Off Canada’s Atlantic coast

Deep-water drilling proceeds without backup rigs

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Even as thousands of barrels of oil continue to spew each day into the Gulf of Mexico, Danny Williams, the Conservative premier of Newfoundland and Labrador, has dismissed a proposal that oil companies drilling off the province’s Atlantic coast have backup drill-rigs at the ready so that they can bore a reserve well in the event of a Deepwater Horizon-type blowout.

The oil majors active in Canada have spent millions lobbying federal and provincial regulators to convince them that this precautionary measure is too onerous a requirement. Many environmentalists have called for a moratorium on new drilling and, short of this, insisted that in deep water and high arctic explorations, relief wells should be drilled alongside the primary well. Williams has rejected both proposals.

In a statement that lays bare the mercenary calculations that typify oilfield exploration and development in Canada, Williams told the provincial legislature, "If, in fact, we demand at this point in time that additional rigs be put on site, the cost would probably not double but would increase dramatically and we'll probably end up terminating any further exploration in the Orphan Basin and in deep water.”

The Government of Newfoundland and Labrador holds a 4.9 percent equity stake in the Orphan Basin project and, in addition, stands to reap $16 billion in royalties.

Williams’ statement comes in the wake of increased scrutiny of offshore drilling regulations in Canada spurred on not only by the environmental catastrophe in the Gulf but by the commencement of a project to bore a well in the North Atlantic a full kilometer deeper than the ill-fated Deepwater Horizon well-head off the Louisiana coast.

On May 9, Chevron Canada started exploratory drilling of Lona O-55, a deep sea well that will reach 2.5 kilometers to the ocean floor in the Orphan Basin, 430 kilometers north-east of St. John’s, Newfoundland. Currently there is no drilling rig on Canada’s east coast that is capable of “spudding” a backup relief well at such depths. Moreover, the questionable efficacy of repair equipment at such depths, not to mention the lack of replacement parts rated for deep, cold water conditions, mean that an emergency “blowout” scenario would leave Chevron with few, if any, mitigation options.

This has not stopped regulatory authorities from rapidly moving the project forward. The license for Chevron to drill in the rough seas of the North Atlantic was continued even though the company itself admitted to regulators in a 2005 environmental assessment that it would be virtually helpless to clean up a “big spill.”

“Physical recovery of spilled oil off the coast of Newfoundland will be extremely difficult and inefficient for large blowout spills,” said the report. “First the generally rough sea conditions mean that containment and recovery techniques are frequently not effective. Second, the wide slicks that result from sub-sea blowouts mean that only a portion of the slick can be intercepted.” According to the findings, only 2 to 12 percent of a blowout spill could be retrieved under “typical wind and wave conditions.” In the event of a blowout, it would take at least three months to drill a relief well. This delay would result in millions of barrels of oil being released into the ocean.

Despite this admission, the Newfoundland Offshore Petroleum Board—the regulator for offshore drilling—gave the go-ahead for the project and, after federal regulations were relaxed in late 2005, only conducted a minimal environmental "screening" instead of the previously required "comprehensive environmental study."

As is the case with the United States' Minerals Management Service, the Newfoundland Offshore Petroleum Board is comprised of oil industry and government insiders. The current board chairman and chief executive officer, Max Ruelokke, left his job as a General Manager at AMEC Oil and Gas to take his present position. British-based AMEC is one of the world's foremost consultancy and service companies to Big Oil in developing "complex assets" like deepwater oil fields.

Echoing the initial lies and prevarications emanating from the spin rooms of British Petroleum (BP), the Newfoundland Board last month insisted that any slick from an offshore blowout would spread no further than one hundred miles and never make landfall. But this claim, which in any case made light of the fish and seabirds that would be devastated by a spill that was "confined" to the sea, was quickly dismissed by experts at the province's Memorial University.

"After ten days or something, a patch could be many hundreds of kilometers and after a month, a thousand kilometers is not a stretch," said Oceanography Department Head Brad de Young. "The oil would not likely end up on the northern part of the island of Newfoundland but the south coast is quite possible, as is the possibility that oil would move into the Gulf of St. Lawrence." Significant whale and fish populations as well as extensive seabird colonies would lie directly in this projected path.

A recent study by Toronto's York University and the Alder Institute in Newfoundland found that oil companies active in two of Newfoundland's other offshore fields—Terra Nova and White Rose—underestimated by six times the number of actual spills**.** Since 1997, 337 spills have been recorded in Newfoundland waters, dumping at least 430,000 liters of oil into the sea. Following the largest incident, a 2004 spill by Petro-Canada in the Terra Nova field, the company was fined $70,000. Petro-Canada's profits rose from $410 million in the year of the spill to $614 million the following year.

In order to assuage the growing popular outrage ignited by the Gulf oil spill, the Newfoundland regulators have placed some additional checks on the Orphan Basin exploration. These include ordering more frequent reporting, rig inspections, and blowout prevention valve-testing. A spokesman for the Newfoundland Petroleum Board conceded further "re-thinking" might be required, depending on findings from the Deepwater Horizon investigation.

But any "re-thinking," Conservative government and regulatory officials insist, must not be allowed to interfere with the current Orphan Basin project. Said regulator spokesperson Sean Kelly, "I don't think there has been any discussion around suspending this (Chevron) well because of anything happening in Louisiana. Because we don't know what happened (there), so we don't know what the implications are for the Newfoundland offshore."

While rejecting meaningful action, such as a halt to deep-water drilling or requiring relief wells and/or back-up rigs, the province's regulators have made a show of demanding that Chevron prove that "all personnel and equipment for spill response identified in its oil spill contingency plan are available for rapid deployment." Only then, declares the government and Petroleum Board, will Chevron be allowed to make final penetration of the seabed target.

But Chevron has admitted that its "spill contingency plan" is, from the standpoint of preventing an environmental disaster, little more than a sham, since even if fully implemented it will capture only 2 to 12 percent of the oil that will gush from a major Orphan Basin blowout and any "leak" will take months to cap.

Like the Bay Street and Wall Street banks, Canada's oil industry and political establishment are not driven by long-term and socially necessary considerations—including preserving the planet. Their overriding concern is ensuring the largest and quickest quarterly results and returns for investors. How else can one explain the haste with which the Government of Newfoundland and Chevron have begun drilling in Orphan Basin even as whole patches of the Gulf of Mexico are being devastated for generations to come?