureau of Safety and Environmental Enforcement (BSEE).

Contractor Management and Oversight

BP expects its contractors to do their jobs safely and in full compliance with all applicable government regulations. Notwithstanding this expectation, BP is conducting a thorough review of the contractors it uses in drilling operations, as well as of the measures it uses to assure contractor compliance with safety and quality standards. The actions stemming from this review will build on BP's existing programs and requirements for selecting and working with contractors, which include assessing contractors' safety performance as part of the selection process, defining safety requirements in contracts, and evaluating contractor performance.

Implementation of the Recommendations from the BP Investigation Report on the Deepwater Horizon – Lessons Learned

As part of its commitment to safety and learning the lessons of the *Deepwater Horizon* accident, BP conducted its own investigation of that accident. On the day that investigation report was published (September 8, 2010), BP immediately accepted and committed to implement the report's twenty-six recommendations. These recommendations include measures to strengthen contractor management, as well as assurance on blowout preventers, well control, pressure testing for well integrity, emergency systems, cement testing, rig audit and verification, personnel competence, and leading and lagging performance indicators for drilling operations. As the Report noted, "[f]ull implementation of the recommendations w[ill] involve a long-term commitment and a prioritized plan." Consistent with that guidance, BP developed a comprehensive project plan and is making progress in the implementation at a pace appropriate to maintain quality and to enable rigorous implementation down to the front line of the organization. BP is also developing a program of self-verification and auditing by S&OR to confirm implementation.

BP's comprehensive Operating Management System (OMS) provides a strong foundation for the company's ongoing initiatives to enhance its process safety, risk management, and operational integrity programs. OMS is facilitating effective implementation of the Report's recommendations and other safety enhancements that BP is making.

Conclusion

BP deeply regrets the *Deepwater Horizon* accident, and has dedicated itself to meeting its commitments in the Gulf Coast and to applying the lessons of this accident. BP is undertaking a broad range of actions to further strengthen risk management, process safety, and contractor oversight throughout the company, and is committed to doing its part in disseminating the lessons of the *Deepwater Horizon* accident. To that end, BP has shared lessons learned with over 20 countries globally, and the company is working with governments and industry groups around the world to facilitate industry-wide changes that will further promote the safety of offshore drilling. We believe that we have the necessary systems and capabilities in place to continue to enhance the safety of deepwater drilling.