

BP asks permission to resume drilling in Gulf of Mexico

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6 April 2011

Oil giant BP is negotiating with US regulators to secure permission to resume oil drilling in the Gulf of Mexico.

The drive to resume drilling comes even as investigations continue into the disaster that was precipitated by the explosion on April 20 last year of the BP-leased Deepwater Horizon oil rig in the Gulf, which killed 11 workers and led to the largest offshore oil spill in US history.

The US Justice Department opened criminal and civil investigations into the spill last June and filed a civil suit against the British-based company in December. Federal prosecutors are reportedly actively considering whether to bring manslaughter charges against the company and individual managers in connection with the disaster.

Former BP CEO Tony Hayward could face charges that his congressional testimony following the oil spill was intentionally misleading. Lower-level managers could also be charged, although manslaughter charges are considered more likely against the company rather than individual managers.

Deputy US Attorney General James Cole stated that the investigation had been consolidated within the Justice Department's criminal division. "There is a lot of investigation yet to be done," said Cole. "It's going to head wherever the law and the facts take it."

While the Justice Department holds out the possibility of criminal charges, the Obama Administration has generally taken steps to help the company minimize its losses and prepare to resume drilling operations under new and supposedly stricter safety standards. A spokeswoman for the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE), an agency of the US Department of the Interior, which is responsible for

regulation of offshore oil exploration, said that no agreement had been reached with BP, but another official said that an agreement could be reached within a month, according to the *New York Times*.

Kenneth Feinberg, heading up the BP oil spill compensation fund on behalf of the Obama administration, has claimed to be an independent arbiter trying to assist those who suffered ruinous losses because of the oil spill, although even a federal judge has ordered Feinberg to stop referring to his role as "independent" from BP. He is directly employed by BP, in order to head off an avalanche of lawsuits, and the company has demonstrated the real meaning of this relationship by increasing its monthly payments to Feinberg's Washington law firm to \$1.25 million from \$850,000.

BP is still paying cleanup costs arising from the 2010 disaster. It has set aside more than \$40 billion to cover the costs, but has also declared that the resumption of drilling is needed if it is to be able to pay for cleanup and claims arising from the incident.

While denying any deal with BP on the resumption of drilling, BOEMRE has granted permission to Royal Dutch Shell to drill in the Gulf pending approval of new safety standards. The Interior Department said it had approved Shell's environmental assessment of the specific site off the coast of Louisiana. Michael Bromwich, the director of the regulatory agency within the Interior Department, declared that "Shell's submission has satisfied the heightened environmental standards that we are now applying, and I am confident that other operators can satisfy the same standards." Exxon Mobil, Chevron and BHP Billiton are other oil giants that have been allowed to continue drilling.

In another report coming out of the Interior Department, a Norwegian company contracted to make

a study of the Deepwater Horizon disaster found that the blowout preventer designed to shut down the BP well in an emergency did not work because a damaged piece of pipe got in the way. The failure of the blowout preventer caused the oil spill to turn into a full-scale disaster. The finding on the blowout preventer was part of a broader investigation by the firm Det Norske Veritas undertaken for the Department of the Interior.

According to Transocean, owner of the rig and the blowout preventer, which were leased from it by BP, the latest report demonstrated that the equipment “was in proper operating condition and functioned as designed.” According to Transocean, the responsibility for the explosion and oil spill lies largely with BP, while BP in turn has pointed to crucial errors by Transocean and other contractors.

The report, which was released late last month, could lead to design changes in the blowout preventers, devices that are designed as the last line of defense to prevent catastrophic oil spills. Massachusetts Congressman Edward Markey, who has criticized BP’s role in the disaster, said the latest report “calls into question whether oil industry claims about the effectiveness of blowout preventers are just a bunch of hot air.”

In a related development, two employees of Transocean refused to testify before a federal hearing in New Orleans this week into the Deepwater Horizon explosion and oil spill. The hearing is being jointly sponsored by BOEMRE and the US Coast Guard.

Two subpoenaed employees of Transocean, James Kent and Jay Odenwald, are ignoring the subpoenas on the advice of their lawyers. The attorneys said the subpoenas have geographic limits and their clients are not obligated to attend. Odenwald’s lawyer also said, “I made the decision that he just wasn’t going to be subject to a spectacle they call a hearing.”

A spokesman for Transocean claimed the company had cooperated with the investigation, “but our cooperation does not and will not include efforts to pressure employees into sacrificing their constitutional rights or their right to personal legal counsel.” The Interior Department’s Bromwich said the refusal to testify was “unacceptable.”

The arrogance of the oil industry chiefs was reflected in an announcement made the same day as that of the refusal of the Transocean employees to testify in New

Orleans. Transocean cited 2010—the year of the Deepwater Horizon disaster leading to the deaths of 11 and the biggest oil spill in history—as its “best year in safety performance.” On this basis, it submitted an official securities filing on executive pay that granted “safety” bonuses to its executives, including almost \$400,000 to its CEO Steven Newman.

“Notwithstanding the tragic loss of life in the Gulf of Mexico, we achieved an exemplary statistical safety record,” said the official Transocean statement, in a textbook example of using statistics to defy common sense. “The statements of fact in the proxy speak for themselves,” an official company spokesman said, sanctimoniously continuing, “but they do not and can not adequately convey the extent to which everyone at Transocean is keeping the families of the men who lost their lives at Macondo in their thoughts and prayers as we approach the first anniversary of the incident.”



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